

TIMMINS GOLD CORP.

MANAGEMENT DISCUSSION AND ANALYSIS for the three and nine month periods ended December 31, 2007

Date of Report

The following Management Discussion and Analysis (“MD&A”) for Timmins Gold Corp. (“Timmins” or the “Company”) is prepared as of February 18, 2008, and should be read in conjunction with the unaudited Consolidated Financial Statements (“Financial Statements”) and related notes for the three and nine month periods ended December 31, 2007, and the comparative period ended December 31, 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 the 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, BC, Canada and an administrative office in Hermosillo, Sonora, Mexico. The Company also has field offices in Magdalena, Sonora, and Guadalajara, Jalisco, 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 through 2008. The Company has commissioned a pre-feasibility study addressing the viability of commencing production at its 100% owned San Francisco Gold Mine. The study is expected to be completed in February/March 2008.

The Company has five projects. The Company's principal and only 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. Geomaque, Mexico, operated the San Francisco Gold Mine ("Mine") from 1997 to 2002.. Mineral resources still existed when the Mine closed due to low gold prices. Funds raised on the IPO and various financings have been used to acquire a 100% interest in the San Francisco Property and complete drill programs on the property with the objective of confirming and expanding the mineral resource base and eventually recommencing production.

The Company currently has sufficient financial resources to support current plans and exploration programs, however, it will require additional funding to recommission operations at San Francisco. Once the pre-feasibility study is completed the Company will assess whether it will rely upon the pre-feasibility in making a production decision, or whether it will commission a full feasibility study to help refine and further confirm the economics of the project. At present Company management does not believe a full feasibility study will be commissioned. In July 2007, approximately nine million IPO warrants and agent's warrants exercisable to purchase one common share at \$0.50 were exercised. This added approximately \$4 million to working capital. In October 2007 approximately 7.6 million additional warrants exercisable to purchase one common share at \$0.70, from the May 2007 private placement, were exercised. The Company received gross proceeds of \$5,320,984 from this warrant exercise. US\$4.0 million of the proceeds from the exercise have been allocated for various capital expenditures associated with recommencing operations at the San Francisco mine, including deposits on the acquisition of secondary and tertiary crushers, screens, conveyors, refurbishing of existing equipment including the gold plant and primary crusher, construction of the heap leach pads and exploration of the 20,000 hectare Norma and Patricia claims immediately to the west of the San Francisco claims. US\$300,000 has been allocated to a drill programs on the Tequila Property and US\$500,000 has been allocated to a drill program on the Las Coloradas Property. The balance has been added to general working capital. The drill program on the Tequila Property commenced in December 2007. Initial results are expected in February 2008. The Las Coloradas drill program commenced in mid January 2008. Assuming the pre-feasibility study demonstrates the project is viable, additional funding will be required to recommence operations at the San Francisco Gold Mine.

Gold prices have been very volatile but have been generally rising in recent times. Subsequent to the period end a historic high gold price was set. It is very possible that current prices could fall from recent highs. The Company believes that gold prices have benefited from declining gold resources, economic uncertainty, 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. Recent unprecedented strengthening of the Canadian dollar could have both positive and negative consequences for the Company. As a significant portion of the Company's expenditures are denominated in US\$ or the Mexican Peso, the increase in exchange rates of the Canadian dollar versus these currencies generally increases the Company's purchasing power. However, the inability of Canadian business to quickly adapt to this rapidly changing environment could ultimately impact the Canadian economy and the investment community in Canada, the Company's principle source of equity investment. Management continues to monitor the economic environment and its impact on the Company.

