

TIMMINS GOLD CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

AND AUDITORS' REPORT

MARCH 31, 2007 and 2006

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Charlton & Company
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To: the Shareholders of
Timmins Gold Corp.

We have audited the consolidated balance sheets of Timmins Gold Corp. as at March 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years ended March 31, 2007 and 2006. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006, and the results of its operations and cash flows for the years ended March 31, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

"Charlton & Company"

CHARTERED ACCOUNTANTS

Vancouver, Canada
July 13, 2007

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT MARCH 31

	2007	2006
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 57,773	\$ 2,996
Accounts receivable	144,244	52,557
Prepaid expenses	11,000	15,502
Deferred costs (Note 3)	-	142,500
	<u>213,017</u>	<u>213,555</u>
Cash – restricted (Note 4)	77,276	-
Equipment (Note 5)	96,514	2,946
Resource properties (Note 6)	<u>2,602,038</u>	<u>595,181</u>
	<u>\$ 2,988,845</u>	<u>\$ 811,682</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 217,556	\$ 192,239
Due to related parties (Note 9a)	70,534	79,600
	<u>288,090</u>	<u>271,839</u>
Shareholders' equity		
Share capital (Note 7)	3,530,082	685,516
Contributed surplus (Note 7)	262,535	92,625
Deficit, per accompanying statement	<u>(1,091,862)</u>	<u>(238,298)</u>
	<u>2,700,755</u>	<u>539,843</u>
	<u>\$ 2,988,845</u>	<u>\$ 811,682</u>

Nature and continuance of operations (Note 1)

Subsequent events (Note 14)

On behalf of the Board:

“Bruce Bragagnolo”

Director

“Darcy Grohman”

Director

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

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED MARCH 31

	2007	2006
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 36,288	\$ 17,346
Amortization	15,566	520
Consulting	174,746	6,066
Foreign exchange loss	5,533	13,543
Investor relations	76,814	26,606
Interest	42,162	-
Legal	62,709	17,076
Office and miscellaneous	60,435	6,197
Property evaluation	-	3,088
Rent	48,400	-
Salaries and wages	176,428	40,500
Stock-based compensation (Note 7)	51,632	92,625
Telephone	20,807	4,560
Transfer and listing fees	39,690	-
Travel	51,917	10,171
	<u>(863,127)</u>	<u>(238,298)</u>
OTHER ITEM		
Interest income	<u>9,563</u>	<u>-</u>
Loss for the year	(853,564)	(238,298)
Deficit, beginning of year	<u>(238,298)</u>	<u>-</u>
Deficit, end of year	<u>\$ (1,091,862)</u>	<u>\$ (238,298)</u>
Loss per share – basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.03)</u>
Weighted average number of shares outstanding	<u>17,519,229</u>	<u>8,107,697</u>

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (853,564)	\$ (238,298)
Items not affecting cash:		
Amortization	15,566	520
Stock-based compensation	51,632	92,625
	<u>(786,366)</u>	<u>(145,153)</u>
Changes in non-cash working capital items:		
Increase in accounts receivable	(91,687)	(52,557)
Increase (decrease) in prepaid expenses	4,502	(15,502)
Increase in accounts payable and accrued liabilities	25,317	192,239
Increase (decrease) in due to related parties	(9,066)	79,600
	<u>(857,300)</u>	<u>58,627</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common shares	3,300,000	748,294
Change in deferred costs	142,500	(142,500)
Share issuance costs	(436,906)	(62,779)
Proceeds from convertible promissory note	125,000	-
Repayment of convertible promissory note	(25,250)	-
Proceeds from related party promissory note	175,000	-
Repayment of related party promissory note	(175,000)	-
	<u>3,105,344</u>	<u>543,015</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(109,134)	(3,466)
Expenditures on resource properties	(2,006,857)	(595,181)
	<u>(2,115,991)</u>	<u>(598,647)</u>
Increase in cash during the year	132,053	2,995
Cash, beginning of year	<u>2,996</u>	<u>1</u>
Cash, end of year	<u>\$ 135,049</u>	<u>\$ 2,996</u>
Cash consists of:		
Cash and cash equivalents	\$ 57,773	\$ 2,996
Cash - restricted	77,276	-
	<u>\$ 135,049</u>	<u>\$ 2,996</u>

