

TIMMINS GOLD CORP.

MANAGEMENT DISCUSSION AND ANALYSIS – FORM 51-102F1 for the three month period ended June 30, 2007

Date of Report

The following Management Discussion and Analysis (“MD&A”) for Timmins Gold Corp. (“Timmins” or the “Company”) is prepared as of August 28, 2007, and should be read in conjunction with the unaudited Consolidated Financial Statements (“Financial Statements”) and related notes for the three month period ended June 30, 2007 and the comparative period ended June 30, 2006. Except as noted, all dollar amounts contained in this discussion and analysis and in the Financial Statements are in Canadian dollars.

Accounting Principles

The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) as described in Note 2 to the Financial Statements.

Forward-Looking Statements

This discussion and analysis contains forward-looking statements about the Company’s future prospects, and the Company provides no assurance that actual results will meet management’s expectations. For a thorough discussion and analysis of the risks and uncertainties affecting the Company we refer you to the Annual Information Form (available on Sedar at www.sedar.com). 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 Financial Statements, is the responsibility of management. In the preparation of these Financial 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.

Overall Performance

Timmins Gold Corp. is a junior resource company engaged in the acquisition, exploration and development of gold properties in Mexico. To date the Company has measured its success through the growth in its mineral resources, in particular gold resources, at reasonable discovery and/or acquisition cost. The Company has its corporate office in Vancouver and administrative office in Hermosillo, Sonora, Mexico. The Company also has field offices in Magdalena, Sonora, and Guadalajara, Mexico, and an operations office at the San Francisco Mine near Estacion Llano, Sonora, Mexico. The Company currently has no revenue from operations and will continue to incur negative cash flow for at least the next fiscal year. However, the Company hopes to demonstrate through completion of a pre-feasibility study that re-commissioning the San Francisco Gold Mine is feasible.

The Company's has three projects. The Company's only principal and material mineral property for purposes of National Instrument 43-101 ("NI 43-101") is its San Francisco Gold Property ("San Francisco Property") located in Sonora, Mexico. The San Francisco Gold Mine was operated from 1997 to 2002 by Geomaque, Mexico. While resources still existed at the time, the Mine closed in 2002 due to low gold prices. In July 2006 the Company completed its initial public offering ("IPO"), raising gross proceeds of \$3.1 million. In May 2007, the Company completed a private placement raising an additional \$6.1 million. These funds have been primarily used to acquire a 100% interest in the San Francisco Property and complete drill programs on this property with the objective of confirming and expanding the mineral resource base.

The Company is in a strong financial position to support its current plans and exploration programs. Once this prefeasibility study is completed the Company will assess whether a full feasibility study is required to justify recommissioning. In July 2007, approximately 9,080,000 IPO warrants and agent's warrants exercisable to purchase one common share at \$0.50 were exercised. This resulted in approximately \$4,040,000 being added to working capital of the Company. An additional 12,627,000 one-half warrants exercisable to purchase one common share at \$0.70 expire on October 31, 2007. Additional financing will be required to fund any significant capital expenditures to recommission the San Francisco Gold Mine, should the pre-feasibility study demonstrate the project is viable.

Gold prices have been trending upward since 2001, however like most metal prices they are historically volatile and there is no guarantee that this trend will continue or current prices will be sustained. The Company believes that gold prices have benefited from declining gold resources, a general weakening of the US dollar against other major currencies, a reduction or elimination of hedging programs by major producers, and an increase in demand. Gold prices will have a significant influence on future cash flow and earnings of the Company should recommissioning of the San Francisco Mine prove feasible. The Company is not able to predict future gold prices or its impact on future operations.

Results of Operations

San Francisco Gold Project

In April 2005 the Company entered into an option agreement ("Option Agreement") to earn a 50% interest in the San Francisco Property, and in February 2007, it filed a technical report prepared in accordance with NI 43-101, disclosing the mineral resource estimate. This estimate confirmed the remaining mineral resources at the time the former operator ceased operations in 2002. In April 2007, the Company entered into an acquisition agreement ("Acquisition Agreement") to acquire a 100% interest in the San Francisco Property. This agreement supersedes the Option Agreement. The 100% interest in the San Francisco Property was acquired for consideration of US\$5 million and 10 million common shares of the Company. In addition, the Company is required to purchase certain mining and processing equipment for \$3.5 million dollars. Payment of the US\$3.5 million is not required to be made until May 2010.