Gold prices and Canadian dollar to Mexican Peso and US dollar exchange rate will have a significant influence on future cash flow and earnings of the Company should recommissioning of the San Francisco Mine proceed. The Company is not able to predict future gold prices or foreign exchange rates and 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, filed a technical report prepared in accordance with NI 43-101, disclosing the mineral resource estimate. 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. The US\$5 million payment was made in two US\$2.5 million instalments. In compliance with the terms of the agreement the first was made on closing of the acquisition in May 2007, and the second, prior to the October 31, 2007 deadline. In addition, the Company is required to purchase certain mining and processing equipment for US\$3.5 million dollars. Payment of the US\$3.5 million is not required to be made until May 2010. As this liability is interest-free, the full acquisition price of this US\$ denominated debt has been discounted at an annualized rate of 4.5% to reflect the implied interest rate.

The February 2007 technical report disclosed the following Mineral Resource 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 first quarter of fiscal 2008 the Company commenced a surface exploration, geochemical survey, both ground and airborne geophysical surveys and a third drill program with the objective of identifying additional targets on the 43,000 hectare property and expanding and upgrading the known mineral resource. The objectives of the program were successful and the Company commissioned a pre-feasibility study on the Property in September 2007. Micon International Limited of Toronto (Micon) and Independent Mining Consultant Inc. of Tucson (IMC) are the principal consultants and independent Qualified Persons responsible for the Report. The Company expects to be in receipt of this document in February/March 2008, and is confident that current gold prices will support the feasibility of the project. Management is currently proceeding on the basis that production will recommence in late 2008.

As previously disclosed, the Company believes the economics of the San Francisco operations will be particularly sensitive to gold recoveries and mining costs. From January to September 2007, the Company completed a comprehensive metallurgical testing program. Micon and PRA Labs of Richmond, BC, were contracted to complete bottle roll and column leach tests on the four principal lithologies that host the gold mineralization at the San Francisco Mine Property.

Readers are referred to the Company’s November 28, 2007 news release that provides detailed disclosure of the results of the summer/fall 2007 diamond drill, geophysical and surface exploration program exploration program at San Francisco. A brief summary of the significant results is provided here.

The drill program returned positive results from a number of areas including the step-out drill programs to the Southeast, Southwest and Northwest of the current pit limits. Infill drilling within the current pit also returned positive results. In addition a mineralized trend (“West Mineral Trend”) extending 3 kilometres in width and 10 kilometres in length along strike to the Northwest was identified by geochemical sampling. In addition, metallurgical testing has produced recoveries which are significantly higher than historical results.

Highlights of the drill program include the discovery of a new zone of near surface mineralization approximately 100 meters to the southeast of the current pit. The first hole returned 19.90 metres grading 4.076 g/t Au from 5.0 to 24.90 metres (including an interval of 6.20 metres grading 12.087 g/t Au), and 3.80 metres (true width) grading 1.30 g/t Au from 51.25 to 53.80 metres. The second drill hole completed 40 metres NW of the first returned 1.20 metres (true width) grading 5.76 g/t Au and appears to have only pierced the top of the mineralized body. The Company is also encouraged by the results from the Polvorines zone, located southwest of the present pit limit, which intersected 8.10 metres (true width) grading 2.069 g/t Au (including a 1.0 metre interval grading 14.80 g/t Au).

The West Mineral Trend, a strong northwest trending geochemical anomaly approximately 1 kilometre north of the San Francisco pit was identified. The anomaly is 450 metres wide and extends from Cerro Gauna along strike for 800 metres and remains open in both directions. Cerro Gauna is a 120 metre exposure of the granite and metamorphic sequence that hosts much of the mineral resource in the San Francisco pit. The Company considers this area to be very prospective for significantly expanding the mineral resource on the San Francisco property.

The Company is also very encouraged with the results from the metallurgical testing program consisting of bottle roll and column leach tests on the four principal lithologies (by relative tonnages) that host the gold mineralization. By relative tonnage these lithologies include leucocratic granite, gneissic granite and leucogranite, gabbro and pegmatite. The recoveries were 83.2%, 93.9%, 50.7% and 78.5% respectively. These results are significantly higher than historical recoveries and appear to be largely attributable to crush size. Testing has determined that crushing ore between ½ to ¼ inch is critical in maximizing recoveries. A review of historical data indicates a crush size of only ¾ inch or greater was achieved during Geomaque’s tenure. This may partially explain historical recoveries of only approximately 61%. The Company is confident lab results can be replicated on a commercial scale provided appropriate controls are present. The Company is continuing its metallurgical testing program using 6 metre columns for a new series of column leach tests. Technical staff believes the 6 metre columns will best simulate commercial operations providing management with the confidence to make a production decision.