Supplemental disclosure with respect to cash flows (Note 10)

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

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

1. NATURE AND CONTINUANCE OF OPERATIONS

Timmins Gold Corp. (the "Company") was incorporated on March 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, Timmins Goldcorp Mexico, S.A. de C.V. The Company is listed for trading on the TSX Venture Exchange ("TSX-V"). The Company is in the exploration and development 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.

	2007	2006
Working capital deficiency	\$ 75,073	\$ 58,284
Deficit	\$ (1,091,862)	\$ (238,298)

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and framework of the significant accounting policies summarized below:

(a) **Principle of consolidation**

These financial statements include the accounts of the Company and its wholly-owned subsidiary, Timmins Goldcorp Mexico, S.A. de C.V. The subsidiary was incorporated on March 23, 2005. All significant inter-company balances and transactions have been eliminated.

(b) **Cash and cash equivalents**

Cash and cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of 12 months or less at acquisition, that are readily convertible to contracted amounts of cash. Unrestricted cash of \$57,773 as of March 31, 2007, consist of deposits in bank accounts with no restriction for disposals of cash flow.

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) **Equipment**

Equipment is recorded at cost less accumulated amortization. Additions made during the year are amortized at one-half rates. 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

(d) **Resource properties**

The Company defers the cost of acquiring, maintaining its interest, 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 an 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 an 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, and are not intended to represent present or future values.

(e) **Property investigation expenses and administrative**

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 statement of loss and deficit.

(f) **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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) **Impairment of long-lived assets**

An impairment loss is recognized for long-lived assets including mineral properties and deferred expenditures, when events or changes in circumstances causes 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 of the asset from its carrying value.

(h) **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.

(i) **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 loss and deficit. The temporal method involves of 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 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 is translated at historical rates.

(j) **Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

(k) **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.

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) **Cost of maintaining resource properties**

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

(m) **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 accrued and 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.

(n) **Environmental expenditures and asset retirement obligations**

The operations of the Company may be affected by changes in environmental regulations, including those relating to future reclamation and site restoration. Both the likelihood of new regulations and their overall effect upon the Company are unknown and unpredictable. The fair value of a liability for an asset retirement obligation will be recognized in the year in which it is incurred, if a reasonable estimate of fair value can be made. The associated asset retirement costs will be capitalized as part of the carrying amount of the long-lived asset and will subsequently be amortized over the asset's useful life. As at March 31 2007, the Company has made no provision for site restoration costs or potential environmental liabilities as all its properties are still in the exploration stage. Factors such as further exploration, inflation and changes in technology may materially change a cost estimate previously made.

(o) **Future accounting changes**

In April 2005, the Canadian Institute of Chartered Accountants issued two new accounting standards: Handbook section 1530, Comprehensive Income, and Handbook section 3855, Financial Instruments – Recognition and Measurement. These sections are effective for fiscal years beginning on or after October 1, 2006. These new standards require certain financial assets and liabilities to be measured at fair value, and establish a new measure of income, comprehensive income, to represent the change in net assets other than changes attributable to transactions with the Company's shareholders. The Company has not yet adopted these standards and is required adopt the new standard on April 1, 2007. The Company is currently assessing the implications of the new accounting standards on the consolidated financial statements.

3. DEFERRED COSTS

Upon completion of initial public offering (IPO), deferred financing costs were charged against the related proceeds from the sale of shares during the year ended March 31, 2007.

4. CASH - RESTRICTED

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. These funds will only be distributed to the director if certain specified events occur.

