

# **TIMMINS GOLD CORP.**

## **MANAGEMENT DISCUSSION AND ANALYSIS for the period ended September 30, 2008**

### **Date of Report**

The following Management Discussion and Analysis (“MD&A”) for Timmins Gold Corp. (“Timmins” or the “Company”) is prepared as of November 28, 2008, and should be read in conjunction with the unaudited Consolidated Financial Statements (“Financial Statements”) and related notes for the three and six month periods ended September 30, 2008 and the comparative period ended September 30, 2007. 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 audited Annual Consolidated Financial Statements for the year ended March 31, 2008, as modified by the changes disclosed 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](http://www.sedar.com)). All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, are forward looking statements. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward looking statements, as it constitutes a prediction of what might be found to be present when, and if, a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of the Company’s management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change.

### **Management’s Responsibility for Financial Statements**

The information provided in this MD&A, including the Financial Statements, is the responsibility of management. In the preparation of these Financial Statements, estimates are sometimes necessary to make a determination of the future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying Financial Statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company’s assets are safeguarded and to facilitate the preparation of relevant and timely information.

## Overall Performance

Timmins Gold Corp. is a junior resource company engaged in the acquisition, exploration and development of gold properties in Mexico. To date the Company has measured its success through the growth in its mineral resources, in particular gold resources, at reasonable discovery and/or acquisition cost. The Company has its corporate office in Vancouver and administrative office in Hermosillo, Sonora, Mexico. The Company also has a field office in Magdalena, Sonora, and an operations office at the San Francisco Mine (“Mine”). During the most recent period the Company decided to close its field office in Guadalajara, Jalisco. The San Francisco Gold Property, located in Sonora, Mexico is the Company’s principal and only material mineral property for purposes of NI 43-101. The San Francisco Gold Mine was operated from 1997 to 2002 by Geomaque, Mexico. Gold mineral resources still existed when the mine closed in 2002 because of low gold prices. As discussed under *Results of Operations*, the Company had previously commissioned an independent pre-feasibility study of the San Francisco Property (“Property”) to assess the viability of re-commissioning operations. The Study, titled *NI 43-101 F1 Technical Report on the Preliminary Feasibility Study for the San Francisco Gold Project, Sonora, Mexico*, dated March 31, 2008 (the “Pre-feasibility Study” or “Study”) by Micon International Limited of Toronto (“Micon”) and Independent Mining Consultants, Inc. of Tucson, Arizona (“IMC”) was received in April 2008.

The conclusions within the Pre-feasibility Study (the “Study”) recommended development and re-commissioning of the San Francisco Mine. Based on these conclusions and the recommendation of the Study, the Board of Directors of the Company approved development of the Mine. The Study projected the total cost of re-commissioning the Mine to be US\$33.8 million (excluding 15% IVA). The Company completed a \$19.3 million equity financing during the two most recent interim periods. Management estimates that the Company requires approximately US\$25 million (plus 15% IVA) in additional funds to complete development and provide adequate working capital until such time that operations become self sustaining. The Company had expended \$27.2 million to September 30, 2008 on the acquisition and development of the Property. The Company has spent approximately US\$14.9 million to date on capital expenditures at the Mine. This figure includes approximately US\$1 million spent on increasing the capacity of the primary crusher. Approximately US\$1 million has been paid to the Ejido to acquire the land on which the Mine is situated. Neither of these expenditures were included in the Study.

The Company currently has no revenue from operations. An updated mine schedule is currently being completed and mining is now expected to commence in mid-2009 with cash flow from operations projected for the third quarter of 2009. With the latest downturn in the industry the Company is also in a position to renegotiate a number of contracts in its favour. These terms include more advantageous payment schedules and the reduced contract prices. The Company is currently reviewing its financing options and while management is confident it will secure adequate funds, the recent financial and liquidity crises facing financial institutions worldwide has produced a great deal of uncertainty in the sector and there is no guarantee that the Company will be able to secure adequate financing on acceptable terms to complete development of the San Francisco Mine.

