

TIMMINS GOLD CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Three and Nine Month Periods Ended December 31, 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.

CONSOLIDATED BALANCE SHEETS

	December 31, 2007 (Unaudited)	March 31, 2007 (Audited)
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 4,938,439	\$ 57,773
Accounts receivable	578,787	144,244
Prepaid expenses	58,030	11,000
	5,575,256	213,017
Cash – restricted (Note 3)	79,096	77,276
Equipment (Note 5)	4,227,162	96,514
Resource properties (Note 6)	20,943,208	2,602,038
	\$ 30,824,772	\$ 2,988,845

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 197,937	\$ 217,556
Due to related parties (Note 9)	234	70,534
	198,171	288,090
Long term debt (Note 4)	3,667,020	-
Future income tax liability (Note 7)	4,161,601	
Shareholders' equity		
Share capital (Note 8)	24,997,884	3,530,082
Contributed surplus (Note 8)	655,157	262,535
Deficit, per accompanying statement	(2,855,111)	(1,091,862)
	22,797,930	2,700,755
	\$ 30,824,722	\$ 2,988,845

Nature and continuance of operations (Note 1)

Commitments (Note 11)

Contingencies (Note 12)

Subsequent events (Note 14)

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 December 31		Nine months ended December 31	
	2007	2006	2007	2006
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting and audit	\$ 17,208	\$ 31,544	\$ 49,511	\$ 44,332
Amortization	13,042	1,469	31,698	9,273
Consulting	115,065	17,320	186,805	78,350
Foreign exchange loss (gain)	346,620	(81,503)	(295,798)	(52,129)
Investor relations	101,206	19,752	204,686	28,494
Interest and bank charges	40,490	688	85,706	40,354
Legal	59,330	14,618	98,140	25,841
Management fees	-	911	-	11,380
Office and miscellaneous	10,842	9,724	91,389	38,286
Property investigation	62,686	4,287	62,686	4,287
Rent	9,429	10,754	30,330	37,200
Salaries and wages	73,453	33,703	452,512	68,262
Stock-based compensation (Note 8)	247,855	16,380	723,601	383,223
Telephone	352	9,375	28,923	13,243
Transfer and listing fees	11,706	614	76,103	28,237
Travel	26,796	(1,186)	47,735	8,904
	(1,136,080)	(88,450)	(1,874,027)	(767,537)
OTHER ITEMS				
Interest income	51,137	-	110,778	-
Loss and comprehensive income for the period	(1,084,943)	(88,450)	(1,763,249)	(767,537)
Deficit, beginning of the period (Note 8g)	(1,770,168)	(917,385)	(1,091,862)	(238,298)
Deficit, end of the period	\$ (2,855,111)	\$ (1,005,835)	\$ (2,855,111)	\$ (1,005,835)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.01)	\$ (0.04)	\$ (0.05)
Weighted average number of shares outstanding- basic and diluted	58,961,067	20,312,981	48,219,553	16,532,051

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 December 31		Nine months ended, December 31	
	2007	2006	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period:	\$ (1,084,943)	\$ (88,450)	\$ (1,763,249)	\$ (767,537)
Items not affecting cash:				
Amortization	13,042	1,469	31,698	9,273
Implied interest on debt (San Francisco)	41,710	-	83,420	-
Non-cash foreign exchange gain (loss)	8,212	-	(366,500)	-
Stock-based compensation	247,855	16,380	723,601	383,223
	(774,124)	(70,601)	(1,291,030)	(375,041)
Changes in non-cash working capital items:				
Accounts receivable	(141,778)	86,605	(434,543)	(120,765)
Prepaid expenses	(44,815)	13,987	(47,030)	(21,667)
Accounts payable and accrued liabilities	93,296	(33,573)	(19,619)	(120,156)
Due to related parties	-	-	(70,300)	(40,725)
Cash flows used in operating activities	(867,421)	(3,582)	(1,862,522)	(678,354)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common shares	5,320,985	35,000	16,408,985	2,846,594
Share issue costs	(50,000)	-	(567,162)	-
Deferred costs	-	-	-	142,500
Cash flows provided by financing activities	5,270,985	35,000	15,841,823	2,989,094
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment for cash	(123,077)	33,019	(212,246)	(104,256)
Expenditures on resource properties	(3,514,567)	(474,782)	(8,884,569)	(1,795,706)
Cash flows used in investing activities	(3,637,644)	(441,763)	(9,096,815)	(1,899,962)
Increase (decrease) in cash during the period	765,920	(410,345)	4,882,486	410,778
Cash, beginning of period	4,251,615	824,119	135,049	2,996
Cash, end of period	\$ 5,017,535	\$ 413,774	\$ 5,017,535	\$ 413,774
Cash consists of:				
Cash and cash equivalents	\$ 4,938,439	\$ 323,774	\$ 4,938,439	\$ 323,774
Cash - restricted	79,096	90,000	79,096	90,000
	\$ 5,017,535	\$ 413,774	\$ 5,017,535	\$ 413,774

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

December 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. ("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.