The results from the 2005 and 2006 drill programs were supported by the results from previous programs to complete a mineral resource estimate that meets current CIM definitions. The estimate, based on a US\$500 per ounce gold floating cone with 64% recoveries, US\$1.00 per tonne mining cost and 0.23 g/t gold cut-off grade is:

Resource Classification	Ore (million tonnes)	Grade (g/t Au)	Gold (thousand troy oz)
Measured Mineral Resource	5.35	0.91	156.9
Indicated Mineral Resource	22.30	0.78	559.9
Total Measured + Indicated	27.65	0.81	716.8
Inferred Mineral Resource	2.51	0.79	63.5

In the current interim period the Company commenced a third drill program with the objective of expanding and upgrading the known mineral resource. Assay results from the several drill holes have been received and will be incorporated into the database that will be used to prepare a revised mineral resource estimate.

As previously disclosed, the Company believes the economic viability of the operations at the San Francisco Property will be particularly sensitive to gold recoveries and as a result initiated a program of bottle roll and column leach tests at Process Research Associates Ltd. ("PRA Labs"), in Richmond, BC, on four principal ore types. The tests were completed in August 2007, subsequent to the period end. The Company is encouraged by the results as the column leach tests returned recoveries of 92%, 91%, 78% and 53%. The Company has refurbished the analytical laboratories at the San Francisco mine and is currently performing its own tests with the objective of confirming the PRA results and further improving recoveries.

In addition to the drill and metallurgical programs, the Company has initiated a regional exploration program consisting of geological mapping and sampling, soil geochemistry, and ground and airborne geophysics. The groundwork has been initially focused in the resource area and an area known as Cerro Guana, an exposure of similar lithologies as those exposed in the San Francisco pit on the San Francisco Property. The airborne magnetic and radiometric geophysical survey, performed by the Servicio Geologico Mexicano (the Mexican Geological Survey) was completed over the entire 42,000 hectare property. The Company is currently reviewing the data. The NSAMT ground geophysics program was completed along six survey lines along the western edge of the current pit. The program produced a geophysical signature over the area with the known mineral resource that is being used to identify similar anomalies on the property.

Subsequent to the period end the Company signed an agreement with Micon International Limited ("Micon") for the preparation of a NI 43-101 compliant prefeasibility study. Company technical staff and management will be meeting with representatives of Micon in mid-September to discuss the specific details of its preparation. The Company expects the document to be completed prior to the year end.

Las Coloradas Property, Durango, Mexico

During the interim period the Company entered into an agreement to acquire a 100% interest in the Las Coloradas property and mill located in Durango, Mexico. This project consists of 17 concessions covering approximately 4,900 hectares in the western section of the State of Durango. The project is located in the heart of one of the best known epithermal gold – silver districts in Mexico including Tayoltita, Guadalupe de los Reyes, Cosala and San Jose de Gracia. In order to exercise the option the Company must pay USD\$350,000 (paid) and issue 500,000 common shares (issued) to the vendor. The Company must also pay a further USD\$350,000 and issue an additional 1,500,000 common shares on or before December 31, 2007. The vendor will retain a 2.5% net smelter return interest.

