

TIMMINS GOLD CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008 and 2007



Deloitte & Touche LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

Auditors' Report

To the Shareholders of
Timmins Gold Corp.

We have audited the consolidated balance sheet of Timmins Gold Corp. as at March 31, 2008 and the consolidated statements of operations, comprehensive income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2007, and for the year then ended, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 13, 2007.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Chartered Accountants
July 24, 2008

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
As at March 31

	2008	2007
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$ 2,471,042	\$ 57,773
Amounts receivable	1,061,456	144,244
Prepaid expenses	63,473	11,000
Due from related party (Note 10)	16,987	-
	3,612,958	213,017
Cash – restricted (Note 3)	-	77,276
Equipment (Note 5)	4,227,501	96,514
Resource properties (Note 6)	25,522,787	2,602,038
	\$ 33,363,246	\$ 2,988,845

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 493,525	\$ 217,556
Due to related parties (Note 10)	234	70,534
	493,759	288,090
Long term debt (Note 4)	3,726,248	-
Future income tax (Note 7)	4,940,389	-
Asset retirement obligation (Note 8)	1,279,000	-
	10,439,396	288,090
Shareholders' equity		
Share capital (Note 9)	27,084,420	3,530,082
Contributed surplus (Note 9)	2,265,064	262,535
Deficit, per accompanying statement	(6,425,634)	(1,091,862)
	22,923,850	2,700,755
	\$ 33,363,246	\$ 2,988,845

Nature and continuance of operations (Note 1)

Commitments (Note 13)

Contingencies (Note 14)

Subsequent events (Note 16)

Approved by the Directors

“Bruce Bragagnolo”

Director

“Darcy Krohman”

Director

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

TIMMINS GOLD CORP.

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CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

For the Years Ended March 31

	2008	2007
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 125,511	\$ 36,288
Amortization	46,281	15,566
Consulting	225,544	174,746
Foreign exchange (gain) loss	(269,282)	5,533
Interest and bank charges	206,715	42,162
Investor relations	384,038	76,814
Legal	127,985	62,709
Office and miscellaneous	131,118	60,435
Property investigation	62,686	-
Rent	43,258	48,400
Salaries and wages	500,727	176,428
Stock-based compensation (Note 9)	2,351,294	51,632
Telephone	38,542	20,807
Transfer and listing fees	87,592	39,690
Travel	151,093	51,917
Write-off of non-producing mineral property and related deferred exploration expenditures	1,264,182	-
	<u>(5,477,284)</u>	<u>(863,127)</u>
OTHER ITEMS		
Interest income	143,512	9,563
	<u>143,512</u>	<u>9,563</u>
Net loss and comprehensive loss for the year	(5,333,772)	(853,564)
Deficit, beginning of the year	(1,091,862)	(238,298)
Deficit, end of the year	\$ (6,425,634)	\$ (1,091,862)
Loss per share – basic and diluted	\$ (0.10)	\$ (0.05)
Weighted average number of shares outstanding- basic and diluted	51,522,946	17,519,229

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

TIMMINS GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended March 31

	2008	2007
CASH FLOWS FROM (TO) OPERATING ACTIVITIES		
Loss for the period:	\$ (5,333,772)	\$ (853,564)
Items not affecting cash:		
Amortization	46,281	15,566
Interest on debt (Note 4)	194,578	-
Stock-based compensation	2,351,294	51,632
Write-off of non-producing mineral property and related deferred exploration expenditures	1,264,182	-
	<u>(1,477,437)</u>	<u>(786,366)</u>
Changes in non-cash working capital items:		
Amounts receivable	(431,180)	(91,687)
Prepaid expenses	(52,473)	4,502
Accounts payable and accrued liabilities	275,969	25,317
Due to related parties	(87,287)	(9,066)
	<u>(1,772,408)</u>	<u>(857,300)</u>
Cash flows used in operating activities	<u>(1,772,408)</u>	<u>(857,300)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Issuance of common shares	16,427,735	3,300,000
Share issue costs	(567,162)	142,500
Deferred costs	-	(436,906)
Proceeds from convertible promissory note	-	125,000
Repayment of convertible promissory note	-	(25,250)
Proceeds from related party promissory note	-	175,000
Repayment of related party promissory note	-	(175,000)
	<u>15,860,573</u>	<u>3,105,344</u>
Cash flows provided by financing activities	<u>15,860,573</u>	<u>3,105,344</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,054)	(109,134)
Expenditures on resource properties	(11,749,118)	(2,006,857)
	<u>(11,752,172)</u>	<u>(2,115,991)</u>
Cash flows used in investing activities	<u>(11,752,172)</u>	<u>(2,115,991)</u>
Increase in cash and cash equivalents during the year	2,335,993	132,053
Cash and cash equivalents, beginning of year	135,049	2,996
	<u>2,471,042</u>	<u>135,049</u>
Cash and cash equivalents, end of year	\$ 2,471,042	\$ 135,049
Cash consists of:		
Cash and cash equivalents	\$ 2,471,042	\$ 57,773
Cash – restricted	-	77,276
	<u>\$ 2,471,042</u>	<u>\$ 135,049</u>