	December 31, 2007	March 31, 2007
Working capital (deficiency)	\$ 5,377,085	\$ (75,073)
Deficit	\$(2,855,111)	\$(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 three months or less at acquisition, that are readily convertible to contracted amounts of cash. Unrestricted cash of \$4,938,439 as of December 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

December 31, 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 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 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 expenses

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

December 31, 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

December 31, 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 GAAP. 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 the six months ended December 31, 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's 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 December 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.

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. (See Note 14)

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 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 was US\$5,000,000 (US\$2.5 million was paid on closing of the acquisition with a further US\$2,500,000 paid on October 29, 2007) and 10,000,000 common shares of the Company (issued, Note 8f). These shares 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 8). 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 of value added tax (Note 5). 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 historical 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
Total purchase price	<u>\$13,758,000</u>	<u>\$14,651,360</u>
 <u>Assets acquired:</u>		
San Francisco mine property	\$10,258,000	\$10,701,260
Mine equipment and buildings	3,500,000	3,950,100
Total assets acquired	<u>\$13,758,000</u>	<u>\$14,651,360</u>

5. EQUIPMENT

	December 31, 2007			March 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 47,108	\$ 14,586	\$ 32,522	\$ 22,189	\$ 5,649	\$ 16,540
Exploration equipment	111,133	384	110,749			
Leasehold improvements	8,259	2,064	6,195	8,259	826	7,433
Mine equipment and buildings (Note 4)	3,950,100	-	3,950,100	-	-	-
Office furniture and equipment	47,955	10,881	37,074	46,198	4,287	41,911
Vehicles	110,696	20,174	90,522	35,954	5,324	30,630
	<u>\$ 4,275,251</u>	<u>\$ 48,089</u>	<u>\$ 4,227,162</u>	<u>\$ 112,600</u>	<u>\$ 16,086</u>	<u>\$ 96,514</u>

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

6. RESOURCE PROPERTIES

Capitalized costs are as follows:

	Mar 31, 2007	Additions	December 31, 2007
San Francisco Property (Note 6a)			
Acquisition cost	\$ 31,345	\$ 14,993,009	\$ 15,024,354
Claim staking	39,442	-	39,442
Mining taxes and assessments	265,554	38,408	303,962
Surface rights	135,534	-	135,534
<i>Total acquisition and holding costs</i>	<u>471,875</u>	<u>15,031,417</u>	<u>15,503,292</u>
Administration	2,836	-	2,836
Assays	120,979	114,188	235,167
Camp and field costs	40,470	11,472	51,942
Communication	6,214	5,185	11,399
Drilling	720,712	513,909	1,234,621
Engineering and feasibility	52,441	66,036	118,477
Field work and geological consulting	870,947	24,460	895,407
Geophysics	-	117,915	117,915
Legal and filing fees	163,689	130,967	294,656
Miscellaneous exploration expenses	99,403	99,831	199,234
Property investigation	11,216	-	11,216
Reports, drafting and maps	5,376	9,813	15,189
Travel and accommodation	35,880	46,843	82,723
Salaries and consulting fees	-	453,621	453,621
<i>Deferred exploration costs</i>	<u>2,130,163</u>	<u>1,594,240</u>	<u>3,724,403</u>
Total acquisition and exploration costs	<u>2,602,038</u>	<u>16,625,657</u>	<u>19,227,695</u>
Las Coloradas Property (Note 6b)			
Acquisition cost	-	654,713	654,713
Assays	-	30,307	30,307
Camp and field costs	-	4,270	4,270
Drafting, reporting	-	742	742
Drilling	-	25,788	25,788
Legal fees	-	973	973
Mining taxes and assessments	-	10,692	10,692
Miscellaneous exploration expenses	-	205,746	205,746
Salaries and consulting fees	-	6,375	6,375
Travel	-	7,016	7,016
Total exploration costs	-	<u>946,622</u>	<u>946,622</u>
Tequila Properties (Note 6c)			
Acquisition cost	-	103,192	103,192
Assaying	-	21,232	21,232
Camp and field costs	-	11,348	11,348
Drafting, reporting	-	609	609
Drilling	-	25,422	25,422
Equipment rental	-	24,791	24,791
Legal fees	-	95	95
Mining taxes	-	1,173	1,173
Miscellaneous exploration expenses	-	88,143	88,143
Salaries and consulting fees	-	125,885	125,885
Travel	-	7,044	7,044
Trenching and road work	-	41,787	41,787
Total exploration costs	-	<u>450,721</u>	<u>450,721</u>