While gold prices, have been trending upward since 2001 they have been extremely volatile during the most recent period. The Company cannot predict future gold prices.

### *Impact of Market Volatility on Operations*

The exploration and development of the Company’s properties require substantial capital commitments. Currently the Company’s only source of capital is the sale of additional equity capital and/or the assumption of debt. There is no assurance that such funds will be available to the Company or on terms favourable to the Company or will provide the Company with sufficient funds to meet its objectives, which may adversely affect the Company’s business and financial position. In addition any future equity financing may result in a significant dilution of the existing shareholders. Failure to obtain sufficient financing may result in the delay or indefinite postponement of further exploration, development and/or production of any of the Company’s properties or even a loss of property interest. The price of the Company’s common shares, its financial results and its exploration, development and

mining activities have previously been, and in the future may be, materially adversely affected by the volatility in the price of gold.

The recent capital market volatility worldwide has impacted the Company's operations during the most recently completed interim period and to the date of this management discussion and analysis. Effects that have been encountered include, but are not limited to, significant volatility in gold and other commodity prices, significant volatility in foreign exchange rates, depressed equity and credit markets, and an increase in the cost of capital.

Because of the volatility of the capital markets and the difficulty in securing sufficient financing on acceptable terms to complete construction and development of the San Francisco Mine, management sought and obtained approval from the board of directors to seek interim equity financing. It is management's intention to address the Company's and the San Francisco Mine's remaining funding requirements and strategic alternatives during the interim period. Delay in completing the balance of the financing will delay projected completion and the commissioning of operations.

#### *Going Concern Issues*

Management believes it will be able to source additional financing to fund ongoing operations and has therefore prepared these Financial Statements as a going concern, however, should capital market volatility continue to erode investor and creditor confidence and/or should gold prices decline significantly, the Company may not be able to secure financing to complete development of the San Francisco Mine. Should this situation arise the Company will have to reconsider its ability to continue as a going concern and its basis of accounting.

## **Results of Operations**

### **San Francisco Gold Project**

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

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

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

During the 2008 fiscal year the Company also completed an independent pre-feasibility study of the San Francisco Property which confirmed the economic viability of re-commissioning operations at San Francisco. The Study was received in April 2008, subsequent to the year end. The Study was prepared by Micon

International Limited of Toronto (Micon) and Independent Mining Consultants, Inc. of Tucson, Arizona (IMC). The conclusions and recommendation of the Study are that *Timmins should proceed with development of the San Francisco open pit mine, crushing, heap leaching and gold recovery plant as described in the preliminary feasibility study... Given the amount of work conducted previously at the San Francisco project on the known exploration and areas of mineralization, the property should be regarded as an advanced-stage exploration/development project with significant economic potential.*

Mineral Reserves, which are part of the Mineral Resources, are estimated to be:

Case	Reserve Class	Gold Cut-off (g/t)	Reserve (000 t)	Grade (g/t)	Gold (000 oz)
High Grade Crusher feed	Probable	0.50	12,000	1.05	403.7
Low Grade Crusher feed	Probable	0.23	4,653	0.88	132.0
Sub-total Crusher feed	Probable		16,653	1.01	535.7
Low Grade ROM leach	Probable	0.28	5,981	0.39	75.3
<b>Grand Total</b>	<b>Probable</b>		<b>22,634</b>	<b>0.84</b>	<b>611.0</b>

The Pre-feasibility Study reports the life-of-mine (“LOM”) capital and operating costs associated with re-commissioning operations to be:

Initial capital costs: US\$33.8 million (including a 20% (US\$5.6 million) contingency);  
Sustaining capital costs: US\$12.7 million;  
Total cash operating costs: US\$412 per oz gold.

