

TIMMINS GOLD CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended September 30, 2007

NOTICE OF AUDITORS' REVIEW OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS

	September 30, 2007 (Unaudited)	March 31, 2007 (Audited)
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 4,173,719	\$ 57,773
Accounts receivable	437,009	144,344
Prepaid expenses	13,215	11,000
	4,623,943	213,017
Cash – restricted (Note 3)	77,896	77,276
Equipment (Note 5)	4,116,387	96,514
Resource properties (Note 6)	16,088,540	2,602,038
	\$ 24,906,766	\$ 2,988,845

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 104,641	\$ 217,556
Due to related parties (Note 8)	234	70,534
Short term debt (Note 13)	2,482,250	-
	2,587,125	288,090
Long term debt (Note 4)	3,516,860	-
Shareholders' equity		
Share capital (Note 7)	19,579,874	3,530,082
Contributed surplus (Note 7)	554,327	262,535
Deficit, per accompanying statement	(1,331,420)	(1,091,862)
	18,802,781	2,700,755
	\$ 24,906,766	\$ 2,988,845

Nature and continuance of operations (Note 1)

Subsequent events (Note 13)

On behalf of the Board:

“Bruce Bragagnolo”

Director

“Darcy Krohman”

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
(Unaudited)

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit	\$ 17,000	\$ 1,762	\$ 32,303	\$ 4,262
Amortization	12,130	5,066	19,396	7,804
Consulting	34,894	43,249	72,639	69,556
Foreign exchange (gain)/loss	(486,825)	25,321	(1,087,312)	29,374
Investor relations	48,926	6,358	104,182	8,742
Interest and bank charges	44,172	7,396	45,385	39,666
Legal	21,911	1,223	38,810	11,223
Management fees	-	10,469	-	10,469
Office and miscellaneous	53,595	23,171	83,884	28,562
Rent	9,394	16,273	20,901	26,446
Salaries and wages	172,452	19,559	379,059	34,559
Stock-based compensation (Note 7)	320,851	514,259	475,746	514,259
Telephone	14,486	3,161	24,505	3,868
Transfer and listing fees	15,225	10,758	68,762	27,623
Travel	6,951	(1,826)	20,939	10,090
	(285,162)	(686,199)	(299,199)	(826,503)
OTHER ITEMS				
Interest income	41,199	-	59,641	-
Loss for the period	(243,963)	(686,199)	(239,558)	(826,503)
Deficit, beginning of the period	(1,087,457)	(378,602)	(1,091,862)	(238,298)
Deficit, end of the period	\$ (1,331,420)	\$ (1,064,801)	\$ (1,331,420)	\$ (1,064,801)
Loss per share – basic and diluted	\$ (0.00)	\$ (0.04)	\$ (0.01)	\$ (0.06)
Weighted average number of shares outstanding- basic and diluted	51,372,471	18,276,250	42,810,704	14,631,256

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

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended September 30,		Six months ended, September 30,	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period:	\$ (243,963)	\$ (686,199)	\$ (239,588)	\$ (826,503)
Items not affecting cash:				
Amortization	12,130	5,066	19,396	7,804
Stock-based compensation	320,851	514,259	475,746	514,259
Bonus on convertible promissory notes	-	(12,500)	-	-
Bonus on promissory notes	-	(17,500)	-	-
	89,018?	(196,874)	255,554	(304,440)
Changes in non-cash working capital items:				
Accounts receivable	(192,688)	(192,927)	(292,765)	(207,370)
Prepaid expenses	(13,215)	(8,580)	(2,215)	(35,654)
Accounts payable and accrued liabilities	(672)	(188,114)	(112,915)	(110,583)
Due to related parties	(1,111)	9,134	(70,300)	(40,725)
Cash flows used in operating activities	(118,668)	(577,361)	222,641	(698,772)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	4,453,714	3,150,000	11,178,207	3,150,000
Share issue costs	(120,000)	(338,406)	(607,369)	(338,406)
Deferred costs	-	142,500	-	142,500
Proceeds from convertible promissory note	-	(175,000)	-	-
Promissory notes	-	(125,000)	-	-
Cash flows provided by financing activities	4,333,714	2,654,094	10,570,838	2,954,094
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment for cash	(20,988)	(65,413)	(89,169)	(137,275)
Expenditures on resource properties	(1,347,678)	(1,193,069)	(5,370,002)	(1,296,924)
Cash flows used in investing activities	(1,368,666)	(1,258,482)	(5,459,171)	(1,434,199)
Effect of exchange rate differences on cash and cash equivalents	(356,690)	-	(772,490)	-
Increase in cash during the period	2,489,690	818,251	4,116,566	821,123
Cash, beginning of period	1,761,925	5,868	135,049	2,996
Cash, end of period	\$ 4,251,615	\$ 824,119	4,251,615	\$ 824,119
Cash consists of:				
Cash and cash equivalents	\$ 4,173,719	\$ 734,119	\$ 4,173,719	\$ 734,119
Cash - restricted	77,896	90,000	77,896	90,000
	\$ 4,251,615	\$ 824,119	\$ 4,251,615	\$ 824,119