A prefeasibility study prepared in accordance with National Instrument 43-101 is being completed on the San Francisco Mine Property. Micon International Limited of Toronto and Independent Mining Consultants, Inc. of Tucson are the principal consultants and independent Qualified Persons responsible for the Report. The Company expects to be in receipt of the study in February/March 2008 and anticipates the economics will support re-commissioning the operations.

Las Coloradas Property, Durango, Mexico

During the first quarter of fiscal 2008, 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. Significant deposits in the region include the Tayoltita, Guadalupe de los Reyes, Cosala and San Jose de Gracia deposits. 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 April 30, 2008 (during the current interim period this term was amended from the original date of December 31, 2007). The vendor retains 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 completed 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. A US\$500,000 3,000 m diamond drill program has commenced with completion expected in March 2008. Road rehabilitation has also been completed.

Tequila Property, Jalisco, Mexico

During the first quarter of fiscal 2008, 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 four concessions covering approximately 564 hectares and is approximately 1½ hours north of Guadalajara. In order to exercise the option, the Company was required to pay US\$50,000 on formal exchange approval (paid), and is required to pay a further 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, an arm’s length party, retains a 2% net smelter return interest, which may be purchased for US\$1,000,000.

During the second quarter of fiscal 2008 the Company completed a first phase surface and underground sampling and exploration program. The Company is encouraged by initial results obtained from sampling of the Veta Grande Vein system as several high grade assays were returned. As previously reported 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). The main areas sampled were the Veta Grande vein, the Grano de Oro vein, the Guadalupe vein and the Veta Grande breccia zone. Significant mineralized intervals encountered during the current sampling program include:

Veta Grande Vein: Samples VG-01 – 09, 15.91 g/t Au across 3.0 m; Samples VG 001 – 048, 13.71 g/t Au, 119 g/t Ag across 10.0 m; Samples VG 049 – 094, 14.01 g/t Au across 10.0 m.

Guadalupe Vein: Samples GPE7A, 5.72 g/t Au, 320.0 Ag across 1.0 m; Samples GPE7A, 121.56 g/t Au, 280.0 g/t Ag (chip sample).

Grano de Oro Vein: Samples GO frente, 662.40 g/t Au across 2.5 m; Samples GO piso, 13.88 g/t Au across 2.0 m; Samples Grano de Oro piso, 5.91 g/t Au across 2.0 m; Samples GO rebaje, 1.01 g/t Au across 1.5 m.

Veta Grande Breccia Zone: Samples TEE 101 – 117, 0.72 g/t Au across 28.0 m; Samples TEE 150 – 164, 1.67 g/t Au across 30.0 m; Samples TEE 118 – 122, 1.80 g/t Au across 10.0 m; Samples TEE 130 – 149, 1.13 g/t Au across 40.0 m, Samples TEE 300 – 313, 0.04 g/t Au across 26.0 m.

While the Company believes the above intersections approximate true widths, this is subject to verification by the proposed drill program. Precious metal mineralization on the Tequila Property is associated with a sequence of rhyolitic tuffs and basalts hosting high grade epithermal gold veins in a breccia zone. The principal