The following is an extract from a 1994 report prepared by G.W. Park titled “Summary Report on Las Coloradas Mining District, Mexico”. The Company has not independently verified this information. “The Las Coloradas Project was in production intermittently from 1937 to 1991 ... Between 1989 and 1994 approximately 4,468 tonnes of gold-silver ore were produced from the Santa Anita workings with reported average grades of 15 grams of gold per tonne and 2,700 grams of silver per tonne. Average recovery from the mill and cyanide recovery system was over 90% for gold and 75% for silver. Operations were shut down due to increasing costs and inefficient workings. Exploration at Las Coloradas dates back to the mid 1930’s when high grade bonanza gold and silver was discovered. Visible gold was initially identified in outcrop with reported grades as high as 907 grams of gold per tonne ... The main controlling feature is a four kilometre long north-northwest trending fault system along which many of the area mines have been developed to date ... Assay values from the drift along the Guadalupe vein ranged from 0.5 to 26 grams of gold per tonne and from 30 to 1,015 grams of silver per tonne.”

The Company has initiated a systematic surface exploration program along the length of the principal vein system with a focus on the known ore shoots. The Company is currently assessing the extent and significance of several bonanza grade gold values recovered from the vein. Once a thorough evaluation of the property is completed a first phase drill program will be completed. The Company anticipates this will occur during the third or early fourth quarter of fiscal 2008.

Tequila Property, Jalisco, Mexico

Also during the interim period the Company entered into an option to acquire a 100% interest in the Tequila Property located approximately 30 kilometres north of Tequila, Jalisco, Mexico. The Tequila property consists of 4 concessions covering approximately 564 hectares and is approximately 1.5 hours north of Guadalajara. In order to exercise the option, the Company must pay a total of US\$2,000,000 over three years with a payment of US\$50,000 on receipt of TSX-V acceptance. An additional US\$350,000 is due in stages over the next 24 months, and USD\$600,000 within 30 months, and USD\$1,000,000 within 36 months. The vendor will retain a 2% net smelter return interest, which may be purchased for US\$1,000,000. The vendor is an arm’s length party. The Company received TSX-V approval for the transaction on July 13, 2007.

The project is located in a belt of rhyolitic breccias and was acquired to assess the high grade gold veins and the bulk tonnage potential of the breccia. The main feature on the property is a large brecciated zone containing a system of narrow, high grade parallel and cross cutting veins. Small scale operations have been conducted on the property in the past and there are abundant underground workings and crosscuts providing access. Recent mining activities report bonanza gold grades have been obtained. The Company is currently undertaking a program of sampling and mapping to both verify the tenure of certain high grade zones and examine the economic potential of the breccia zone, focusing on the known vein system. Preliminary estimates suggest the breccia zone extends along strike for a minimum of 1km. The Company is particularly encouraged by initial results obtained from sampling of the Veta Grande Vein system as several bonanza grade results have been returned from the initial sampling program. Specifically assay results from 27 samples on the vein system returned grades ranging from 25 ppb to 48.30 g/t gold with 13 of the samples returning grades greater than 8 g/t gold (average grade of all 27 samples = 9.268 g/t Au).

Operating Activities

The Company recorded net income for the three month period ended June 30, 2007 of \$4,405 (0.00 per share), compared with a net loss for the same period in 2006 of \$140,304 (\$0.01 per share). In general overall operating expenditures increased considerably because of an increase in corporate activity including higher administrative costs in both Canada and Mexico. These expenditures were offset however, by a significant foreign exchange gain resulting from the Company's current policy of holding the majority of its financial resources in Canadian dollars until such time that payment is required. The majority of the Company's operating expenditures are denominated in US dollars. A significant increase in salaries and consulting expenses contributed to the increase in expenditures. The significant increase in deferred exploration and development costs is associated with the ongoing drill and exploration programs on the San Francisco Property. The Company also initiated surface exploration programs on the Los Colorados and Tequila Projects, which contributed to increased expenditures.

