

**TIMMINS GOLD CORP.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS – RESTATED**

September 30, 2006

(Unaudited)

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THE ACCOMPANYING RESTATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2006 HAVE NOT BEEN REVIEWED OR AUDITED BY THE COMPANY'S AUDITORS.

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**TIMMINS GOLD CORP.**  
**INTERIM CONSOLIDATED BALANCE SHEETS – RESTATED**  
September 30, 2006 and March 31, 2006  
(Unaudited)

	September 30 <u>2006</u>	March 31, <u>2006</u>
<b><u>ASSETS</u></b>		
Current		
Cash	\$ 734,119	\$ 2,996
Receivables	259,927	52,557
Prepaid expenses	51,156	15,502
Deferred costs	<u>-</u>	<u>142,500</u>
	1,045,202	213,555
Cash – restricted – Note 2	90,000	-
Capital assets, net – Note 3	132,417	2,946
Mineral properties – Note 4 and Schedule 1	<u>1,916,105</u>	<u>595,181</u>
	<u>\$ 3,183,724</u>	<u>\$ 811,682</u>
<b><u>LIABILITIES</u></b>		
Current		
Accounts payable and accrued liabilities	\$ 105,656	\$ 192,239
Advances due to related parties – Note 5	<u>38,875</u>	<u>79,600</u>
	<u>\$ 144,531</u>	<u>\$ 271,839</u>
<b><u>SHAREHOLDERS' EQUITY</u></b>		
Share capital – Note 6	3,374,090	685,516
Contributed surplus – Notes 6 and 9	582,488	92,625
Deficit – Note 9	<u>(917,385)</u>	<u>(238,298)</u>
	<u>3,039,193</u>	<u>539,843</u>
	<u>\$ 3,183,724</u>	<u>\$ 811,682</u>

SEE ACCOMPANYING NOTES

**TIMMINS GOLD CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT – RESTATED**  
for the three and six months ended September 30, 2006 and  
from March 17, 2005 (Date of Incorporation) to September 30, 2005  
(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General and Administrative Expenses				
Accounting and audit	\$ 1,762	\$ -	\$ 4,262	\$ -
Amortization	5,066	8	7,804	8
Bank charges and interest	7,396	-	39,666	-
Consulting	43,249	-	69,556	-
Foreign exchange loss/(gain)	25,321	-	29,374	-
Investor relations	2,923	-	2,923	-
Legal	1,223	5,350	11,223	6,287
Management fees	10,469	-	10,469	-
Office and miscellaneous	23,171	69	28,562	766
Promotion	3,435	640	5,819	2,669
Rent	16,273	-	26,446	-
Salaries and wages	19,559	6,000	34,559	17,500
Stock-based compensation – Notes 6 and 9	366,843	-	366,843	-
Telephone	3,161	525	3,868	951
Transfer agent and regulatory	10,758	-	27,623	-
Travel	<u>(1,826)</u>	<u>-</u>	<u>10,090</u>	<u>2,463</u>
Net loss for the period	(538,783)	(12,592)	(679,087)	(30,644)
Deficit, beginning of the period	<u>(378,602)</u>	<u>(18,052)</u>	<u>(238,298)</u>	<u>-</u>
Deficit, end of the period	<u>\$ (917,385)</u>	<u>\$ (30,644)</u>	<u>\$ (917,385)</u>	<u>\$ (30,644)</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>18,276,250</u>	<u>7,343,298</u>	<u>14,631,256</u>	<u>5,648,123</u>