Net present value and sensitivity analysis of pre-tax cash flows are reported to be:

Gold Price (US\$)	Before-Tax IRR (%)	After-Tax IRR (%)	LOM Total Un-discounted (US\$ 000)	NPV 5% Discount (US\$ 000)	NPV 10% Discount (US\$ 000)	NPV 15% Discount (US\$ 000)	LOM Net Cash Flow US\$/oz
<b>\$686</b> (base case)	<b>51.7%</b>	<b>38.5%</b>	<b>\$61,565</b>	<b>\$48,757</b>	<b>\$38,538</b>	<b>\$30,280</b>	<b>\$152</b>
<b>\$850</b>	<b>86.7%</b>	<b>66.2%</b>	<b>\$127,722</b>	<b>\$104,454</b>	<b>\$85,981</b>	<b>\$71,119</b>	<b>\$315</b>
<b>\$1,000</b>	<b>129.2%</b>	<b>97.7%</b>	<b>\$188,467</b>	<b>\$156,913</b>	<b>\$131,797</b>	<b>\$111,536</b>	<b>\$465</b>

The Study reported the cash flows from operations to be:

IRR 38.5%	USD 000	LOM TOTAL (Undisc.)	NPV disc. at 5%	NPV disc. at 10%	NPV disc. at 15%	US\$ per tonne	LOM Ave. USD/oz
Revenue	Gross Sales	278,188	241,900	212,654	188,763	12.29	686.63
Less	Refining charges	(709)	(613)	(536)	(473)	(0.03)	(1.75)
Less	Bullion delivery	(2,334)	(2,047)	(1,818)	(1,632)	(0.10)	(5.76)
Less	Royalty	-	-	-	-	-	-
	Net Sales Revenue	275,145	239,240	210,300	186,658	12.16	679.12
Cash op.costs	G&A costs	6,821	5,921	5,200	4,614	0.30	16.84
	Mining costs	113,070	99,032	87,640	78,273	5.00	279.08
	Crushing costs	22,161	19,118	16,688	14,720	0.98	54.70
	Processing costs	19,736	17,174	15,111	13,426	0.87	48.71
	Laboratory costs	3,686	3,202	2,814	2,498	0.16	9.10
	Social & Env.Mgt	1,677	1,456	1,278	1,134	0.07	4.14
	Total cash op.costs	167,152	145,903	128,731	114,665	7.38	412.57
	Net Cash Operating Margin	107,994	93,337	81,570	71,993	4.77	266.55
Capital Exp.	Initial/exp. capital	33,769	33,359	32,974	32,609	1.49	83.35
	Sustaining capital	12,659	10,651	9,079	7,827	0.56	31.25
	Change in Working Capital	-	569	979	1,277	-	-
	<b>Net cash flow before tax</b>	<b>61,565</b>	<b>48,757</b>	<b>38,538</b>	<b>30,280</b>	<b>2.72</b>	<b>151.96</b>

As expected the project is most sensitive to revenue drivers (i.e. total reserve, reserve grade, recoveries) and operating costs, more specifically mining costs which represent approximately 68% of total cash costs. The project is less sensitive to capital costs. The impact on the Measured, Indicated and Inferred Mineral Resource of four floating cones completed at four gold price assumptions were included in the Pre-feasibility Study (Table 17.1.6) and are reported below.

#### Floating Cones for Resource Definition – Measured, Indicated & Inferred Mineral Resources\*\*

Gold Price	Gold Resource Classes**	Gold Cut-off (g/t)	Ore (x 1,000 t)	Gold (g/t)	Gold Resources (x 1,000 t)	Strip Ratio
500	MII	0.23	30,154	0.805	780.4	1.71
600	MII	0.23	36,378	0.762	891.2	1.87
650	MII	0.23	39,381	0.747	945.8	1.98
700	MII	0.23	41,803	0.738	991.9	2.13

**\*\*Cautionary Statement:** Mineral resources that are not mineral reserves do not have demonstrated economic viability. The above table includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

Other highlights of the Pre-feasibility Study include forecast gold recoveries significantly higher than those experienced historically. Both independent and in-house bottle-roll and column leach tests completed on ore crushed to 100% minus ½ inch support this conclusion. Management recognizes that the project is particularly sensitive to gold recovery, and its dependence on achieving the targeted crush size.