Total general and administrative costs were \$586,450 (not including a \$600,487 foreign exchange gain) for the three month period ended June 30, 2007 and \$136,251 (not including a \$4,053 foreign exchange loss) for the comparative period in 2006. Included in these G&A expenditures are non-cash stock option compensation amounts of \$154,895 for the three month period ended June 30, 2007 and nil for the three month period ended June 30, 2006. Accounting and auditing expenses increased from \$2,500 in 2006 to \$15,303 in 2007. This increase was due to the significant increase in the level of operations and number of transactions in Mexico and the costs of reporting those operations and transactions. Salaries and benefits expense increased for the three month period ended June 30, 2007 over the comparative period in 2006 as the Company now has three employees in its Vancouver office.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the five most recently completed quarters (the Company was not a reporting issuer prior to the April 1, 2006 and as such did not prepare quarterly financial statements prior to that period):

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Total revenues	\$18,442	\$9,563	Nil	Nil	Nil
Net income (loss)	\$4,405	(\$86,027)	(\$88,450)	(\$538,783)	(\$140,304)
Basic loss per share (1)	\$0.00	\$0.01	\$0.01	\$0.03	\$0.01

(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 typical of junior exploration companies that have not yet established mineral reserves. The Company's expenditures fluctuate from quarter to quarter as a result of non-recurring activities or events. The decrease in losses for the third quarter was due to a significant foreign exchange gain.

Liquidity

On May 3, 2007 during the first quarter of 2008 financial year the Company completed a financing \$6,313,500 by way of a private placement distribution of 12,627,000 units at \$0.50 per unit. Each unit consists of one common share and one-half share purchase warrant. Each full warrant can be exercised to purchase a common share at \$0.70 until October 31, 2007.

The Company had cash of \$1,684,649 (including restricted cash) as at June 30, 2007 compared to \$5,868 as at June 30, 2006. The Company has a working capital deficit of \$1,778,580 at June 30, 2007 compared to working capital deficit of \$371,567 at June 30, 2006. The deficit was created by the obligation to make the final US\$2.5 million payment for the acquisition of the San Francisco Mine assets by October 31, 2007. Subsequent to the period end approximately 9,080,000 warrants were exercised. The proceeds from the exercise were approximately \$4,040,000. With these proceeds the Company believes it has adequate working capital to make the final payment on the San Francisco mine, and to fund exploration and general and administrative activities for a reasonable period of time.

Subsequent to the interim period end the Company received proceeds of approximately \$4,040,000 from the exercise of warrants expiring July 25, 2007. The Company anticipates that a portion of these proceeds will be used to make the final US\$2.5 million payment due October 31, 2007 on the acquisition of the San Francisco property.

The Company's financial condition is contingent upon the results of the continuing exploration and if feasible, development of the San Francisco Project. The Company is currently completing a third phase of drilling with the objective of increasing the mineral resource. In addition, the Company is continuing with an aggressive metallurgical testing program with the objective of increasing and confirming recoveries. Once completed, these results will be incorporated into a pre-feasibility study. Should the pre-feasibility study conclude recommissioning of the San Francisco Gold Mine is viable and if the project is brought into production, the Company's operating results will be significantly influenced by gold recoveries, operating costs and gold prices. While the Company will seek to maximize recoveries and reduce operating costs, estimates and assumptions influencing these parameters at the pre-feasibility stage may prove incorrect. Incorrect assumptions may result in material differences between estimated and actual results. The Company has no way to predict the future price of gold. As a result, revenue derived from future operations, if any, will be impacted.

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. 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, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities there can be no assurance that it will be able to obtain sufficient financing in the future to carry out exploration and development work on the Properties. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings.

Capital Resources

During the first quarter of the 2008 financial year the Company entered into an agreement to acquire a 100% interest in the San Francisco Property for total consideration of US\$5 million and 10 million shares of the Company. In addition, the agreement requires the Company to purchase certain mining and processing equipment for \$3.5 million dollars (the "Acquisition Agreement"). Payment of the US\$3.5 million is not required until three years from closing of the acquisition of the San Francisco Property (i.e., May 2010). Assuming the prefeasibility study supports recommissioning of the mine, the Company anticipates being in a position to fund this obligation

from cash-flow from operations. The Acquisition Agreement supersedes the original Option Agreement entered into on April 15, 2005.