mineralized zone on the Tequila Property is the Veta Grande vein which has been traced along strike for over 700 metres and a vertical extent of over 300 metres. The down dip extent of the mineralized structure below the valley floor is not known but is being tested by the current drill program. Samples of the Veta Grande vein average 13.71 g/t gold and 119 g/t silver across 10 metres in exposures in the underground workings. Locally the Veta Grande vein has returned bonanza grades of up to 118.46 g/t gold and 469 g/t silver across 1.0 metre grab samples of mineralized material from the old workings averaging 23 g/t gold. The Veta Grande vein is hosted in a brecciated shear zone that has been traced along strike for over 1 km. This breccia zone varies from 20 to 60 metres in width and averages 40 metres. Sampling of the breccia zone, which is exposed on both sides of the Santiago River, returned an average grade of 1.13 g/t gold across 40 metres. The underground exposures of the breccia are highly oxidized suggesting the possibility of a higher grade zone of primary mineralization existing at depth. Channel sampling across the top of Adit Number 1 at Veta Grande returned assay values of 13.32 grams per tonne of gold across 1.5 metres and 43.80 grams per tonne of gold across 2.5 metres. Hole No. 1 of the current drill program was successful in penetrating the Veta Grande vein at this point.

The Veta Grande system also has several high to bonanza grade veins that dissect the primary system. These include the Guadalupe, Grano de Oro and La Lupita veins. These veins, while generally narrower, are often higher grade. The remnants of several small scale operations are evident on the property. Current small scale mining activities and our own sampling program have confirmed the presence of bonanza grade gold from the Veta Grande and related veins. Specifically the Guadalupe vein has been traced along strike for over 500 metres and a vertical extent of over 300 metres. Sampling across the 1.5 metre width returned an average of 5 to 6 g/t gold with selective grab samples from the old workings returning 121 g/t gold and 280 g/t silver. The Grano de Oro vein, which has been largely inaccessible to date because of high water levels, averages 2.0 metres wide and is exposed along strike for approximately 100 metres in underground workings. A single sample at the portal returned 662.40 g/t gold across 2.5 metres. The Lupita vein returned 16.0 g/t gold (selective sample) and 2.14 g/t gold across 2.0 metres. Lupita is exposed for approximately 15 metres in underground workings and remains largely unexplored.

The Company has also received results from its channel sampling program of other recently discovered surface and underground workings. Dewatering and subsequent channel sampling of the foot and hanging wall of the Lupita shaft returned 40 g/t gold and 100 g/t silver across an average width of 2.4 metres. Channel sampling of the La Gaviota vein, approximately 100 metres west of the Veta Grande vein returned 12.67 g/t gold across 1.5 metres. Technical staff believes La Gaviota is the extension of the La Lupita vein.

Based on the above results the Company commenced a first phase, 1,200 metre, diamond drill program in early December 2007. The primary objective of this program is to confirm the width, strike length and down dip extent of the Veta Grande vein, and its associated breccia zone, as well as the Grano de Oro, Lupita and Guadalupe veins. The program is also continuing with surface exploration and sampling of the Guadalupe and La Lupita veins and reconnaissance mapping and sampling of the property. Technical staff is confident additional related veins and/or breccias zones will be identified by the program. Contingent upon favourable results a more comprehensive second phase drill and exploration program forming the basis for an initial resource estimate is planned. This second phase program would commence shortly after completion of the first program.

Cocula Property, Jalisco, Mexico

During the second quarter the Company entered into an option agreement to acquire a 100% interest in the 250 hectare Cocula claims located in San Martin Hidalgo, Jalisco, Mexico, approximately 90 km west of the Company's regional office in Guadalajara. To exercise the option, the Company must pay a total of US\$1.5 million over a four year period. The Vendor is an arm's-length party who retains no royalties on the claims. The property has been optioned to assess the open pit, bulk tonnage potential of the principal mineralized zone.

The mineralization hosted on the Cocula property exhibits epithermal characteristics similar to those of other deposits in the region and appears to be controlled by a large structural feature responsible for the siliceous and brecciated sedimentary sequence. Mineralization is hosted in hydrothermally altered andesitic tuffs and sandstones. Work to date has traced the principal structure over widths of 15 to 40 metres and a strike length of 2 kilometres. The system is open both at depth and along strike. A separate gossanous zone has also been identified over a surface area of 500 x 500 metres. A hand held drill program consisting of 4 shallow holes (average depth of 40 m) was completed in 2003. While all holes returned highly anomalous gold values Hole 3, drilled on the mineralized structure returned several intersections with grades between 0.50 and 3.32 g/t gold from 7 to 40 metres depth. A first phase surface sampling program by the Company's geologists along the main structural trend returned several highly anomalous precious and base metal values. As previously reported sampling of the some of the zones identified to date returned the following average grades and intersections:

Hermosa Provincia Mine underground workings: 5.28 g/t Au across 6.0 metres.