Most of the capital and operating cost estimates included in the Pre-feasibility Study are based upon either executed or firm contracts and/or quotations. These include but are not limited to costs for contract mining, heap leach pad construction, processing plant and primary crusher refurbishment, and new secondary and tertiary

crusher acquisition. Based on the conclusions and recommendation of the Prefeasibility Study and the significant amount of historical information available from previous operators, the Company decided to proceed with development of the San Francisco Mine in April 2008. A team of experienced professional and technical staff lead by Mr. Alfredo Barraza, Mine Manager, has been assembled and is working on project implementation.

Company and mine management have been cognizant of the significant increase in both capital and operating costs in the industry over the last few years. As a result, since completion of the Pre-feasibility Study in April 2008, mine management have continued to provide regular updates on projected costs. As previously stated the Company requires approximately US\$25 million in additional funds to complete development and provide adequate working capital until such time that operations become self sustaining. The Micon Pre-feasibility Study projected the total cost of recommissioning the Mine to be US\$33.8 million.

The new crushers, conveyors and screens have been delivered to the mine. The new Sandvik model CH660 crushers have been designed and calibrated for the rock type and capacity of the mine to maximize throughput and minimize down time. They have a current capacity to crush 3,500,000 tons of ore per year which will result in the planned production of 80,000 ounces of gold per year. The crushers have, at minimal additional cost, designed for the future expansion of capacity with minimal additional cost. Assuming all contractual obligations are fulfilled the crushers are scheduled to be fully operational by February 28, 2009.

The refurbishing of the primary crusher has been completed and the primary crusher is also scheduled to be fully operational by February 28, 2009. The gold plant has been refurbished and is currently being tested. The arrival of the new crushers occurred only one month after Timmins Gold received all the local, state, and federal permits required to initiate production at the mine. These permits include the Environmental Impact Statement from the Environmental Protection Authorities (SERMANAT), the Change of Land Use permit, and the permit for the use of industrial explosives issued by the State of Sonora and Mexican Military authorities. The Environmental Impact Statement and the Change of Land Use approval came after an extensive environmental study of the land on which the mine is located, as well as the surrounding community, and were the final requirements necessary to initiate operations. As part of its sustainability commitment to maintain the highest standard of social responsibility Timmins Gold has completed the agreement between the local community and the previous operator for the purchase of the land on which the mine is situated. Subsequent to the period end the Company entered into agreements associated with the ongoing development of the mine including construction of the heap leach pads and civil and electrical contracts for completion of the crushing circuit.

Should development of the San Francisco Mine be delayed for a significant period of time an updated Pre-feasibility study may be required.

### **Tequila Property**

During the 2008 fiscal year the Company entered into an option to acquire a 100% interest in the Tequila Property located approximately 30 kilometres north of the city of Tequila, Jalisco, Mexico and 100 kilometres north of Guadalajara. The property consists of four concessions covering approximately 564 hectares. To exercise the option, Timmins must pay a total of US\$2,000,000 over three years. The first payment of US\$50,000 was made on receipt of TSX –Venture Exchange (“TSX-V” or “Exchange”) acceptance. A further US\$350,000 is due in stages within 24 months, US\$600,000 within 30 months, and US\$1,000,000 within 36 months. The vendor will retain a 2% net smelter return interest, which may be purchased for US\$1,000,000. The vendor is an arm’s length party.