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

6. RESOURCE PROPERTIES (continued)

	Mar 31, 2007	Additions	December 31, 2007
Capomo Property (Note 6d)			
Acquisition cost	-	3,706	3,706
Claim staking	-	18,543	18,543
Camp and accommodation	-	5,288	5,288
Drafting and reporting	-	464	464
Mining tax	-	14,063	14,063
Miscellaneous exploration expenses	-	17,307	17,307
Salaries and consulting fees	-	81,642	81,642
Travel	-	1,376	1,376
Total exploration costs	-	142,389	142,389
Cocula Property (Note 6e)			
Acquisition cost	-	51,250	51,250
Assay	-	1,170	1,170
Camp and accommodation	-	1,922	1,922
Drafting and reporting	-	489	489
Legal fees	-	95	95
Mining taxes	-	24,828	24,828
Miscellaneous exploration expenses	-	10,264	10,264
Salaries and consulting fees	-	56,080	56,080
Travel	-	632	632
Total exploration costs	-	146,730	146,730
Other Properties			
Acquisition cost	-	15,473	15,473
Claim staking	-	1,430	1,430
Engineering and feasibility	-	93	93
Legal fees	-	1,430	1,430
Mining taxes	-	10,474	10,474
Salaries and consulting fees	-	151	151
Total other exploration costs	-	29,051	29,051
Total property expenditures	\$ 2,602,038	\$ 18,341,170	\$ 20,943,208

a) San Francisco Project

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 are included in the San Francisco Property.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 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). During the period the terms of the option agreement were revised so that payment of the US\$350,000 and issuance of the 1,500,000 common shares initially due on December 31, 2007, is deferred to April 30, 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 (paid);

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 (paid);

US\$50,000 on or before January 18, 2008 (subsequently paid)

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.

7. FUTURE INCOME TAX LIABILITY

The Company recorded a future income tax liability of \$4,161,601 related to the acquisition of San Francisco mine property.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

8. 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 8a)	9,000,000	3,150,000	-
Pursuant to issue of agent's corporate finance shares (Note 8a)	75,000	26,250	-
Pursuant to options exercised (Note 8b)	200,000	70,000	-
Pursuant to warrants exercised (Note 8a)	107,500	53,750	-
Conversion of promissory note (Note 8c)	285,000	99,750	-
Share issue costs (Note 8a)	-	(602,664)	165,758
Fair value on stock options exercised (Note 8b)	-	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 8d)	12,627,000	6,313,500	-
Pursuant to issue of agent's corporate finance shares (Note 8d)	180,414	90,207	-
Pursuant to warrants exercised (Notes 8a, c and d)	14,907,407	8,732,585	-
Pursuant to options exercised (Note 8e)	400,000	140,000	-
Pursuant to agent's warrants exercised (Notes 8a and d)	2,287,000	1,222,900	-
Pursuant to property acquisition (Note 8f)	10,500,000	5,295,000	-
Share issue costs (Notes 8a and d)	-	(804,394)	147,025
Fair value on stock options and agent's warrants exercised (Notes 8a and e)	-	478,004	(478,004)
Stock-based compensation	-	-	723,601
Balance, December 31, 2007	61,517,954	\$ 24,997,884	\$ 655,157

- 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, and 8,228,000 (including 75,000 warrants issued on corporate finance units) share purchase warrants for total proceeds of \$4,114,000 were exercised and 739,500 share purchase warrants expired in the period ended December 31, 2007. 1,080,000 agent's warrants were exercised for total proceeds of \$378,000 in the period ended December 31, 2007, 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 exercised warrants.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

8. 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 December 31, 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 \$147,025 using Black-Scholes was recognized. A finder's fee of \$11,250 was also paid. As at December 31, 2007, a total of 6,394,407 warrants (including 90,207 warrants issued on agents' Units) and 1,207,000 broker's warrants were exercised for the total proceeds of \$5,320,985, and 9,300 warrants expired. The fair value of \$147,024 was transferred from contributed surplus on the exercised agents' Units. \$50,000 of share issue costs were incurred on the exercised warrants.

- e) During the period ended December 31, 2007, 400,000 stock options were exercised at \$0.35 per share. The fair value of these options at the date of grant was \$165,221. An equivalent amount was transferred from contributed surplus.
- f) During the period ended December 31, 2007, the Company issued 10,000,000 common shares for the acquisition of the San Francisco property, valued at \$0.50 per share (Note 6a), and 500,000 common shares on acquisition of the Los Coloradas property valued at \$0.59 per share (Note 6b). The shares were valued based on the fair value on the date of issuance.
- g) During the period ended December 31, 2007, the Company discovered an error in the calculation of the foreign currency translation on the Acquisition Costs and Deferred Exploration Expenditures associated with the San Francisco Property. The net effect should have been a reduction in the foreign currency gain for the period ended September 30, 2007 of \$438,748. The beginning of period deficit has been amended accordingly. The amendment was a non-cash transaction and has no impact on cash balances.