La Chavelita Mine underground workings: 2.45 g/t Au, 60.0 g/t Ag across 0.30 metres;

La Chavelita Mine Zone: 0.89 g/t Au, 2.0% Pb, 1.5% Zn across 1.5 metres;

Gossanous Zone: 0.54 g/t gold across 16.50 metres & 0.50 g/t gold across 16.0 metres; and

Margarita Mine underground workings: 1.5 g/t gold across 1.0 metre;

In addition, base metal values up to 1.2% copper, 1.5% lead and 2.2% zinc have been returned from representative grab samples from other localities on the property. The Company has recently completed a program of sampling and mapping. Some assay results have been received and technical staff are currently assessing their relevance. Dissemination of the results is expected in March 2008 once all have been received. A geophysical program consisting of Induced Polarization and resistivity surveys to help define the vertical, lateral and strike extent of the identified mineralizing structures is proposed. The geophysical program will also help identify any parallel structures that do not outcrop.

Capomo Property, Nayarit, Mexico

During the first quarter of fiscal 2008, the Company acquired the mineral rights to 60,000 hectares in four claim blocks by staking. The Capomo Property is located in Nayarit State, approximately 50 kilometres east of Puerto Vallarta. The property is located in the Sierra Madre del Sur physiographic province consisting of rhyolitic and andesitic volcanics intruded by granite and granodiorites along a system of faults and fractures that are up to eight kilometres in length. Horst and graben structures displace these larger structures in several locations on the property having created favourable conduits for mineralizing fluids. Sulphide and precious metal mineralization is hosted in epithermal veins measuring five to 20 metres in width, and 500 to 1,000 metres in length. Historically, over 20 mineralized structures have been identified by previous operators. Oxidation, kaolinization and propilization are common alteration features. Sulphide mineralization with significant gold, silver, lead, zinc and copper values were encountered during the first phase surface sampling program. Selective grab samples have returned grades of up to 22.5 g/t gold and 1860 g/t silver. The Company is currently accessing the results of the first phase surface program to determine their significance. A comprehensive surface exploration and drill program is currently being planned and should be completed during the next two quarters.

Summary of Quarterly Results

The following is a summary of the Company's financial results for the seven 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):

	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Total revenues (1)	\$51,137	\$41,199	\$18,442	\$9,563	Nil	Nil	Nil
Net income/(loss)	(1,084,943)	(\$682,711)	\$4,405	\$6,389	(\$88,450)	(\$686,199)	(\$140,304)
Basic loss per share (2)	\$0.02	\$0.01	\$0.00	\$0.00	\$0.01	\$0.04	\$0.01

(1) Total revenues comprises interest income

(2) 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 often fluctuate from quarter to quarter as a result of non-recurring activities or events. Incremental general and administrative expenses, while generally consistent between interim periods, have increased recently due to the expansion of development activities at the San Francisco Project and of exploration efforts at its other properties.

Operating Activities

The Company recorded a net loss for the nine month period ended December 31, 2007 of \$1,763,249 (or \$0.04 per share), compared with a net loss for the same period in 2006 of \$767,537 (or \$0.05 per share). In general, overall operating expenditures increased because of an increase in corporate activity including higher administrative costs in both Canada and Mexico. These expenditures were partially offset, however, by a foreign exchange gain of \$295,798 resulting from the Company's current policy of holding the majority of its financial resources in Canadian dollars until such time that payment (in US\$ or Mexican pesos) is required. The majority of the Company's operating expenditures are denominated in US dollars.