Supplemental disclosure with respect to cash flows (Note 11)

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

TIMMINS GOLD CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2008 and 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 (“Exchange”). 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. Subsequent to the year end the Company completed a private placement for gross proceeds of \$19,300,000 (Note 16).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). The accounting principles used include:

Principles of consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiary.. 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. The Company does not use any derivative instruments to hedge its currency risk with respect to foreign currency. As at March 31, 2008 cash and cash equivalents include \$1,763,638 (2007 – \$Nil) of short term notes issued by Canadian chartered banks.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2008 and 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 of the annual rate subsequent to being put into use. 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	Units of production method

The costs of mine equipment and buildings with an estimated life exceeding that of the mine will be amortized based on the units of production method when production commences. The costs will be amortized on a unit of production basis over proven and probable reserves and a portion of resources.

Resource properties

The Company defers the cost of acquiring, maintaining, 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-offs 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-offs and recoveries.

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 consolidated statement of operations, comprehensive 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.

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For the years ended March 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of long-lived assets**

An impairment loss is recognized for long-lived assets including resource properties and deferred expenditures, and equipment, when events or changes in circumstances cause 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 operations. 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. Significant areas that involve estimates by management include valuation of stock based compensation, impairment of long lived assets, amortization of charges and valuation allowance of future income tax costs.

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 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.

Financial instruments and comprehensive income

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.

Section 3865, Hedges, requires all derivatives to be recorded on the balance sheet at fair value and describe when and how hedge accounting can be used. Hedge accounting results in gains, losses, revenues and expenses from the hedge transaction (usually a derivative) and the item it hedges being recorded in the statement of operations in the same period. The Company does not use hedges.

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 at the date of acquisition. Subsequent measurement and accounting for 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; and loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Amounts 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 year ended March 31, 2008.

Transaction costs directly attributable to the acquisition or issue of financial instruments are recognized in net income (loss) in the period incurred.

Asset retirement obligations

The Company recognizes contractual, statutory and legal obligations associated with the retirement of mining properties when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for asset retirement obligations is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of that asset and the cost will be amortized as an expense over the economic life of the related asset, once production of that asset commences. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability could be increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows to settle the obligation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended March 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies

Accounting changes

On April 1, 2007, the Company adopted new Section 1506, Accounting Changes. The main features of this section are as follows:

- Voluntary changes in accounting policy are made only if they result in the financial statements providing reliable and more relevant information;
- Changes in accounting policies are applied retrospectively unless doing so is impracticable;
- Prior period errors are corrected retrospectively; and
- New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors.

New accounting pronouncements

a) Capital disclosures

Effective March 31, 2008, the Company will adopt Section 1535 of the CICA Handbook, Capital Disclosures. This section establishes standards for disclosing information about an entity's capital and how it is managed. The Company will implement these disclosures in the first quarter of 2009. The main features of this new section are:

- Provide information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital;
- Summary quantitative data about what the entity manages as capital;
- Whether the entity has complied with any capital requirements; and
- If it has not complied, the consequences of non-compliance.

b) Inventories

In June 2007, the CICA issued Section 3031, Inventories, which provides more guidance on the measurement and disclosure, requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The new pronouncement is effective the first quarter of 2009 and does not have a material impact on the Company's result of operations.

c) Financial instrument disclosures

In March 2007, the CICA issued Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial instruments - Presentation, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

The Company will implement these disclosures in the first quarter of 2009, although the adoption of this section will not impact the Company.