The Acquisition Agreement required the Company to make an initial payment of US\$2.5 million of the total US\$5.0 million acquisition price upon TSX-V approval of the transaction. This approval was received on May 10, 2007. The initial payment was satisfied by allocating a portion of the proceeds from the private placement distribution that closed on April 25, 2007. The second and final payment of US\$2.5 million is due on October 31, 2007. The Company anticipates satisfying this final obligation in part from the proceeds received through those warrants recently exercised and those expiring on October 31, 2007, and in part from funds remaining from the proceeds of the April 25, 2007, private placement. There is no guarantee, however, that sufficient funds will be raised through the exercise of the warrants to fully satisfy the obligation. (See "Liquidity".)

The Company also has obligations associated with its acquisition of the Los Coloradas (\$350,000) and Tequila Properties (\$50,000) subsequent to the interim period end. Satisfaction of the short term obligations may be dependant upon the Company's ability to raise funds through the distribution of its securities.

Transactions with Related Parties

During the interim period ended June 30, 2007, the Company entered into the following transactions with related parties:

	Period ended June 30	
	2007	2006
Resource property expenditures – field work and consulting (1)	\$31,703	\$28,591
Legal fees	Nil	10,000
Salaries and wages	<u>Nil</u>	<u>15,000</u>
	\$31,703	\$53,591

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

(1) Geological services were provided by two directors and officers of the Company pursuant to a consulting agreement. These amounts are recorded as Mineral Resource costs – deferred exploration costs.

(2) Legal services were provided by a director, and subsequently an officer, of the Company.

a) Accounts payable and accrued liabilities outstanding with related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The following related party amounts are included in accounts payable and accrued liabilities at June 30, 2007, and June 30, 2006:

	June 30, 2007	June 30, 2006
Accounts payable and accrued liabilities	\$ 1,000	\$129,141

b) Advances due to related parties are unsecured, non-interest bearing, and are payable on demand.

	June 30, 2007	June 30, 2006
Advances due to related parties	\$ Nil	\$ 29,741

Critical Accounting Estimates

The preparation of Financial Statements in conformity with GAAP requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgements and uncertainties inherent in the financial reporting process.

Critical accounting estimates used in the preparation of the 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 beyond the Company's control.

The Company capitalizes exploration and development expenditures directly related to its properties until such time that the properties are placed into production, sold, abandoned, or management determines impairment in the realizable value of the property/properties has occurred. The Company's policy to capitalize exploration costs on a project by project basis is consistent with GAAP, and that of other exploration companies that do not have established mineral reserves. If, and when, a mineral property is commissioned, the associated deferred costs will be amortized on a systematic basis. And, if, and when, an impairment in value of a property is determined, the property value will be written-down to its realizable value at that time, and the write-down charged to operations. The recoverability of the recorded value of the Company's mineral properties and associated deferred expenses is based on market conditions for minerals, the underlying mineral resources associated with the properties, and future costs that may be required for ultimate realization through mining operations or by sale. The impairment reviews are made annually by management, or earlier if warranted. A write-down may also be required when a property is sold or abandoned, if exploration activity ceases on a property due to unsatisfactory results, or if there is insufficient funding to continue exploration on a property.

The Company follows accounting guidelines in determining the value of stock option compensation, as disclosed in Note * to the Financial Statements. This is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average expected hold period of issued stock options before exercise, expiry or cancellation, and (2) expected volatility of the Company's share price in the expected hold period, using historical volatility or comparables as a reference. As there is no market for the options and they are not transferable, the resulting calculated value is not necessarily the value, which the holder of the option could receive in an arm's length transaction.

Changes in Accounting Policies including Initial Adoption

The Financial Statements for the three month period ended June 30, 2007 and 2006 have been prepared in accordance with Canadian GAAP. The accounting policies and methods remain consistent with the previous period.

Financial Instruments and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities, some of which are denominated in US dollars and Mexican Pesos. Amounts denominated in non-Canadian dollars are translated into Canadian dollars at the rates applicable to the period and date. The Company is at risk of financial gain or loss as a result of foreign exchange movements against the Canadian dollar. The Company manages its foreign exchange risk by adjusting balances in currencies other than the Canadian dollar from time to time. The Company has certain commitments to acquire assets in foreign currencies and it incurs the majority of its exploration costs in foreign currencies, either the US dollar or Mexican Peso. Significant expenditures in recommissioning the San Francisco will also be denominated in these foreign currencies. The Company may acquire foreign currencies to fix such costs in Canadian funds, if management considers it advantageous.