SEE ACCOMPANYING NOTES

**TIMMINS GOLD CORP.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS – RESTATED**  
for the three and six months ended September 30, 2006 and  
from March 17, 2005 (Date of Incorporation) to September 30, 2005  
(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Operating Activities</b>				
Net loss for the period	\$ (538,783)	\$ (12,592)	\$ (679,087)	\$ (30,644)
Add items not affecting cash:				
Amortization	5,066	-	7,804	-
Bonus on convertible promissory notes	(12,500)	-	-	-
Bonus on promissory notes	(17,500)	-	-	-
Stock-based compensation	<u>366,843</u>	<u>-</u>	<u>366,843</u>	<u>-</u>
	(196,874)	(12,592)	(304,440)	(30,644)
Changes in non-cash working capital balances:				
Receivables	(192,927)	(2,194)	(207,370)	(2,390)
Prepaid expenses	(8,580)	-	(35,654)	-
Deferred costs	142,500	-	142,500	-
Cash – restricted	(90,000)	-	(90,000)	-
Accounts payable and accrued liabilities	<u>(188,114)</u>	<u>5,790</u>	<u>(110,583)</u>	<u>6,790</u>
	<u>(533,995)</u>	<u>(8,996)</u>	<u>(605,547)</u>	<u>(26,244)</u>
<b>Investing Activities</b>				
Capital asset additions	(65,413)	-	(137,275)	-
Exploration advances	-	(279,674)	-	(355,500)
Mineral property costs	<u>(1,193,069)</u>	<u>(30,622)</u>	<u>(1,296,924)</u>	<u>(30,622)</u>
	<u>(1,258,482)</u>	<u>(310,296)</u>	<u>(1,434,199)</u>	<u>(386,122)</u>
<b>Financing Activities</b>				
Advances due to related parties	9,134	(14,628)	(40,725)	29,947
Convertible promissory notes	(175,000)	-	-	-
Promissory notes	(125,000)	-	-	-
Issuance of common shares (net of share issue costs)	<u>2,811,594</u>	<u>333,156</u>	<u>2,811,594</u>	<u>392,854</u>
	<u>2,520,728</u>	<u>318,528</u>	<u>2,770,869</u>	<u>422,801</u>
Change in cash during the period	728,251	(764)	731,123	10,435
Cash, beginning of the period	<u>5,868</u>	<u>11,200</u>	<u>2,996</u>	<u>1</u>
Cash, end of the period	<u>\$ 734,119</u>	<u>\$ 10,436</u>	<u>\$ 734,119</u>	<u>\$ 10,436</u>
<b>Supplemental disclosure of cash flow information:</b>				
Cash paid for:				
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES

**TIMMINS GOLD CORP.**  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – RESTATED  
September 30, 2006  
(Unaudited)

Note 1 Interim Reporting

The interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These interim consolidated financial statements should be read together with the Company's annual audited consolidated financial statements and the accompanying notes for the year ended March 31, 2006. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

These interim consolidated financial statements have been prepared on a going-concern basis. As at September 30, 2006, the Company had working capital of \$900,671 which may be insufficient to sustain operations over the next twelve months, had not yet achieved profitable operations and has incurred losses of \$917,385 since inception. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and to repay its liabilities arising from normal business operations when they come due. These interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue as a going concern.

Note 2 Cash - restricted

Pursuant to an employment agreement with a director and officer of the Company, funds were placed in escrow in accordance to the terms of the agreement.

Note 3 Capital Assets

	<u>Cost</u>	2006 <u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 29,407	\$ (2,647)	\$ 26,760
Office furniture and equipment	103,075	(5,224)	97,851
Leasehold improvements	<u>8,259</u>	<u>(453)</u>	<u>7,806</u>
	<u>\$ 140,741</u>	<u>\$ (8,324)</u>	<u>\$ 132,417</u>

Capital assets are recorded at cost. Computer equipment is amortized on a declining balance basis at an annual rate of 30%. Office furniture and equipment is amortized on a declining balance basis at an annual rate of 20%. Leasehold improvements are amortized on a straight-line basis at an annual rate of 20%. Additions during the year are amortized at one-half rates.

Note 4 Mineral Properties – Schedule 1

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as the potential for problems arising from the frequently ambiguous conveyance history characteristic of mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. The properties in which the Company has committed to earn an interest are located in Mexico and the Company is therefore relying on title opinion by legal counsel who is basing such opinions on the laws of Mexico. As there were no mineral property acquisitions or deferred exploration performed during the six months ended September 30, 2005 there is no schedule provided.