TIMMINS GOLD CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements (continued)

d) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This section is effective in the first quarter of 2009. The adoption of this section is not expected to impact the Company.

e) Business combinations

The proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will result in measuring business acquisitions at the fair value of the acquired entities and a prospectively applied shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests). Adoption of this section is not expected to impact the Company.

f) Convergence with International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The conversion to IFRS will affect interim and annual financial statements relating to the Company for the year commencing April 1, 2011. The Company is currently evaluating the impact of the adopting IFRS.

3. CASH - RESTRICTED

In 2006, 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. During 2008, the restricted cash held in trust in accordance with an employment contract was released to the Company.

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For the years ended March 31, 2008 and 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\$2,500,000 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 (Note 9(f)). 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 9).

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

<u>Consideration:</u>	
Cash	\$5,205,753
Common shares	7,000,000
Total purchase price	<u>\$12,205,753</u>
<u>Assets and liabilities acquired:</u>	
San Francisco mine property	\$18,425,142
Future Income Tax Liability	(4,940,389)
Asset Retirement Obligation	(1,279,000)
	<u>\$12,205,753</u>

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. 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 6.775% to reflect the implied interest rate, resulting in a total interest charge as at March 31, 2008 of \$194,578. The mine and equipment has been recorded at a cost of \$3,045,638.

5. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 51,070	\$ 19,307	\$ 31,763	\$ 22,189	\$ 5,649	\$ 16,540
Exploration equipment	406,043	932	405,111	-	-	-
Leasehold improvements	8,259	2,478	5,781	8,259	826	7,433
Mine equipment and buildings (Note 4)	3,602,217	-	3,602,217	-	-	-
Office furniture and equipment	69,939	13,679	56,260	46,198	4,287	41,911
Vehicles	153,192	26,823	126,369	35,954	5,324	30,630
	<u>\$ 4,290,720</u>	<u>\$ 63,219</u>	<u>\$ 4,227,501</u>	<u>\$ 112,600</u>	<u>\$ 16,086</u>	<u>\$ 96,514</u>

Mine equipment and buildings were not depreciated during the year as they have not been put into use and commercial production has not commenced.

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6. RESOURCE PROPERTIES

Capitalized costs are as follows:

	Mar 31, 2007	Additions	March 31, 2008
San Francisco Property (Note 6a)			
Acquisition cost (Note 4)	\$ 31,345	\$ 18,425,142	\$ 18,456,487
Claim staking	39,442	-	39,442
Mining taxes and assessments	265,554	62,287	327,841
Surface rights	135,534	-	135,534
<i>Total acquisition and holding costs</i>	<u>471,875</u>	<u>18,487,429</u>	<u>18,959,304</u>
Administration	2,836	-	2,836
Assays	120,979	107,600	228,579
Camp and field costs	40,469	13,953	54,422
Communication	6,214	7,317	13,531
Drilling	720,712	736,037	1,456,749
Engineering and feasibility	52,441	-	52,441
Pre-feasibility	-	1,307,839	1,307,839
Field work and geological consulting	870,947	15,661	886,608
Geophysics and metallurgy	-	77,638	77,638
Legal and filing fees	163,689	148,132	311,821
Miscellaneous exploration expenses	99,403	173,557	272,960
Property investigation	11,216	-	11,216
Reports, drafting and maps	5,376	10,165	15,541
Travel and accommodation	35,881	89,101	124,982
Salaries and consulting fees	-	672,486	672,486
<i>Deferred exploration costs</i>	<u>2,130,163</u>	<u>3,359,486</u>	<u>5,489,649</u>
Total acquisition and exploration costs	<u>2,602,038</u>	<u>21,846,915</u>	<u>24,448,953</u>
Las Coloradas Property (Note 6b)			
Acquisition cost	-	720,862	720,862
Assays	-	29,398	29,398
Camp and field costs	-	7,822	7,822
Drafting, reporting	-	746	746
Drilling	-	164,208	164,208
Legal fees	-	19,755	19,755
Mining taxes and assessments	-	10,766	10,766
Exploration expenses	-	173,117	173,117
Salaries and consulting fees	-	11,724	11,724
Trenching and road work	-	116,084	116,084
Travel	-	9,700	9,700
Write-off of acquisition cost and accumulated exploration expenses	-	(1,264,182)	(1,264,182)
Total acquisition and exploration costs	<u>-</u>	<u>-</u>	<u>-</u>

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6. RESOURCE PROPERTIES (continued)