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

5. EQUIPMENT

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 22,189	\$ 5,649	\$ 16,540	\$ 3,466	\$ 520	\$ 2,946
Leasehold improvements	8,259	826	7,433	-	-	-
Office furniture and equipment	46,198	4,287	41,911	-	-	-
Vehicles	35,954	5,324	30,630	-	-	-
	<u>\$ 112,600</u>	<u>\$ 16,086</u>	<u>\$ 96,514</u>	<u>\$ 3,466</u>	<u>\$ 520</u>	<u>\$ 2,946</u>

6. RESOURCE PROPERTIES

San Francisco Project - Mexico

- a) By option agreement dated April 15, 2005, and amended February 13, 2006, the Company acquired a 50% interest in five mineral titles located in the State of Sonora, Mexico (the "San Francisco Project") by undertaken to incur exploration expenditures of US\$2,500,000 as follows: US\$1,000,000 on or before April 15, 2006 (amended to September 1, 2006, incurred), and an additional US\$1,500,000 on or before April 15, 2007. This option agreement was terminated on April 20, 2007, when the Company reached an agreement to acquire 100% of the San Francisco gold mine in Sonora, Mexico, as well as the gold plant and equipment and infrastructure through the acquisition of 100% of the outstanding shares of Molimentales del Noroeste, S.A. de C.V. (MdN) (Note 14a).
- b) During the year ended March 31, 2007, the Company received property title to the Timmins and Timmins II concessions (36,479 hectares) and the Timmins III fraction 1 and 2 (400 hectares) issued by the Ministry of Economy in Mexico. These concessions are located in Santa Ana in the State of Sonora, Mexico and have been included in the San Francisco Project.
- c) Capitalized costs are as follows:

	<u>March 31, 2006</u>	<u>Additions</u>	<u>March 31, 2007</u>
Acquisition and holding costs			
Acquired for cash	31,345	-	31,345
Claim staking	14,410	25,032	39,442
Mining taxes and assessments	37,479	228,075	265,554
Surface rights	68,369	67,165	135,534
	<u>151,603</u>	<u>320,272</u>	<u>471,875</u>
Total acquisition costs	<u>151,603</u>	<u>320,272</u>	<u>471,875</u>

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

6. RESOURCE PROPERTIES (continued)

Deferred exploration costs	<u>31-Mar-06</u>	<u>Additions</u>	<u>31-Mar-07</u>
Administration	1,265	1,571	2,836
Assays	30,405	90,574	120,979
Camp and field costs	15,863	24,606	40,469
Communication	2,529	3,685	6,214
Drilling	76,349	644,363	720,712
Engineering and feasibility	-	52,441	52,441
Field work and geological consulting	273,233	597,714	870,947
Legal and filing fees	-	163,689	163,689
Miscellaneous exploration expenses	20,543	78,860	99,403
Property investigation	11,216	-	11,216
Reports, drafting and maps	1,764	3,612	5,376
Travel and accommodation	10,411	25,470	35,881
Total exploration costs	<u>443,578</u>	<u>1,686,585</u>	<u>2,130,163</u>
Total expenditures on resource properties	\$ 595,181	\$ 2,006,857	\$ 2,602,038

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
(a) Authorized			
Unlimited common shares, without par value			
(b) Issued			
Balance, March 31, 2005	1	\$ 1	\$ -
For cash			
Pursuant to issuance of escrow shares	6,000,000	6,000	-
Pursuant issuance of seed shares	4,948,632	742,294	-
Issuance costs	-	(62,779)	-
Stock-based compensation	-	-	92,625
Balance, March 31, 2006	10,948,633	685,516	92,625
For cash			
Pursuant to IPO (Note 7c)	9,000,000	3,150,000	-
Pursuant to agent's corporate finance shares (Note 7c)	75,000	26,250	-
Pursuant to options exercised (Note 7d)	200,000	70,000	-
Pursuant to warrants exercised (Note 7c)	107,500	53,750	-
Share issue costs (Note 7c)	-	(602,664)	165,758
Conversion of promissory note (Note 7e)	285,000	99,750	-
Fair value on stock options exercised (Note 7d)	-	47,480	(47,480)
Stock-based compensation	-	-	51,632
Balance, March 31, 2007	20,616,133	\$ 3,530,082	\$ 262,535

- (c) On July 20, 2006, the Company completed its IPO and issued 9,000,000 units at a price of \$0.35 per unit for gross proceeds of \$3,150,000. Each unit consisted of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for one year at \$0.50 on or before July 25, 2007 (Note 14i).