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

December 31, 2007

8. 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	3,200,000	0.66
Cancelled	(100,000)	0.35
Exercised	(400,000)	0.35
Outstanding, December 31, 2007	4,400,000	\$0.57
Vested, December 31, 2007	2,500,000	\$0.53

Stock options outstanding at December 31, 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
500,000	\$ 0.50	October 5, 2012
4,400,000		

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 options granted is recognized in income on a straight line basis over the vesting period. The total fair value of stock options vested during the period ended December 31, 2007 was \$723,601 (2006 - \$383,223).

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

December 31, 2007

8. 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	(17,194,407)	0.58
Expired	(748,800)	0.50
Outstanding, December 31, 2007	-	\$ -

Escrow and pooling

6,000,000 shares were placed in escrow in accordance with the escrow agreement dated February 17, 2006. At December 31, 2007, 2,400,000 shares were released leaving a balance of 3,600,000 shares held in escrow. Subsequently, another 900,000 shares were released leaving a balance of 2,700,000 shares held in escrow.

10,000,000 shares are subject to a pooling agreement dated April 21, 2007. 2,500,000 shares were released during the period ended December 31, 2007, leaving the balance of 7,500,000 shares held in escrow.

9. RELATED PARTY TRANSACTIONS

During the period ended December 31, 2007, the Company entered into the following transactions with related parties:

- (a) During the period ended December 31, 2007, \$20,000 of consulting fees were incurred by a director and an officer of the Company. As of December 31, 2007, the Company owed \$234 (March 31, 2007 - \$70,534) to this director and officer for expense advances.
- (b) The Company incurred \$5,350 of legal fees (2006 - \$21,463) to a company controlled by a director and an officer. As of December 31, 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.
- (c) During the period ended December 31, 2007, the Company incurred \$40,500 (2006 - \$Nil) for accounting services with a private company of which a director of the Company is a vice-president. As of December 31, 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 December 31, 2007, \$79,096 (March 31, 2007 - 77,276) was held in trust by the legal company.
- (e) During the period ended December 31, 2007, \$139,033 of consulting fees, including geological consulting, (2006 - \$119,934) were incurred by directors and officers of the Company. As of December 31, 2007, \$Nil (March 31, 2007 - \$Nil) is owed to a director.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

9. RELATED PARTY TRANSACTIONS (continued)

- (f) During the period ended December 31, 2007, the Company incurred \$44,328 (2006 - \$Nil) for rent and administrative expenses on behalf of a company with directors in common. As of December 31, 2007, \$21,630 (March 31, 2007 - \$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.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the nine month period ended December 31, 2007, were as follows:

	December 31, 2007	December 31, 2006
Shares issued on property acquisition	\$ 5,295,000	\$ -
Accrual of long term obligations for capital assets	3,950,100	-
Future income tax liability	4,161,601	-
Fair value of broker's warrants	147,025	165,758
Agent's corporate finance shares issued	90,207	-
Fair value of agent's warrants and options exercised	(478,004)	(47,480)
Conversion of promissory note	-	99,750

11. 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 pays Freeform consulting fees of \$6,500 per month.
- (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 is paid US\$2,000 per month. The options are exercisable at \$0.50 per share, with 25% vesting every three months during the first year. The Company and Grandich Publications are at arm's length.

TIMMINS GOLD CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

12. 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.

13. 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
December 31, 2007				
Canada	\$ 10,596,016	\$ 50,305	\$ 5,674,204	\$ 4,871,507
Mexico	16,067,105	4,176,857	11,107,403	782,845
	<u>\$ 26,663,121</u>	<u>\$ 4,227,162</u>	<u>\$ 16,781,607</u>	<u>\$ 5,654,352</u>
March 31, 2007				
Canada	\$ 211,682	\$ 60,801	\$ -	\$ 150,881
Mexico	2,777,163	35,713	2,602,038	139,412
	<u>\$ 2,988,845</u>	<u>\$ 96,514</u>	<u>\$ 2,602,038</u>	<u>\$ 290,293</u>

14. SUBSEQUENT EVENTS

- (a) Subsequent to December 31, 2007, the Company issued 1,600,000 stock options at a price of \$0.75 per share, under the incentive stock option plan.
- (b) The restricted cash held in trust in accordance with an employment contract was released to the Company subsequent to December 31, 2007.