	Mar 31, 2007	Additions	March 31, 2008
Tequila Property (Note 6c)			
Acquisition cost	-	104,081	104,081
Assaying	-	21,214	21,214
Camp and field costs	-	14,874	14,874
Drafting, reporting	-	779	779
Drilling	-	89,378	89,378
Legal fees	-	96	96
Mining taxes	-	3,033	3,033
Miscellaneous exploration expenses	-	126,452	126,452
Salaries and consulting fees	-	181,288	181,288
Travel	-	10,954	10,954
Trenching and road work	-	64,875	64,875
Total acquisition and exploration costs	-	617,024	617,024
El Capomo Property (Note 6d)			
Assaying	-	5,031	5,031
Claim staking	-	18,512	18,512
Camp and accommodation	-	6,885	6,885
Drafting and reporting	-	455	455
Mining tax	-	28,999	28,999
Miscellaneous exploration expenses	-	21,167	21,167
Salaries and consulting fees	-	104,038	104,038
Travel	-	1,400	1,400
Total acquisition and exploration costs	-	186,487	186,487
Cocula Property (Note 6e)			
Acquisition cost	-	99,712	99,712
Assay	-	1,132	1,132
Camp and accommodation	-	2,770	2,770
Drafting and reporting	-	482	482
Legal fees	-	96	96
Mining taxes	-	26,117	26,117
Miscellaneous exploration expenses	-	12,513	12,513
Salaries and consulting fees	-	75,194	75,194
Travel	-	577	577
Total acquisition and exploration costs	-	218,593	218,593
Other Properties (Note 6f and Note 6g)			
Acquisition cost	-	15,153	15,153
Claim staking	-	1,294	1,294
Legal fees	-	1,405	1,405
Mining taxes	-	23,605	23,605
Exploration expenses	-	3,813	3,813
Salaries and consulting fees	-	6,460	6,460
Total acquisition and exploration costs	-	51,730	51,730
Total property expenditures	\$ 2,602,038	\$ 22,920,749	\$ 25,522,787

TIMMINS GOLD CORP.

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For the years ended March 31, 2008 and 2007

6. RESOURCE PROPERTIES (continued)**a) San Francisco Property**

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 was 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.

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 9f), and pay a further US\$350,000 and issue a further 1,500,000 common shares on or before April 30, 2008 (1,000,000 of these common shares will be subject to a restrictive legend that will expire on December 31, 2008). The vendor also retains a 2.5% net smelter return interest, 1% of which can be purchased for US\$1,000,000. The Company decided not to make the final payment or issue the final 1,500,000 common shares and therefore has defaulted on its agreement. Subsequent to year end the Company decided to abandon the property which has resulted in the all expenditures on this property being written-off in the current year.

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 (subsequently paid);
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) El 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.

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For the years ended March 31, 2008 and 2007

6. RESOURCE PROPERTIES (continued)

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 (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.

f) El Picacho Property

On December 11, 2007, the Company entered into an exploration agreement with the option to acquire a 100% interest in the 11 mining properties that comprise the Picacho Project, in Sonora, Mexico. The agreement requires the Company to pay the vendor a total of USD 1,500,000.00 over four years, as follows:

US\$15,000.00 on signing the option agreement (paid);
US\$15,000.00 on June 11, 2008 (subsequently paid);
US\$15,000.00 on December 11, 2008;
US\$15,000.00 on June 11, 2009;
US\$15,000.00 on December 11, 2009;
US\$15,000.00 on June 11, 2010;
US\$15,000.00 on December 11; 2010, and
US\$1,395,000 on December 11, 2011.

The vendor will retain a 1.5% net smelter return interest, which is limited to US\$1,500,000.00. The vendor is obligated to sell or transfer to the Company his right to the royalty at any time, upon the Company's request, for which the Company will pay him US\$500,000.00 for every half per cent (0.50%), to a maximum of US\$1,500,000.

g) Other Properties

The Company is awaiting the issuance of the mining title/certificate to this claim. The Company also received title to the Patricia and Norma concessions, located in the Municipality of Trincheras, Sonora, Mexico.