Supplemental disclosure with respect to cash flows (Note 9)

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

SEPTEMBER 30, 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. ("Subsidiary"), and the Subsidiary's wholly-owned subsidiary, Molimentales del Noroeste, S.A. de C.V. ("MdN"). 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 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.

	September 30, 2007	March 31, 2007
Working capital (deficiency)	\$2,036,818	\$(75,073)
Deficit	\$(1,331,420)	\$(1,091,862)

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of presentation**

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of their application as the annual financial statements. These interim financial statements do not include in all respects the annual disclosure requirements of GAAP and should be read in conjunction with the most recent annual statements. The accounting principles used include:

Principle of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of 12 months or less at acquisition, that are readily convertible to contracted amounts of cash. Unrestricted cash of \$4,173,719 as of September 30, 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

SEPTEMBER 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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
Mine equipment and buildings	Units of production method*

* The costs of these capital assets will be amortized based on the units of production method once the total mineral reserve base has been determined and if and when production commences.

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.

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.

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.

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

An impairment loss is recognized for long-lived assets including mineral properties and deferred expenditures, mine equipment and buildings, 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.

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.

Foreign currency translation

The subsidiaries' 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 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 sheet date;
- ii) Non-monetary items, principally the resource properties, are translated at historical exchange rates; and
- iii) Revenue and expenses are translated at the average rates of exchange during the period, other than depletion and amortization which are translated at historical rates.

Use of estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Cost of maintaining resource properties

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

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.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments**

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

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

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and due to/from related parties are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during six months ended September 30, 2007.

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 September 30, 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.

3. 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 this director and officer if certain specified events occur.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

4. ACQUISITION OF SAN FRANCISCO MINE

On April 20, 2007, the Company's Subsidiary acquired (the "Acquisition Agreement") 100% of the outstanding voting shares of MdN, a Mexican company that acquired from Geomaque de Mexico, S.A. de C.V. 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 Acquisition Agreement supersedes the option agreement (Note 6a). The purchase price for the San Francisco Property is US\$5,000,000 and 10,000,000 common shares of the Company (issued, Note 7f). US\$2.5 million was paid on closing of the acquisition with a further US\$2,500,000 due by October 31, 2007 (subsequently paid, Note 13). As guarantee until payment of the final cash installment, the vendors retain a reversionary interest of 25.2% in the outstanding shares of MdN. The shares of the Company issued for the acquisition are subject to a pooling agreement that governs the release of the shares, in equal increments, in six month intervals over a three year period (Note 7). Under the Acquisition Agreement the Company was also required to purchase certain mine equipment and buildings from the vendor for US\$3,500,000 plus IVA, the Mexican equivalent to value added tax (Note 5). As at September 30, 2007, an estimate of the amount of IVA payable has been made. Payment for the mine equipment and buildings may be made at any time over a three year period from the time of closing of the acquisition, without interest. As a result, the full acquisition price of the US\$ denominated debt has been discounted at an annualized rate of 4.5% to reflect the implied interest rate.