The Company paid an agent's fee of \$252,000 in cash, and issued 1,080,000 agent's warrants which are exercisable into one common share at a price of \$0.35 up to July 25, 2007. The fair value of the agent's warrants of \$165,758 using Black-Scholes was recognized. The agent was also paid a corporate finance fee of 75,000 units under the same terms as the units issued for the IPO. During the year, 107,500 share purchase warrants issued under the IPO were exercised for total proceeds of \$53,750 (Note 14i).

- (d) During the year ended March 31, 2007, 200,000 stock options at a price of \$0.35 were exercised for gross proceeds of \$70,000. The fair value of these options at the date of grant of \$47,480 was transferred from contributed surplus on the exercise of these options.
- (e) During the year ended March 31, 2007, the Company issued 285,000 units at a price of \$0.35 per unit to settle \$99,750 of a \$125,000 convertible promissory note. Each unit consisted of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for one year at \$0.50 on or before July 27, 2007.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

- (f) 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 5 years, have an exercise price equal to the market price on the date of the grant and may be subject to vesting terms as determined by the board of directors. Options granted to consultants performing investor relations activities vest over a period of twelve months.

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

	Shares	Weighted Average Exercise Price
Outstanding, March 31, 2005	-	-
Granted	1,500,000	\$0.35
Exercised	-	\$0.35
Cancelled	-	\$0.35
Outstanding, March 31, 2006	1,500,000	\$0.35
Granted	500,000	\$0.35
Exercised	(200,000)	\$0.35
Cancelled	(100,000)	\$0.35
Outstanding, March 31, 2007 (Notes 14e, g and h)	1,700,000	\$0.35
Vested, March 31, 2007	1,325,000	\$0.35

Stock options outstanding at March 31, 2007 are as follows:

Number of Options	Exercise Price	Expiry Date
1,300,000	\$ 0.35	July 25, 2011
<u>400,000</u>	0.35	September 6, 2011
1,700,000		

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. Total fair value of stock options vested during the year ended March 31, 2007 was \$51,632 (2006 - \$92,625).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and agents' compensation options granted during 2007 and 2006:

	2007	2006
Risk-free interest rate	4.01%	3.92%
Expected life of options	5 years	5 years
Annualized volatility	113.00%	0.00%
Dividend rate	0.00%	0.00%

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

(g) Share purchase and agent's warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, March 31, 2006	-	\$ -
Granted	10,440,000	\$0.48
Exercised	(107,500)	\$0.50
Outstanding, March 31, 2007 (Note 14i)	<u>10,332,500</u>	

Share purchase and agent's warrants outstanding at March 31, 2007 are as follows:

Number of Warrants	Exercise Price	Expiry Date
9,252,500	\$ 0.50	July 25, 2007
<u>1,080,000</u>	0.35	July 25, 2007
<u>10,332,500</u>		

(h) Escrow

At March 31, 2007, 4,500,000 (2005: 6,000,000) 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:

Number of Shares to be Released	Date of Release
900,000	July 25, 2007
900,000	January 25, 2008
900,000	July 25, 2008
900,000	January 25, 2009
<u>900,000</u>	July 25, 2009
<u>4,500,000</u>	

8. FINANCIAL INSTRUMENTS

Cash is not subject to currency risks. The Company does not believe it is subject to any significant credit risk although cash and equivalents are held in excess of federally insured limits, with a major Canadian banking institution

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2007

8. FINANCIAL INSTRUMENTS (continued)

The Company's other financial instruments consist of accounts receivable, accounts payable and accrued liabilities, and amounts due to related parties. In management's opinion, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

9. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2007, the Company entered into the following transactions with related parties:

- (a) As of March 31, 2007, the Company owed a director (and subsequently an officer) \$70,534 (2006 - \$79,600) for successive loans and expense advances.
- (b) The Company incurred \$42,113 of legal fees (2006 - \$15,990) to a company controlled by a director (and subsequently an officer). As of March 31, 2007, \$6,650 (2006 - \$1,000) included in accounts payable was owed to this company, and \$647 (2006 - \$125 was payable to trust) was held in trust by this company.
- (c) During the year ended March 31, 2007, a director (and subsequently an officer) of the Company loaned the Company \$175,000. The loan was evidenced by way of an unsecured promissory note. A bonus calculated as 10% of the principal amount owing was payable as consideration for the loan. During the year ended March 31, 2007, the promissory note and bonus of \$14,147 (net of forgiven bonus of \$3,353) were paid in full.
- (d) During the year ended March 31, 2007, \$90,000 was placed in trust with a legal firm pursuant to the Company's employment agreement with a director and officer. As of March 31, 2007, \$77,276 (2006 - \$Nil) was held in trust by the legal company.
- (e) During the year ended March 31, 2007, \$3,500 of geological consulting fees (2006: \$Nil) and \$42,000 of consulting fees (2006: \$Nil) were incurred by a director and former directors and officers of the Company.

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

TIMMINS GOLD CORP.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2007	2006
Cash paid during the year for income taxes	\$ -	\$ -
Cash paid during the year for bonuses paid on promissory notes	\$ 29,145	\$ -

Significant non-cash transactions during the year ended March 31, 2007 were as follows:

The Company issued 285,000 common shares at \$0.35 for the settlement of the promissory note (Note 7c).

11. COMMITMENTS

The Company has lease commitments for office premises and equipment which require future minimum lease payments for the fiscal years ended:

March 31, 2008	\$ 45,773
2009	45,773
2010	45,773
2011	45,773

12. SEGMENTED INFORMATION

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

	Total Assets	Equipment	Mineral Properties	Other Assets
2007				
Canada	\$ 211,682	\$ 60,801	\$ -	\$ 150,881
Mexico	<u>2,777,163</u>	<u>35,713</u>	<u>2,602,038</u>	<u>139,412</u>
	\$ 2,988,845	\$ 96,514	\$ 2,602,038	\$ 290,293
2006				
Canada	\$ 213,876	\$ 2,946	\$ -	\$ 210,930
Mexico	<u>597,806</u>	<u>-</u>	<u>595,181</u>	<u>2,625</u>
	\$ 811,682	\$ 2,946	\$ 595,181	\$ 213,555

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13. INCOME TAX AND ASSET TAX

For accounting purposes, resource property costs are treated the same as for tax purposes. These expenses are to be deducted when the resource properties are abandoned or sold, or amortized at the corresponding tax rates of the year in which the Company begins its operations.

According to Mexican Income Tax Law, inflationary effects generated by monetary assets or liabilities have to be recognized as deductible items for income tax purposes, even if the Company is in the development stage, and additional expenses not related to exploration are to be expensed for tax purposes. The Company's subsidiary estimated a \$103,573 (2006: \$11,164) tax loss for the year ended March 31, 2007 in Mexico. This loss can be carried forward for ten years.

An assets tax is applied at 1.25% over the net amount of certain of the Company's subsidiary's assets and liabilities, if the amount of this tax exceeds income tax. During the year ended March 31, 2007, the Company was exempt for the payment of asset tax according to the current tax legislation, as the company is in the development stage.

Timmins Gold Corp., the parent company, recorded a loss for tax purposes of \$611,551 (2006: \$145,153). This loss can be carried forward for twenty years.

Future tax benefits which may arise as a result of these losses and undeducted resource property costs and deferred costs have not been recognized in these financial statements as their realization has not been judged more likely than not to occur.

14. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2007:

- (a) On April 20, 2007, the Company's Mexican subsidiary acquired (the "Acquisition Agreement") 100% of the outstanding voting shares of Molimentales del Noroeste, S.A. de C.V. (MdN), a Mexican Company that acquired from Geomaque de Mexico, S.A. de C.V. ("Geomaque") the mineral concessions, all legal permits and other rights associated with the properties constituting the San Francisco Gold Property (collectively the "San Francisco Property"). The San Francisco Property had been the subject of an Option Agreement between Geomaque and the Company in which the Company could earn a 50% interest (See Note 5). The Acquisition Agreement supersedes the Option Agreement. The purchase price for the San Francisco Property is US\$5,000,000 and 10,000,000 common shares of the Company (issued). US\$2.5 million was paid on closing of the acquisition with a further US\$2,500,000 due by October 31, 2007. As guarantee until payment of the final cash installment, the vendors retain a reversionary interest of 25.2% in the outstanding shares of MdN. In addition, the vendors retain the right to cancel any shares that are not paid by October 31, 2007. The shares of the Company issued for the acquisition are subject to a hold period that will expire on September 9, 2007, and a pooling agreement that governs the release of the shares in six month intervals over a three year period. The vendor has also exercised its right to appoint a nominee to the Board of Directors. Under the Acquisition Agreement the Company was also required to purchase certain mineral processing assets and property infrastructure (collectively, the "Gold Plant") from the vendor for US\$3,500,000. Payment for the Gold Plant may be made at any time over a three year period from the time of closing of the acquisition, without interest. The shares issued are subject to a voting trust agreement and a pooling agreement that will allow for the release from pooling in equal increments over a three-year period.

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14. SUBSEQUENT EVENTS (continued)

- (b) On April 25, 2007, the Company closed a brokered private placement of 12,627,000 units at a price of \$0.50 per Unit (the "Units"), for total gross proceeds of \$6,313,500. 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 of the Company at a price of \$0.70 until October 31, 2007. The Company paid a commission of \$362,680 in cash and issued 180,414 agents' Units. A total of 1,207,000 broker's warrants were issued on this private placement. Each broker's warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.70 until October 31, 2007. A finder's fee of \$11,250 was also paid. The securities issued pursuant to this private placement are subject to restrictive legends expiring on August 29, 2007.
- (c) On May 1, 2007, the company entered into a consulting agreement with Freeform Communications Inc. (the "Freeform") to perform public and investor relations and communications. The Company will pay Freeform consulting fees of \$6,500 per month for an initial term of four months (which shall automatically renew for a further four months term if agreed upon by both parties) and issue stock options.
- (d) On May 10, 2007, the Company entered into an option agreement to acquire a 100% interest in the Las Coloradas property and mill located in Durango, Mexico. The terms of the option agreement required the Company to pay US\$350,000 (paid subsequently) and issue 500,000 common shares (issued subsequently) upon acceptance by the TSX-V, and pay another US\$350,000 and issue 1,500,000 common shares on or before December 31, 2007 (1,000,000 of these common shares will be subject to a restrictive legend that will expire on December 31, 2008). The vendor also retains a 2.5% net smelter return interest, 1% of which can be purchased for US\$1,000,000.
- (e) On May 11, 2007, the Company granted 2,500,000 stock options at a price of \$0.70 per share exercisable until May 11, 2012.
- (f) On June 19, 2007, the Company entered into an option agreement to acquire a 100% interest in the Tequila property located in Jalisco, Mexico. The terms of the agreement require the Company to pay a total of US\$2,000,000 over three years with a payment of US\$50,000 on acceptance by the TSX-V, a further US\$350,000 in stages over the next 24 months, payment of US\$600,000 within the next 30 months, and US\$1,000,000 within the next 36 months. Half of the final payment may be made, at the election of the Company, in shares. The vendor will retain a 2% net smelter return interest which may be purchased for US\$1,000,000.
- (g) Subsequent to year end, the Company cancelled 100,000 stock options that were exercisable at \$0.35 each.
- (h) Subsequent to year end, a total of 725,000 stock options were exercised at \$0.35 per share.
- (i) Subsequent to year end, a total of 489,088 warrants, and 350,163 agent's warrants were exercised.