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7. INCOME TAXES

The Canadian statutory federal income tax rate for the year ended March 31, 2008 was 31.5% (2007 – 34.1%). A reconciliation of income tax recovery at statutory rates compared to reported income tax recovery is as follows:

	2008	2007
Loss for the year	\$ (5,333,772)	\$ (853,564)
Expected income tax recovery	\$ (1,680,122)	\$ (291,065)
Effect of tax rates in foreign jurisdiction	45,702	26,034
Non-deductible expenses	757,093	17,607
Other	7,548	-
Valuation allowance	869,779	247,424
Total income tax provision	\$ -	\$ -

The significant components of the Company's future income tax assets and liabilities at March 31, 2008 are as follows:

	2008	2007
Future income tax assets:		
Non-capital loss carry forwards	\$ 1,195,763	\$ 286,800
Share issuance costs	276,603	86,000
Other	1,809	-
Future income tax assets	1,474,175	372,800
Valuation allowance	(1,233,688)	(372,800)
Net future income tax assets	240,487	-
Future income tax liabilities		
Mineral property carry value in excess of book value	(5,180,876)	-
Net future income tax liability at March 31	\$ (4,940,389)	\$ -

The Company has available non-capital losses in Canada and Mexico, for deduction against future taxable income, of approximately \$2,700,000 (2007 - \$756,000) and \$1,100,000 (2007 - \$103,000) respectively. These losses, if not utilized, will expire through to 2028. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

8. ASSET RETIREMENT OBLIGATIONS

The asset retirement obligations consist of mine closure, reclamation and retirement obligations for mine facilities and infrastructure. The Company has initially recognized an asset retirement obligation of \$1,279,000 which was capitalized to resource properties in 2008.

The total undiscounted amount of estimated cash flows required to settle the retirement obligations of the San Francisco Property is US\$2,000,000, which has been discounted using a credit-adjusted interest rate of 6.775%. All asset retirement obligations are not expected to be paid for several years in the future and are intended to be funded from cash balances at the time of the mine closure.

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9. 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 9a)	9,000,000	3,150,000	-
Pursuant to issue of agent's corporate finance shares (Note 9a)	75,000	26,250	-
Pursuant to options exercised (Note 9b)	200,000	70,000	-
Pursuant to warrants exercised (Note 9a)	107,500	53,750	-
Conversion of promissory note (Note 9c)	285,000	99,750	-
Share issue costs (Note 9a)	-	(602,664)	165,758
Fair value on stock options exercised (Note 9b)	-	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 9d)	12,627,000	6,313,500	-
Pursuant to issue of agent's corporate finance shares (Note 9d)	180,414	90,207	-
Pursuant to warrants exercised (Notes 9a, c and d)	14,907,407	8,732,585	-
Pursuant to options exercised (Note 9e)	437,500	158,750	-
Pursuant to agent's and broker's warrants exercised (Notes 9a and d)	2,287,000	1,222,900	-
Pursuant to property acquisitions (Note 9f)	10,500,000	7,345,000	-
Share issue costs (Notes 9a and d)	-	(804,394)	147,025
Fair value on stock options and agent's warrants exercised (Notes 9a, d and e)	-	495,790	(495,790)
Stock-based compensation	-	-	2,351,294
Balance, March 31, 2008	61,555,454	\$ 27,084,420	\$ 2,265,064

- 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 were 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.

In fiscal 2007, 107,500 share purchase warrants issued under the IPO were exercised for total proceeds of \$53,750. In fiscal 2008, 8,228,000 (including 75,000 warrants issued on corporate finance units) share purchase warrants were exercised for total proceeds of \$4,114,000, 739,500 share purchase warrants expired and 1,080,000 agent's warrants were exercised for total proceeds of \$378,000. The fair value of \$165,758 was transferred from contributed surplus on the exercise of agent's warrants. \$120,000 of share issue costs were incurred on exercised warrants.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended March 31, 2008 and 2007

9. SHARE CAPITAL AND CONTRIBUTED SURPLUS (continued)

- b) During the fiscal 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 fiscal 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 fiscal 2008, 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 entitled 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 1,207,700 broker's warrants were issued on this private placement. Each broker's warrant entitled 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.

During fiscal 2008, 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 10,000 warrants expired. The fair value of \$147,025 was transferred from contributed surplus on the exercised broker's warrants. \$50,000 of share issue costs were incurred on the exercised warrants.