	Balance, March 31 <u>2006</u>	<u>Additions</u>	Balance, September 30, <u>2006</u>
San Francisco Property - Mexico	\$ 595,181	\$ 1,320,924	\$ 1,916,105

San Francisco Project- Mexico

- a) By option agreement dated April 15, 2005 and amended February 13, 2006, the Company's wholly owned subsidiary, Timmins Goldcorp Mexico S.A. de C.V acquired a 50% interest in five mineral titles located in the State of Sonora, Mexico (the "San Francisco Project") by incurring exploration expenditures of US\$2,500,000 as follows:
  - i. US\$1,000,000 on or before April 15, 2006 (amended to September 1, 2006, incurred);
  - ii. An additional US\$1,500,000 April 15, 2007.
- b) During the period ended September 30, 2006, the Company received property title of the Timmins and Timmins II concessions (36,479 hectares) and the Timmins III frac. 1 and 2 (400 hectares) issued by the Ministry of Economy. These concessions are located in Santa Ana in the State of Sonora, Mexico and have been included in the San Francisco Project.

Note 5 Advances Due to Related Parties

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

Note 6 Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, March 31, 2006	10,948,633	\$ 685,516	\$ 92,625
For cash:			
Pursuant to Initial Public Offering – at \$0.35	9,000,000	3,150,000	-
Pursuant to Agent’s Corporate Finance Shares – at \$0.35	75,000	26,250	-
Agents’ broker warrants	-	-	123,020
Less: share issue costs	-	(587,426)	-
Conversion of Promissory Note	285,000	99,750	-
Stock-based compensation	<u>-</u>	<u>-</u>	<u>366,843</u>
Balance, September 30, 2006	<u>20,308,633</u>	<u>\$ 3,374,090</u>	<u>\$ 582,488</u>

c) Stock Options:

Stock-based Compensation Plan

The Company has a stock option plan (the “Plan”) for directors, senior officers, employees, consultants and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. Options granted for a term not exceeding five years. Incentive Share Purchase Options granted to directors, senior officers, employees and consultants vest when granted. Options granted to consultants performing investor relations activities vest over a period of twelve months.

c) Stock Options – (cont'd)

Stock-based Compensation Plan

A summary of the stock option activity is presented below:

	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Outstanding, March 31, 2006	-	-
Granted	<u>2,000,000</u>	\$0.35
Outstanding, September 30, 2006	<u>2,000,000</u>	<u>\$0.35</u>
Vested, September 30, 2006	<u>1,550,000</u>	<u>\$0.35</u>

Share purchase options outstanding at September 30, 2006 are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,500,000	\$0.35	July 25, 2011
<u>500,000*</u>	\$0.35	September 6, 2011
<u>2,000,000</u>		

\* The share purchase options granted to a director and officer of the Company vest under the same terms of the Company's escrow shares (see below).

The Company has recorded \$366,843 (2005: \$Nil) of compensation expense for stock-based compensation relating to options granted and vested during the period. The fair value of the options granted has been determined using the Black-Scholes option pricing model with the following assumptions:

	Six months ended September 30, <u>2006</u>
Expected dividend yield	Nil
Expected volatility	80%
Risk-free interest rate	4.01 - 4.26%
Weighted average expected term	5.0 years

d) Share Purchase Warrants:

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

Outstanding, March 31, 2006	-
Granted	<u>10,155,000</u>
Outstanding, September 30, 2006	<u>10,155,000</u>

Share purchase warrants outstanding at September 30, 2006 are as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
9,075,000	\$0.50	July 25, 2007
<u>1,080,000</u>	\$0.35	July 25, 2007
<u>10,155,000</u>		

e) Escrow:

At September 30, 2006, 5,400,000 (2005: Nil) common shares were held in escrow subject to the approval of the regulatory authorities. Uniform terms of automatic timed-release escrow apply to principals of exchange-listed issuers and the following automatic timed releases apply to securities held by its principals:

On the listing date	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow shares
12 months after the listing date	1/5 of the remaining escrow shares
18 months after the listing date	1/4 of the remaining escrow shares
24 months after the listing date	1/3 of the remaining escrow shares
30 months after the listing date	1/2 of the remaining escrow shares
36 months after the listing date	the remaining escrow shares

Timmins Gold Corp.  
Notes to the Interim Consolidated Financial Statements – Restated  
September 30, 2006  
(Unaudited) – Page 6