The first phase drill program was completed on June 14, 2008. The Company completed a total of 3,829 meters in 18 holes. A total of 1,225 meters in 7 drill holes were drilled north of the Santiago River and 2,604 meters in 11 drill holes were drilled south of the Santiago River using a second drill rig. A 12 hole, 1,500 meter drill program had initially been budgeted in December 2007. The project is located in a belt of rhyolitic breccias and was acquired to assess the high grade, epithermal gold veins and the bulk tonnage potential of the breccia. The main feature on the property is a large breccia zone hosting a system of narrow, high grade parallel and cross cutting

veins. Several small scale operations have been conducted on the property in the past and there are a number of underground workings and crosscuts. Prior to commencing a first phase drill program the Company completed surface and underground sampling and mapping to verify the tenure of certain high grade zones and examine the economic potential of the breccia zone. Preliminary estimates suggested the breccia zone extends at least 1 km along strike and 300 metres down dip. Subsequent to completion of the drill program errors in the data base and logging of the drill core were identified during an independent audit of the program as commissioned by Company management. While these errors are not believed to be pervasive they must be remedied prior to any mineral resource estimate being completed or a decision made on future exploration programs. Technical staff is currently reviewing the corrected data prior to making recommendations for further work

The first hole from the drill program, BDVG-1, was located to test the width of the Veta Grande Vein and associated breccias zone approximately 20 metres down dip from the existing underground workings. The hole was successful in intersecting the Veta Grande as well as four additional veins within a lower grade breccia envelope. The hole also intersected four veins/zones with significant gold values between 95.5 and 122.8 metres. Assay's from this hole were received in the previous interim period and included 1.21 g/t Au across 17 metres between 23.00 and 40.00 metres (including 2.53 g/t Au across 5 metres between 24.00 metres and 29.00 metres) and 4.77 g/t across 25.55 metres between 95.50 metres and 122.80 metres (including 9.02 g/t Au across 2 metres between 96.50 metres and 98.50 metres, 10.71 g/t Au across 5.55 metres between 103.50 and 109.05 metres (including 39.57 g/t Au across 1.55 metres between 107.50 and 109.05 metres), 6.65 g/t Au across 5 metres between 113.80 metres and 118.80 metres and 3.33 g/t Au across 2.00 metres between 120.80 and 122.80 metres). The intersections approximate true widths.

The Company has also received encouraging 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. Company geologists believe La Gaviota may be the extension of the La Lupita vein. The drill program also tested the Grano de Oro, Lupita and Guadalupe veins. Surface exploration and sampling of the Guadalupe and La Lupita veins and general reconnaissance mapping and sampling of the entire property was also completed.

During the period the Company received the remaining assays from the drill program. Seventeen of the holes were completed to test the down dip continuity of the Veta Grande vein. This system appears to be related to a dilation zone formed by the intersection of two regional structures that appear to be responsible for a number of gold occurrences that outcrop along 600 meters of strike length. The system varies from 0.50 to 15 meters in width. The gold mineralization is consistent with that of a low sulphidation "hot spring type" epithermal vein system characterized by colloidal quartz, pervasive argillic alteration and depleted sulphide mineralization. The gold mineralization is hosted in a quartz stockwork formed by a system of micro veins and veinlets up to 1 meters wide within silicified breccias. The drilling completed to date has tested less than 30% of the total strike length of the mineralizing system. Of the 18 holes drilled, 14 intersected gold values. Five of the holes were completed along the 350 meters of the Veta Grande Vein. Difficult terrain, a weak understanding of the structural controls and a poor choice of drill pad locations resulted in several holes failing to intercept the mineralized structure.

Two holes, BD-06 and BD-08 were completed to test the continuity of the Guadalupe vein along strike and at BD-06 was collared 700 meters from the underground working where the Guadalupe vein is exposed. This hole returned 0.926 g/t Au across 1.0 meters at a down hole depth of 30.50 meters and 5.64 g/t Au across 1.5 meters at a down hole depth of 136 meters. BD-08 returned 0.548 g/t Au across 1.0 meters at 60.5 meters. Technical staff believe the flexure in the Santiago River represents the intersection of two regional structural trends, potentially an important structural feature regarding the deposition of precious metal mineralization. As disclosed above, once the audit is complete and the errors to the data base are corrected, management will be better able to assess the results and make recommendations to the Board of Directors.