- e) During fiscal 2008, 400,000 stock options were exercised at \$0.35 per share and 37,500 stock options were exercised at \$0.50 per share. The fair value of these options at the date of grant was \$183,092. An equivalent amount was transferred from contributed surplus.
- f) During fiscal 2008, the Company issued 10,000,000 common shares for the acquisition of the San Francisco property, valued at \$0.70 per share (Note 4), and 500,000 common shares on acquisition of the Las Coloradas property valued at \$0.69 per share (Note 6b). The shares were valued based on the fair value of the Company's shares on the date of Exchange acceptance of the acquisitions.

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 not less than the Discounted Market Price as defined by the TSX Corporate Finance Manual 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.

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9. 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	4,800,000	0.69
Cancelled	(100,000)	0.35
Exercised	(437,500)	0.36
Outstanding, March 31, 2008	5,962,500	\$0.62
Vested, March 31, 2008	3,684,375	\$0.58

Stock options outstanding at March 31, 2008 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date
1,200,000	1,200,000	\$ 0.35	July 25, 2011
2,500,000	1,875,000	\$ 0.70	May 11, 2012
175,000	87,500	\$ 0.50	July 18, 2012
487,500	121,875	\$ 0.50	October 5, 2012
1,600,000	400,000	\$0.75	November 27, 2012
5,962,500	3,684,375		

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 fiscal 2008 was \$2,351,294 (2007 - \$51,632).

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and agents' compensation options granted during 2008 and 2007:

	2008	2007
Risk-free interest rate	3.91 - 4.63%	4.01%
Expected life of options	1 - 5 years	5 years
Annualized volatility	98 - 103%	113%
Dividend rate	0.00%	0.00%

The weighted average fair value at date of grant for options issued during the year was \$0.64 (2007 - \$0.15).

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9. 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	7,611,407	0.70
Exercised	(17,194,407)	0.58
Expired	(749,500)	0.50
Outstanding, March 31, 2008	-	\$ -

Escrow and pooling

6,000,000 shares were placed in escrow in accordance with the escrow agreement dated February 17, 2006. At March 31, 2008, 3,300,000 shares were released leaving a balance of 2,700,000 shares held in escrow. The remaining shares held in escrow are to be released over equal semi annual instalments to July 25, 2009.

10,000,000 shares are subject to a pooling agreement dated April 21, 2007. 2,500,000 shares were released during the period ended March 31, 2008, leaving the balance of 7,500,000 shares held in escrow. Subsequently, another 1,500,000 shares were released leaving a balance of 6,000,000 shares held in escrow. The remaining shares held in escrow are to be released over equal semi annual instalments to April 15, 2010.

10. RELATED PARTY TRANSACTIONS

- The Company paid \$20,000 (2007 - \$Nil) as consulting fees to a director and an officer of the Company. As of March 31, 2008, \$9,766 (2007 - \$70,534) owed by this director and officer for expense advances.
- The Company paid \$5,350 as legal fees (2007 - \$42,113) to a company controlled by a director and an officer. As of March 31, 2008, \$Nil (2007 - \$6,650) owed to this company, and \$647 (2007 - \$647) was held in trust by this company.
- The Company paid \$22,829 as legal fees (2007 - \$Nil) to a company related to a director and an officer of the Company. As of March 31, 2008, \$Nil (2007 - \$Nil) was owed to this company.
- The Company incurred \$56,500 (2007 - \$Nil) for accounting services with a private company of which a director of the Company is a vice-president. As of March 31, 2008, \$5,250 (2007 - \$Nil) is owed to this company.
- During the year ended March 31, 2007, \$90,000 was placed in trust with a legal firm pursuant to the Company's employment agreement with a director and officer. As of March 31, 2008, the cash and incurred interest of \$4,555 was released to the Company (2007 - \$77,276 was owed by that company).
- The Company incurred \$252,948 (2007 - \$45,500) of consulting fees, including geological consulting, by directors and officers of the Company. As of March 31, 2008, \$3,430 (2007 - \$Nil) were advanced to these directors and officers.

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10. RELATED PARTY TRANSACTIONS (continued)

- (f) The Company incurred \$49,869 (2007 - \$Nil) for rent and administrative expenses on behalf of a company with directors in common. As of March 31, 2008, \$16,987 (2007 - \$Nil) was owed by this company.