The carrying value of financial instruments, which include cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and advances due to related parties 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.

Other MD&A Requirements

Additional information relating to the Company, including the Company's AIF, is on SEDAR at www.sedar.com and on the Company's website at www.timminsgold.com.

Investor Relations

On May 10, 2007, the Company entered into a consulting agreement with Freeform Communications Inc. to perform public and investor relations and communications activities. The Company will pay Freeform consulting fees of \$6,500 per month for an initial term of four months.

Disclosure of Outstanding Share Capital

As at August 28, 2007, there were 53,916,547 common shares issued and outstanding (June 30, 2007 – 44,787,798), there were 7,610,707 warrants outstanding (June 30, 2007 – 17,303,956) with exercise prices ranging from \$0.35 to \$0.70 and there were 3,900,000 options outstanding (June 30, 2007 – 3,875,000) with exercise prices ranging from \$0.35 to \$0.70.

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	Number of Shares	Amount	Contributed Surplus
Balance, March 31, 2007	20,616,133	3,530,082	262,535
Issued:			
Pursuant to private placement	12,627,000	6,313,500	-
Pursuant to issue of agent's corporate finance			
Shares	180,414	90,207	-
Pursuant to warrants exercised	639,251	242,037	-
Pursuant to options exercised	225,000	78,750	-
Pursuant to property acquisition	10,000,000	5,000,000	-
Pursuant to property acquisition	500,000	295,000	-
Share issue costs	-	(634,394)	147,024
Fair value on stock options and agent's warrants exercised	-	172,325	(172,325)
Stock-based compensation	-	-	154,895
Balance, June 30, 2007	44,787,798	\$ 15,087,507	\$ 392,129

- (i) The Company completed a private placement financing during the interim period. Gross proceeds received by the Company were \$6,313,500 (12,627,000 units at \$0.50 per unit consisting of 12,627,000 common shares and 6,313,500 share purchase warrants to purchase one share at \$0.70 up to October 31, 2007). The Company paid a cash commission of \$362,680. A total of 1,207,000 broker's warrants were also issued. Each broker's warrant is exercisable into one common share at a price of \$0.70 up to October 31, 2007. The agent was also paid a corporate finance fee of 180,414 units (Agent's Units) under the same terms as the units issued under the private placement.

c) Stock Options:

Share purchase options outstanding at June 30, 2007 are as follows:

Number of Options	Exercise Price	Expiry Date
1,200,000	\$ 0.35	July 25, 2011
175,000	\$ 0.35	September 6, 2011*
2,500,000	\$ 0.70	May 11, 2012
3,875,000		

*Subsequently, these options were exercised.

d) Share Purchase Warrants:

Warrants outstanding at June 30, 2007 are as follows:

Number of Warrants	Exercise Price	Expiry Date
9,130,500	\$ 0.50	July 25, 2007*
562,749	0.35	July 25, 2007**
7,610,707	0.70	October 31, 2007
<u>17,303,956</u>		

* Subsequently, 8,130,500 warrants were exercised and 739,500 warrants expired.

** Subsequently, these agent's warrants were exercised.

e) Escrow:

At June 30, 2007, 4,500,000 (2006: Nil) common shares were held in escrow subject to the approval of the regulatory authorities.

Disclosure Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, they concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the information required to be disclosed by the Company in the reports it files, is recorded, processed, summarized and reported, within the appropriate time periods and in the appropriate format.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgements in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Therefore, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be detected.

There was no change in the Company's internal control over financial reporting during the Company's interim period ended June 30, 2006 that materially affected, or was reasonably likely to materially affect, the Company's internal control over financial reporting.