The purchase price equation for 100% of the shares of MdN is:

	US\$	Cdn\$
<u>Consideration:</u>		
Cash	5,000,000	5,701,260
Common shares	4,432,000	5,000,000
Promissory note	3,500,000	3,950,100
	<hr/>	<hr/>
Total purchase price	\$13,758,000	\$14,651,360
<u>Assets acquired:</u>		
San Francisco mine property	\$10,258,000	\$10,701,260
Mine equipment and buildings	3,500,000	3,950,100
	<hr/>	<hr/>
Total assets acquired	\$13,758,000	\$14,651,360

5. EQUIPMENT

	September 30, 2007			March 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 40,720	\$ 10,720	\$ 30,000	\$ 22,189	\$ 5,649	\$ 16,540
Leasehold improvements	8,261	1,653	6,608	8,259	826	7,433
Office furniture and equipment	46,233	8,577	37,656	46,198	4,287	41,911
Mine equipment and buildings* (Note 4)	3,950,100	-	3,950,100	-	-	-
Vehicles	106,557	14,534	92,023	35,954	5,324	30,630
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 4,151,871	\$ 35,484	\$ 4,116,387	\$ 112,600	\$ 16,086	\$ 96,514

* The costs of these capital assets will be amortized based on units of production method once the total mineral reserve base has been determined and if and when production commences.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

6. RESOURCE PROPERTIES

Capitalized costs are as follows:

	Mar 31, 2007	Additions	Sept. 30, 2007
San Francisco Property (Note 6a)			
Acquisition and holding costs			
Acquisition cost	\$ 31,345	\$ 10,701,260	\$ 10,732,605
Claim staking	39,442	-	39,442
Mining taxes and assessments	265,554	41,388	306,942
Surface rights	135,534	-	135,534
	<u>471,875</u>	<u>10,742,648</u>	<u>11,214,523</u>
Deferred exploration costs			
Administration	2,836	-	2,836
Assays	120,979	100,483	221,462
Camp and field costs	40,470	6,917	47,387
Communication	6,214	3,512	9,726
Drilling	720,712	400,381	1,121,093
Engineering and feasibility	52,441	9,719	62,160
Field work and geological consulting	870,947	50,484	921,431
Geophysics	-	94,943	94,943
Legal and filing fees	163,689	122,907	286,596
Miscellaneous exploration	99,403	408,246	507,649
Property investigation	11,216	(786)	10,430
Reports, drafting and maps	5,376	2,287	7,663
Travel and accommodation	35,880	35,543	71,423
Salaries and consulting fees	-	317,082	317,082
	<u>2,130,163</u>	<u>1,551,718</u>	<u>3,681,881</u>
Total acquisition and exploration costs	<u>2,602,038</u>	<u>12,294,366</u>	<u>14,896,404</u>
Las Coloradas Property (Note 6b)			
Acquisition cost	-	691,986	691,986
Drafting, reporting	-	565	565
Legal fees	-	1,073	1,073
Miscellaneous exploration expenses	-	55,668	55,668
Salaries and consulting fees	-	2,815	2,815
Travel	-	5,420	5,420
Mining tax	-	11,800	11,800
Total exploration costs	<u>-</u>	<u>769,327</u>	<u>769,327</u>
Tequila Properties (Note 6c)			
Acquisition cost	-	57,008	57,008
Assaying	-	6,001	6,001
Camp and accommodation	-	6,530	6,530
Drafting, reporting	-	398	398
Legal fees	-	105	105
Miscellaneous exploration expenses	-	60,054	60,054
Salaries and consulting fees	-	62,350	62,350
Mining tax	-	1,294	1,294
Telecommunications	-	560	560
Travel	-	6,423	6,423
Total exploration costs	<u>-</u>	<u>200,723</u>	<u>200,723</u>