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

	2008	2007
	\$	\$
Shares issued on property acquisitions	7,345,000	-
Accrual of long term obligations for capital assets (including IVA)	4,298,043	-
Future income tax liability	4,940,389	-
Fair value of broker's warrants	147,025	164,758
Agent's corporate finance shares issued	90,207	26,250
Fair value of agent's warrants and options exercised	(492,385)	(47,480)
Shares issued on settlement of promissory note	-	99,750

12. FINANCIAL INSTRUMENTSFair values

The carrying values of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximate their fair value based on their short term nature.

The carrying value of the long term debt approximates its fair value as it has been discounted at an interest rate approximating current market rates.

Foreign exchange risk

The Company is exposed to foreign exchange risk to the extent it incurs costs in foreign currencies including the Mexican Peso and the US Dollar. The Company does not use derivatives to manage its exposure to foreign exchange risk.

Other risks

Due to the nature of the Company's operations management considers that risks related to credit, interest and liquidity are not significant to the Company at this time.

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13. COMMITMENTS

- (a) The Company has lease commitments for office premises and equipment, which require future minimum lease payments for the fiscal years ended as follows:

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

- (b) 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.
- (c) On March 15, 2008, the Company entered into an agreement to retain the services of Alpha Communication to provide investor relations services for initial term of six months. The company will be paid \$10,000 per month and was granted 200,000 stock options for a period of two years. The options are exercisable at \$1.20 per share, with 25% vesting every three months.
- (d) The Company is in the process of executing an agreement with Sandvik Mining and Construction de Mexico, S.A. de C.V for the acquisition and installation of the crushing and screening system at the San Francisco Mine. To date, the Company has advanced a total of US\$2,700,000 (US\$2,400,000) of which was paid subsequent to year-end.

14. 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 operations in the year incurred. Based on management's assessment no provision for possible loss has been included in these financial statements.

Under Mexican regulations, the Company may be obligated to remit taxes to the government on payments made for the acquisition of mineral claims in the event that the recipients of such payments fail to make the required tax remittances relating to those payments. The outcome of this matter is not determinable. The maximum potential remittance is approximately \$300,000, however, the Company believes it has substantive defences against any claims.

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15. 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
March 31, 2008				
Canada	\$ 2,380,822	\$ 44,665	\$ -	\$ 2,336,157
Mexico	30,982,424	4,182,836	25,522,787	1,276,801
	<u>\$ 33,363,246</u>	<u>\$ 4,227,501</u>	<u>\$ 25,522,787</u>	<u>\$ 3,612,958</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>

16. SUBSEQUENT EVENTS

Subsequent to March 31, 2008, the Company:

- (a) Issued 200,000 stock options at a price of \$1.20 per share.
- (b) Decided to abandon its interest in the Las Coloradas property.
- (c) Arranged a private placement financing with Pacific Road Resources Fund ("PRRF") totaling \$19,300,000. The financing is in two stages. The first stage is a private placement of 4,000,000 common shares at a price of \$1.25 per share for gross proceeds of \$5,000,000. The second stage is a private placement of 11,000,000 special warrants at a price of \$1.30 per special warrant for total proceeds of \$14,300,000, and is scheduled to close on or before July 18, 2008 subject to Exchange acceptance. Each special warrant is exercisable without payment of any additional consideration into a unit consisting of one convertible preference share and a 0.318 convertible share purchase warrant for a total of 3,500,000 warrants. Each whole convertible share purchase warrant is exercisable for one convertible preference share at a price of \$1.50 per share, on or before October 1, 2008, subject to extension in certain circumstances. The exercise of all the warrants will result in additional gross proceeds of \$5,250,000. The convertible preference shares will be convertible into one common share of the Company without payment of any additional consideration. The convertible preference shares are being created at the request of PRRF. The creation of the convertible preference shares is subject to approval by the shareholders of the Company. If shareholder approval is not obtained on or before December 31, 2008, PRRF is entitled, at any time thereafter, to exercise its special warrants for 1.1 substitute units, with each substitute unit consisting of one common share and 0.318 common share purchase warrants. Each whole common share purchase warrant so issued would be exercisable for one common share at a price of \$1.50 per share, for 15 days after issuance of the common share purchase warrants, subject to extension in certain circumstances. The securities issued under the special warrant private placement will be subject to a voluntary nine month hold period. Both stages of the financing have closed.
- (d) Received the pre-feasibility study on re-commissioning the San Francisco Mine. The report concluded that it is viable for production at the Mine to recommence. The report estimates that re-commissioning the mine will cost \$33.8 million, portion of which has been paid (Note 13(d)).