During the previous financial year, management of the Company commissioned an independent review of its internal controls over financial reporting for both its Mexican and Canadian operations. While no significant deficiencies were identified, the report made some recommendations for improvements in the control system. Among other recommendations the independent consultant identified weakness in the segregation of duties and the backup of information. Management has implemented several of the recommendations including the segregation of duties and backup of information by outsourcing several aspects of the accounting and financial

reporting function to Pacific Opportunity Capital an independent third party corporation that specializes in fostering small public and private companies.

Additional Disclosure for Venture Issuers without Significant Revenue:

Schedule of Exploration and Development Costs:

	Mar 31, 2006	Additions	Mar 31, 2007	Additions	June 30, 2007
San Francisco Property					
Acquisition and holding costs					
Acquisition cost	\$ 31,345	\$ -	\$ 31,345	\$ 10,699,173	\$ 10,730,518
Claim staking	14,410	25,032	39,442	(220)	39,222
Mining taxes and assessments	37,479	228,075	265,554	5,936	271,490
Surface rights	68,369	67,165	135,534	(780)	134,754
	<u>151,603</u>	<u>320,272</u>	<u>471,875</u>	<u>10,704,109</u>	<u>11,175,984</u>
Deferred exploration costs					
Administration	1,265	1,571	2,836	(32)	2,804
Assays	30,405	90,574	120,979	34,124	155,103
Camp and field costs	15,863	24,606	40,469	1,986	42,455
Communication	2,529	3,685	6,214	1,979	8,193
Drilling	76,349	644,363	720,712	121,673	842,385
Engineering and feasibility	-	52,441	52,441	10,311	62,752
Field work and geological consulting	273,233	597,714	870,947	50,465	921,412
Geophysics	-	-	-	21,200	21,200
Legal and filing fees	-	163,689	163,689	93,632	257,321
Miscellaneous exploration	20,543	78,860	99,403	88,860	188,263
Property investigation	11,216	-	11,216	(811)	10,405
Reports, drafting and maps	1,764	3,612	5,376	465	5,841
Travel and accommodation	10,411	25,469	35,880	17,688	53,568
Salaries and consulting fees	-	-	-	160,105	160,105
	<u>443,578</u>	<u>1,686,584</u>	<u>2,130,162</u>	<u>601,645</u>	<u>2,731,808</u>
Total acquisition and exploration costs	<u>595,181</u>	<u>2,006,856</u>	<u>2,602,037</u>	<u>11,305,754</u>	<u>13,907,792</u>
Los Coloradas Property					
Acquisition cost	-	-	-	696,375	696,375
Drafting, reporting	-	-	-	490	490
Legal fees	-	-	-	1,085	1,085
Miscellaneous exploration expenses	-	-	-	2,017	2,017
Salaries and consulting fees	-	-	-	526	526
Travel	-	-	-	2,866	2,866
Total exploration costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>703,359</u>	<u>703,359</u>
Tequila Property					
Acquisition cost	-	-	-	57,638	57,638
Drafting, reporting	-	-	-	2,328	2,328
Legal fees	-	-	-	65	65
Miscellaneous exploration expenses	-	-	-	19,089	19,089
Salaries and consulting fees	-	-	-	7,759	7,759
Travel	-	-	-	418	418
Travel	-	-	-	2,221	2,221
Total exploration costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,518</u>	<u>89,518</u>

	Mar 31, 2006	Additions	Mar 31, 2007	Additions	June 30, 2007
EI Capomo Property					
Acquisition cost	-	-	-	985	985
Drafting and reporting	-	-	-	3,209	3,209
Legal fees	-	-	-	1,780	1,780
Miscellaneous exploration expenses	-	-	-	180	180
Salaries and consulting fees	-	-	-	16,185	16,185
Travel	-	-	-	93	93
Total exploration costs	-	-	-	22,432	22,432
Cocula Property					
Acquisition cost	-	-	-	11,480	11,480
Drafting and reporting	-	-	-	56	56
Assay	-	-	-	215	215
Legal fees	-	-	-	922	922
Miscellaneous exploration expenses	-	-	-	1,346	1,346
Salaries and consulting fees	-	-	-	3,742	3,742
Total exploration costs	-	-	-	17,761	17,761
Total capitalized expenditures	\$ 595,181	\$ 2,006,856	\$ 2,602,037	\$ 12,138,824	\$14,740,862

At June 30, 2007 the San Francisco Property was the Company's only material property for purposes of NI 43-101.