The increase of \$14,179,569 in deferred exploration and development costs is associated with the ongoing drill and exploration programs on, and acquisition costs of, predominantly the San Francisco Property. This figure also includes the fair value of shares issued to acquire various properties.

Nine month comparison

Total general and administrative costs were \$1,446,224 (net of a \$295,798 foreign exchange gain and stock based compensation of \$723,601) for the nine month ended December 31, 2007, and \$436,443 (net of a \$52,129 foreign exchange gain and stock based compensation of \$383,223) for the comparative period in 2006. The Company has three employees in its Vancouver office, which has resulted in an increase of \$384,250 in salaries and benefits for the nine months ended December 31, 2007 over the comparative period in 2006. The other major increases are in investor relations (2007: \$204,686; 2006:\$28,494) and consulting fees (2007: \$186,805; 2006: \$78,350). During the year the Company embarked on an aggressive investor relations and promotional program in North America and Europe. This campaign resulted in a significant increase in both IR and consulting expenditures.

Three month comparison

The Company recorded a net loss for the three month period ended December 31, 2007 of \$1,084,943 (or \$0.02 per share), compared with a net loss for the same period in 2006 of \$88,450 (or \$0.01 per share). General and

administrative costs were \$541,605 (net of non-cash stock based compensation expenses of \$247,855 and foreign exchange loss of \$346,620) for the three month period December 31, 2007, and \$153,573 (net of non-cash stock based compensation expenses of \$16,380 and a foreign exchange gain of \$81,503) for the comparative period in 2006. The major increases were in investor relations (2007: \$101,206; 2006: \$19,752), and consulting fees (2007: \$115,065; 2006: \$17,320). Investor relations and promotional tours of Toronto, New York and Europe were completed during the current interim period, and therefore resulted in increased IR and consulting fees.

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. This amendment has no impact on cash balances.

Trend analysis

A comparison of the losses for each of the three month periods for the last nine months, excluding stock based compensation and any foreign exchange loss or gain, shows that the Company's "burn rate" to be relatively consistent at approximately \$500,000 per quarter.

Asset retirement obligations (ARO)

The Company currently lacks the information necessary to set up an ARO. However, management expects that it should have sufficient information to do once it has received and analyzed the pre-feasibility study being completed on the San Francisco Project. Pursuant to the requirement of NI 43-101 this report is required to report on any costs, legal obligations, contingent liabilities and/or other liabilities associated with the physical reclamation of lands and/or closure of the operations.

Future income tax liability

The Company has set up a future income tax liability on the acquisition of the San Francisco mine property, as the property has a tax base of \$0.

Liquidity

The Company had cash of \$5,017,535 (including \$79,096 in restricted cash) at December 31, 2007 compared to \$135,049 (including \$77,276 restricted cash) at March 31, 2007. The Company had working capital of \$5,377,085 at December 31, 2007 compared to a working capital deficiency of \$75,073 at March 31, 2007.

The Company's financial condition is contingent upon the results of continuing exploration and if feasible, development of the San Francisco Project. The Company completed a third phase of drilling on the property in November 2007 and is nearing completion of a pre-feasibility study. The Company is also continuing with its metallurgical testing program. Results of this program are being incorporated into the 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 (in particular mining 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 and income 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 the financing required 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.

Management does not believe any of the recent concerns related to Asset Backed Commercial Paper (ABCP) have affected the Company's liquidity. However, management continues to monitor the situation and its assessment of these issues may be revised as more information becomes available.

Capital Resources

In 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 required the Company to purchase certain mining and processing equipment for US\$3.5 million dollars (the "Acquisition Agreement"). Payment of the US\$3.5 million is not required until May 2010, three years from closing of the acquisition. IVA, the Mexican equivalent to value added tax, also has to be paid on the acquisition. As at December 31, 2007, an estimate of the IVA payable has been made. Assuming the pre-feasibility 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 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 April 2007 equity financing. The second and final payment of US\$2.5 million was made prior to October 31, 2007.