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

6. RESOURCE PROPERTIES (continued)

	Mar 31, 2007	Additions	Sept. 30, 2007
Capomo Property (Note 6d)			
Acquisition cost	-	550	550
Claim staking	-	18,744	18,744
Camp and accommodation	-	3,293	3,293
Drafting and reporting	-	279	279
Miscellaneous exploration expenses	-	9,018	9,018
Mining tax	-	15,520	15,520
Salaries and consulting fees	-	47,283	47,283
Telecommunications	-	503	503
Travel	-	1,519	1,519
Total exploration costs	-	96,709	96,709
Cocula Property (Note 6e)			
Acquisition cost	-	56,561	56,561
Drafting and reporting	-	319	319
Camp and accommodation	-	1,091	1,091
Assay	-	613	613
Legal fees	-	105	105
Miscellaneous exploration expenses	-	5,731	5,731
Mining tax	-	27,401	27,401
Salaries and consulting fees	-	22,448	22,448
Telecommunications	-	145	145
Travel	-	698	698
Total exploration costs	-	115,112	115,112
Other Properties			
Claim staking	-	5	5
Mining tax	-	10,163	10,163
Salaries and consulting fees	-	97	97
Total other exploration costs	-	10,265	10,265
Total property expenditures	\$ 2,602,038	\$ 13,486,502	\$ 16,088,540

a) San Francisco Project - Mexico

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 by undertaking to incur exploration expenditures of US\$2,500,000 as follows: US\$1,000,000 on or before April 15, 2006, and an additional US\$1,500,000 on or before April 15, 2007. This option agreement terminated on April 20, 2007, when it was superseded by the Acquisition Agreement (Note 4). During the year ended March 31, 2007, the Company received property title to the Timmins and Timmins II concessions and the Timmins III fraction 1 and 2 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 Property.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

6. RESOURCE PROPERTIES (continued)**b) Las Coloradas Property**

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) and issue 500,000 common shares (issued, Note 7f), and pay a further US\$350,000 and issue a further 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.

c) Tequila Property

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 as follows:

US\$50,000 (paid);

US\$50,000 on December 20, 2007;

US\$50,000 on June 20, 2008;

US\$100,000 on December 20, 2008;

US\$150,000 on June 20, 2009;

US\$600,000 on December 20, 2009, and

US\$1,000,000 by June 20, 2010. The Company may elect to make half of the final payment in shares.

The vendor will retain a 2% net smelter return interest, which may be purchased for US\$1,000,000.

d) Capomo Property

The Company has acquired the mineral rights to 60,000 hectares in four claim blocks by staking the Capomo Property in Nayarit, Mexico.

e) Cocula Property

On July 18, 2007, the Company finalized the option agreement to acquire the Cocula Property. The terms of the option agreement require the Company to pay a total of US\$1,500,000 over four years, as follows:

US\$50,000 on signing the option agreement (US\$10,000 paid);

US\$50,000 on or before January 18, 2008;

US\$50,000 on or before July 18, 2008;

US\$150,000 on or before July 18, 2009;

US\$150,000 on or before July 18, 2010; and

US\$1,050,000 on or before July 18, 2011.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized: unlimited number of common shares without par value

	Number of Shares	Amount	Contributed Surplus
Balance, March 31, 2006	10,948,633	\$ 685,516	\$ 92,625
Issued:			
Pursuant to IPO (Note 7a)	9,000,000	3,150,000	-
Pursuant to issue of agent's corporate finance shares (Note 7a)	75,000	26,250	-
Pursuant to options exercised (Note 7b)	200,000	70,000	-
Pursuant to warrants exercised (Note 7a)	107,500	53,750	-
Conversion of promissory note (Note 7c)	285,000	99,750	-
Share issue costs (Note 7a)	-	(602,664)	165,758
Fair value on stock options exercised (Note 7b)	-	47,480	(47,480)
Stock-based compensation	-	-	51,632
Balance, March 31, 2007	20,616,133	3,530,082	262,535
Issued:			
Pursuant to private placement (Note 7d)	12,627,000	6,313,500	-
Pursuant to issue of agent's corporate finance shares (Note 7d)	180,414	90,207	-
Pursuant to warrants exercised (Notes 7a and c)	8,513,000	4,256,500	-
Pursuant to options exercised (Note 7e)	400,000	140,000	-
Pursuant to agent's warrants exercised (Note 7a)	1,080,000	378,000	-
Pursuant to property acquisition (Note 7f)	10,500,000	5,295,000	-
Share issue costs (Notes 7a and d)	-	(754,394)	147,025
Fair value on stock options and agent's warrants exercised (Notes 7a and e)	-	330,979	(330,979)
Stock-based compensation	-	-	475,746
Balance, September 30, 2007	53,916,547	\$ 19,579,874	\$ 554,327

- a) On July 20, 2006, the Company completed its initial public offering 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 entitled the holder to purchase one common share of the Company for one year at \$0.50 on or before July 25, 2007. 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.