Schedule of General and Administrative Costs for the Three Month Periods Ending June 30, 2007 & 2006:

	June 30, 2007	June 30, 2006
Accounting and audit	15,303	\$2,500
Amortization	7,266	2,738
Bank charges and interest	1,213	32,270
Consulting	37,745	26,307
Foreign Exchange loss (gain)	(600,487)	4,053
Investor relations	55,235	2,384
Legal	16,899	10,000
Office and miscellaneous	30,289	5,391
Rent	11,507	10,173
Salaries and wages	206,607	15,000
Telephone	10,019	707
Transfer and listing fees	53,537	16,865
Travel	13,988	11,916
	<u>(\$140,858)</u>	<u>\$157,688</u>

The significant increase before accounting for the foreign exchange gain in the general and administrative expenses is a function of the increase in corporate activity in both Canada and Mexico to support the exploration program at the San Francisco Project. In particular the opening of the head office in Vancouver has added to overall G&A expenditures. The foreign exchange gain was a result of the Company's current policy of holding the majority of its funds in Canadian dollars and the subsequent significant decrease in the US dollar versus the Canadian dollar foreign exchange rate. Management believes it is unlikely that similar foreign exchange gains will be experienced in future periods.

Risks and Uncertainties

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this document. The reader should also refer to the discussion of risks contained in the Company's Annual Information Form. The Company's financial success is subject to, among other things, fluctuations in gold and other commodity prices that may affect current or future operating results and may affect the economic value of its mineral properties. The Company is exposed to currency fluctuations against the Mexican peso and United States dollar that could affect capital and operating costs, but may choose to mitigate the risk through forward purchase of these currencies. The Company must comply with environmental regulations governing air and water quality and land disturbance. The Company's ability to obtain financing to explore and develop its mineral properties is not assured; nor is there assurance that the expenditure of funds will result in the discovery and development of an economic mineral deposit. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

Outlook

With the receipt of the mineral resource estimate on the San Francisco Property during the fourth quarter of fiscal 2007, the Company has initiated work towards the completion of a pre-feasibility study to evaluate the viability and economics of exploiting the identified resource. As a significant amount of technical and economic data and information is available from previous operators, several elements of the study are nearing completion. The Company has assessed all alternatives to recommissioning operations at San Francisco and believes minor modifications to the conventional heap leach process previously employed should prove effective. As previously disclosed Micon was contracted to assess the metallurgical characteristics of the principal ore types to identify the most effective recovery method(s). Column leach tests being completed by PRA have returned recoveries of 91.9%, 93.9%, 47.7% and 75.9% from Columns 1, 2, 3 and 4 respectively. The Company expects the pre-feasibility study including revised resource and reserve estimate to be available in late 2007.

The Company is continuing with a ground geophysical (NSAMT) and drill programs in the immediate area of the current resource. Additional resources and revisions to the resource categories will be incorporated into the mine plan. An airborne magnetic and radiometric survey and soil geochemical survey have also completed during the interim period ending June 30, 2007. These programs were successful in identifying several additional earlier stage exploration targets within the property boundaries and the Company is currently assessing the results to aid in future exploration programs.

Directors and Officers

Arturo Bonillas	Director, President
Bruce Bragnolo	Director, CEO
Darcy Krohman, P.Geo., C.A.	Director, Vice President and CFO
Miguel Soto	Director & COO
Hallein Darby, C.A.	Director
Lawrence Dick, PhD.	Director
Eugene Hodgson	Director

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.

BY ORDER OF THE BOARD

“Bruce Bragagnolo”

Bruce Bragagnolo
CEO

“Darcy Krohman”

Darcy Krohman
Senior Vice-President & CFO

August 28, 2007