The Company also made a US\$50,000 payment pursuant to the terms of the Tequila Property option agreement. A US\$350,000 payment was initially required on or before December 31, 2007 pursuant to the terms of the Las Coloradas Property option agreement. This term was amended during the period and the payment is now required on or before April 30, 2008.

Transactions with Related Parties

During the three months 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 to a company controlled by a director and an officer. As of December 31, 2007, the Company owed \$Nil to this company, although \$647 was held in trust by this company.
- (c) During the period ended December 31, 2007, the Company incurred \$40,500 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 was held in trust by the legal company.
- (e) During the period ended December 31, 2007, \$139,033 of consulting fees, including geological consulting, were incurred by directors and officers of the Company. As of December 31, 2007, \$Nil is owed to this director.
- (f) During the period ended December 31, 2007, the Company incurred \$44,328 for rent and administrative expenses on behalf of a company with directors in common. As of December 31, 2007, \$21,630 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.

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 2 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

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 other financial liabilities during the financial period ended December 31, 2007.

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 includes 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.

Commitments

The Company's commitments with respect to its mineral property interests are detailed in Note 6 to the financial statements and under "Results of Operations".

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

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.

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.

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.

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.

Management does not believe any of the recent concerns related to Asset Backed Commercial Paper (ABCP) have affected the Company's liquidity or the fair value of its capital resources. However, management continues to monitor the situation and its assessment of these issues may be revised as more information becomes available.

Outlook

As previously disclosed, a pre-feasibility study by Micon International Ltd. of Toronto is being completed. The document, originally expected to be delivered by the end of December 2007, is now expected in February/March 2008. Delays were incurred because of a number of minor issues including the refining of capital and operating costs, the negotiation of contract terms, the completion of a program of six metre column leach tests (to better replicate commercial scale operations), and completion of a production profile based on the principal ore types. While results have been very favourable, leach times for the full six metre columns have been predictably longer. In addition, the significant amount of technical and economic data from historical operation has taken a considerable amount of time to consolidate and integrate into the study. The Company has assessed all alternatives for recommissioning operations at San Francisco and believes minor modifications to the conventional heap leach process previously employed should prove effective. As previously disclosed, column leach tests completed by PRA have returned recoveries of 91.9%, 93.9%, 47.7% and 75.9% from the four principal lithologies hosting the resource. The Company believes it can reproduce these recoveries on a commercial scale.

The Company also completed ground geophysical (Induced Polarization) and drill programs in the immediate area of the current mineral resource (see "Results of Operations"). IMC, the Company's consultants responsible for preparation of its mineral resource estimates, will unfortunately not be able to complete a revised mineral resource estimate incorporating the 2008 exploration and drill results, prior to finalizing the pre-feasibility study. As a result the study will be based upon the March 2007 mineral resource estimate. It is hoped a revised estimate will ultimately be incorporated into the final mine plan. An airborne magnetic and radiometric survey and soil geochemical survey were also completed during June 2007. These programs were successful in identifying several additional earlier stage exploration targets within the property boundaries and the Company is reviewing the results to aid in future exploration programs.

The Company is also very encouraged by initial surface and underground sampling results obtained from the Tequila, Cocula and Capomo projects. A first phase diamond drill program was initiated on the Tequila Property in early December 2007. The Company has received preliminary assay results from each of these programs and full disclosure of the results will be made once technical staff and management have had an opportunity to review and determine their relevance, and the implications for additional exploration, including drill programs.

The Company made the final payment on the San Francisco Mine property in the December 31, 2007, interim period and now owns 100% of the project. In addition, with the exercise of the warrants in October 2007, the Company is funded to advance its exploration projects to the next stage of development. Funding requirements to acquire and refurbish the capital assets required to recommence operations at San Francisco, is currently being addressed by the Company. The Company is assessing several alternative equity and debt financing options that have been presented to it by its financial advisors.

Directors and Officers

Arturo Bonillas	Director, President
Bruce Bragagnolo	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.