107,500 share purchase warrants issued under the IPO were exercised for total proceeds of \$53,750 in fiscal 2007, 8,228,000 share purchase warrants for total proceeds of \$4,114,000 were exercised in the period ended September 30, 2007 and 739,500 share purchase warrants expired. During the period ended September 30, 2007, 1,080,000 agent's warrants were exercised for total proceeds of \$378,000 and the fair value of \$165,758 was transferred from contributed surplus on the exercise of these agent's warrants. \$120,000 of share issue costs were incurred on warrants exercised in the period ended September 30, 2007.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

- b) 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.
- c) 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 entitled the holder to purchase one common share of the Company at a price of \$0.50 on or before July 27, 2007. During the period ended September 30, 2007, the share purchase warrants were exercised in full for total proceeds of \$142,500.
- d) 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. The fair value of the broker's warrants of \$147,024 using Black-Scholes was recognized. A finder's fee of \$11,250 was also paid. Subsequent to September 30, 2007, a total of 6,394,047 warrants and 1,207,000 broker's warrants were exercised and 9,660 warrants expired (Note 13).

- e) During the period ended September 30, 2007, 400,000 stock options were exercised at \$0.35 per share. The fair value of these options at the date of grant of \$165,221 was transferred from contributed surplus on the exercise of these options.
- f) During the period ended September 30, 2007, the Company issued 10,000,000 common shares on acquisition of San Francisco property valued at \$0.50 per share and 500,000 common shares on acquisition of the Las Coloradas property valued at \$0.59 per share based on the fair value on the date of issuance.

Options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers, directors, employees and consultants. The Company at no time may have more than 10% of the outstanding issued common shares reserved for incentive stock options granted to any one individual. Options granted under the plan will have a term not to exceed five years, have an exercise price 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.

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

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

	Shares	Weighted Average Exercise Price
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	1,700,000	0.35
Granted	2,800,000	0.68
Cancelled	(100,000)	0.35
Exercised	(400,000)	0.35
Outstanding, September 30, 2007	4,000,000	\$0.58
Vested, September 30, 2007	1,825,000	\$0.47

Stock options outstanding at September 30, 2007 are as follows:

Number of Options	Exercise Price	Expiry Date
1,200,000	\$ 0.35	July 25, 2011
2,500,000	\$ 0.70	May 11, 2012
200,000	\$ 0.50	July 18, 2012
100,000	\$ 0.50	August 9, 2012
4,000,000		

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of stock option granted is recognized in income on a straight line basis over the vesting period. Total fair value of stock options vested during the period ended September 30, 2007 was \$475,746 (2006 - \$514,259).

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	4.30 - 4.63%	4.01%
Expected life of options	5 years	5 years
Annualized volatility	95%	113%
Dividend rate	0.00%	0.00%

TIMMINS GOLD CORP.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

Warrants

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

	Number of Warrants	Weighted Average Exercise Price
Outstanding, March 31, 2006	-	\$ -
Granted	10,440,000	0.48
Exercised	(107,500)	0.50
Outstanding, March 31, 2007	10,332,500	0.48
Granted	7,610,707	0.70
Exercised	(9,593,000)	0.48
Expired	(739,500)	0.50
Outstanding, September 30, 2007	7,610,707	\$ 0.70

Warrants outstanding at September 30, 2007 are as follows:

Number of Warrants	Exercise Price	Expiry Date
7,610,707	0.70	October 31, 2007

Subsequently, 7,601,047 of these warrants were exercised and 9,660 warrants expired.

Escrow and pooling

6,000,000 shares were placed in escrow in accordance with the escrow agreement dated February 17, 2006. At September 30, 2007, 2,400,000 shares were released leaving a balance of 3,600,000 shares held in escrow.