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

	Three months ended September 30,		Six months ended September 30,	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Mineral property costs:				
- deferred exploration costs				
– field work and consulting	\$ 11,868	\$ -	\$ 40,459	\$ -
Share issue costs:				
- legal fees	90,000	-	90,000	-
Legal fees	(3,156)	5,350	6,844	6,287
Salaries and wages	<u>18,559</u>	<u>6,000</u>	<u>33,559</u>	<u>17,500</u>
	<u>\$ 117,271</u>	<u>\$ 11,350</u>	<u>\$ 170,862</u>	<u>\$ 23,787</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 September 30, 2006 and March 31, 2006 are the following related party amounts:

	September 30, <u>2006</u>	March 31, <u>2006</u>
Accounts payable and accrued liabilities	<u>\$ 30,431</u>	<u>\$ 118,106</u>

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

	September 30, <u>2006</u>	March 31, <u>2006</u>
Advances due to related parties	<u>\$ 38,875</u>	<u>\$ 79,600</u>

The Company has one reportable operating segment, the acquisition and exploration of mineral properties. Geographical information is as follows:

	<u>Total Assets</u>	<u>Capital Assets</u>	<u>Mineral Properties</u>
September 30, 2006			
Canada	\$ 784,057	\$ 92,068	\$ -
Mexico	<u>2,399,667</u>	<u>40,349</u>	<u>1,916,105</u>
	<u>\$ 3,183,724</u>	<u>\$ 132,417</u>	<u>\$ 1,916,105</u>
March 31, 2006			
Canada	\$ 213,876	\$ 2,496	\$ -
Mexico	<u>597,806</u>	<u>-</u>	<u>537,027</u>
	<u>\$ 811,682</u>	<u>\$ 2,496</u>	<u>\$ 537,027</u>

Note 8 Restatement of Interim Consolidated Financial Statements

An error in the recording of stock-based compensation expense was discovered subsequent to the filing of the September 30, 2006 interim consolidated financial statements. The error resulted from the recording of the fair value of 500,000 stock options, as determined by using the Black-Scholes option pricing model, at the time of grant rather than at the time of vesting. The stock options had been granted to a director and officer of the Company pursuant to the terms of an employment agreement and vest over a 3 year period. The fair value of those options should have been recognized over that period. At period end 10% of the total options granted (i.e. 50,000 options), had vested and as such should have been recorded as stock-based compensation expense. The error resulted in an overstatement of stock-based compensation expense by \$147,416 (i.e. the fair-value of 450,000 stock options). Consequently the loss for the period and deficit were over stated by the same amount. The error was an accounting entry that had no impact on the Company's cash balance or working capital.

## Schedule 1

**TIMMINS GOLD CORP.**  
**INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY – RESTATED**  
for the six months ended September 30, 2006  
(Unaudited)

	<u>San Francisco Project</u>		
	March 31, <u>2006</u>	<u>Changes</u>	September 30, 2006
Acquisition costs and holding costs			
Acquired for cash	\$ 31,345	\$ -	\$ 31,345
Claim staking	14,410	-	14,410
Mining taxes and assessment	37,479	186,449	223,928
Surface rights	<u>68,369</u>	<u>33,330</u>	<u>101,699</u>
Subtotal acquisition costs	151,603	219,779	371,382
Deferred Exploration Costs			
Administration	1,265	40	1,305
Assays	30,405	13,061	43,466
Camp and field costs	15,863	39,882	55,745
Communications	2,529	1,677	4,206
Drilling	76,349	609,315	685,664
Engineering and feasibility	-	36,818	36,818
Exploration expense	20,543	34,199	54,742
Field work and consulting	273,233	224,325	497,558
Legal	-	107,909	107,909
Property investigation	11,216	-	11,216
Reports, drafting and maps	1,764	1,119	2,883
Travel and accommodation	10,411	10,054	20,465
Trenching and roadwork	-	19,642	19,642
Vehicle rental	<u>-</u>	<u>3,104</u>	<u>3,104</u>
Subtotal deferred exploration costs	<u>443,578</u>	<u>1,101,145</u>	<u>1,544,723</u>
	<u>\$ 595,181</u>	<u>\$ 1,320,924</u>	<u>\$ 1,916,105</u>