10,000,000 shares are subject to a pooling agreement dated April 21, 2007. 1,000,000 shares were released during the period ended September 30, 2007. Subsequently, another 1,500,000 shares were released leaving the balance of 7,500,000 shares held in escrow.

8. RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2007, the Company entered into the following transactions with related parties:

- (a) During the period ended September 30, 2007, \$20,000 of consulting fees was incurred by a director and an officer of the Company. As of September 30, 2007, the Company owed \$234 (March 31, 2007 – \$70,534) to this director and officer for expense advances.
- (b) The Company incurred \$Nil of legal fees (2006 - \$96,844) to a company controlled by a director and an officer. As of September 30, 2007, \$Nil (March 31, 2007 - \$1,000) included in accounts payable was owed to this company, and \$647 (March 31, 2007 - \$647) was held in trust by this company.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

8. RELATED PARTY TRANSACTIONS (continued)

- (c) During the period ended September 30, 2007, the Company incurred \$24,000 (2006 - \$Nil) for accounting services with a private company of which a director of the Company is a vice-president. As of September 30, 2007, \$Nil (March 31, 2007 - \$Nil) is owed to this company.
- (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 September 30, 2007, \$77,896 (March 31, 2007 - 77,276) was held in trust by the legal company.
- (e) During the period ended September 30, 2007, \$90,275 of geological consulting fees (2006 - \$40,459) were incurred by a director of the Company. As of September 30, 2007, \$Nil is owed to this director.
- (f) During the period ended September 30, 2007, the Company incurred \$23,931 (2006 - \$Nil) for rent and administrative expenses on behalf of a company with directors in common. As of September 30, 2007, \$3,470 (December 31, 2006 - \$Nil) owed by this company is included in accounts receivable.

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.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the three months ended September 30, 2007, were as follows:

	September 30, 2007	September 30, 2006
Shares issued on property acquisition	\$ 5,295,000	\$ 5,295,000
Accrual of short term obligations for property acquisition	2,821,500	-
Accrual of long term obligations for capital assets	3,950,100	-
Fair value of broker's warrants	147,024	123,020
Fair value of agent's warrants and options exercised	(330,979)	-
Conversion of promissory note	-	99,750

10. COMMITMENTS

- (a) 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

- (b) On May 1, 2007, the company entered into a consulting agreement with Freeform Communications Inc. ("Freeform") to perform public and investor relations and communications. The Company paid Freeform consulting fees of \$6,500 per month for an initial term of four months (which has automatically renewed for a further four month term).

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

10. COMMITMENTS (continued)

- (c) On August 1, 2007, the Company entered into an agreement to retain the services of Grandich Publications LLC ("Grandich Publications") to provide an investor relations and communications program for a period of one year. Grandich Publications was granted 100,000 stock options for a period of five years and will receive a fee of US\$2,000 per month. The options are exercisable at \$0.50 per share and vest as to 25% every three months during the first year. The Company and Grandich Publications are at arm's length.

11. CONTINGENCIES

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

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
September 30, 2007				
Canada	\$ 4,532,257	\$ 55,274	\$ -	\$ 4,476,983
Mexico	20,374,509	4,061,113	16,088,540	224,856
	\$ 24,906,766	\$ 4,116,387	\$ 16,088,540	\$ 4,701,839
March 31, 2007				
Canada	\$ 211,682	\$ 60,801	\$ -	\$ 150,881
Mexico	2,777,163	35,713	2,602,038	139,412
	\$ 2,988,845	\$ 96,514	\$ 2,602,038	\$ 290,293

13. SUBSEQUENT EVENTS

Subsequent to September 30, 2007, a total of 6,394,047 warrants and 1,207,000 broker's warrants issued pursuant to April 25, 2007 private placement were exercised and 9,660 warrants expired. All warrants had an exercise price of \$0.70.

On October 29, 2007, the Company, pursuant to the Share Purchase Agreement dated April 20, 2007, made the final payment of US\$2.5 million, thereby acquiring a 100% interest in the San Francisco gold mine in Sonora, Mexico.