## **Cocula Property**

During early 2008 the Company completed first phase sampling of several trenches at its Cocula Project located approximately 50 kilometres west of Guadalajara, Jalisco, Mexico. The 102 channel samples taken across the highly oxidized and brecciated zone returned an average grade of 2.21 g/t Au, 19 g/t Ag, 0.97 % Pb, 0.11 % Zn and 0.08 % Cu across 99 metres. A high grade core within the breccia returned 6.90 g/t Au, 17.7 g/t Ag, 0.06% Cu, 1.07 % Pb, 0.12% Zn across 18 metres. This NW-SE trending alteration zone has been traced along strike for over 1.5 kilometres. The zone has an average width of 200 metres and is exposed over a vertical extent of between 40 and 50 metres. The zone remains open along strike and is projected to extend at least 150 metres down dip. While the Company had been confident a low grade, bulk tonnage target would be identified, the high grade results encountered on surface have made evaluation of the economic potential of the Cocula Property a higher priority for the Company.

The epithermal mineralization lies within an argillized and brecciated shear zone between two semi parallel faults within a volcano-sedimentary sequence. The zone is strongly oxidized and silicified with common jarosite and stockworks of galena and sphalerite. Silicification is present in the form of vuggy silica, chalcedony banding and quartz veinlets. The bottom of the oxidized cap within the volcano sedimentary sequence can be identified by pervasive silicification and intense quartz veinlets, including disseminated pyrite, lead and zinc sulfides near its base.

A comprehensive sampling, trenching, mapping program and 32 hole, 2,700 meter reverse circulation drill program were also completed during the current period. A total of 302 channel samples were taken from seven trenches excavated along 400 meters of strike. The trenches, 2 meters deep, 25 to 250 meters long and 25 and 100 meters apart, were all cut perpendicular to the principal trend of the mineralization. Results from the trenching program include 2.398 g/t Au across 136 meters, including a high grade core grading 5.506 g/t Au across 50 meters, 2.080 g/t Au across 19 meters and 2.087 g/t Au across 18 meters. The mineralization is hosted in two highly oxidized and brecciated zones known as the Cerro Colorado and La Chabela stockwork zones. It is important to note that while the mineralized system has been traced for over three kilometers, this detailed mapping and sampling of the trenches concentrated on only 400 meters of strike length. The program identified the zones of alteration and the distribution of the precious and base metal along the entire 400 meters sampled.

Most assays from the RC drilling have been received and will be disseminated once Company geologists have had an opportunity to review and analyse all the data and information obtained from the program. The drill program was initiated to test the down dip extension of the mineralized zone along 1 kilometer of strike. True widths along this zone vary from 300 meters in the northwest to 20 meters in the southeast.

## **El Capomo Property**

In early fiscal 2008, the Company acquired the mineral rights to 60,000 hectares in four claim blocks by staking. The El 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 propylitic alteration 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 1,860 g/t silver. The Company has assessed the results of the first phase surface program. While encouraging the Company does not anticipate recommending any significant expenditures on the program until market conditions improve.

## **Tim Property**

During the current period the Company acquired, by staking, a 40,000 hectare land package in the Peñasquito area of Mexico. The claims are contiguous to the Peñasquito Gold Deposit (Goldcorp) and are approximately 20 km to the northwest of the Camino Rojo project (Canplats Resources). As of June 2007, Goldcorp reported proven and probable gold reserves at Peñasquito of 13.0 million ounces. Canplats Resources has reported drill intercepts of up to 224 metres averaging 1.50 grams of gold and 24.45 grams of silver per tonne from its Camino Rojo project. The Tim claims are located in the northern part of the state of Zacatecas, Mexico, and are located approximately 42 kilometres west of the town of Concepcion del Oro. The northern Zacatecas area is an important mining district in Mexico. The area possesses flat topography and excellent proximity to roads, power, rail, skilled labour and smelters.

The Company acquired the claims because of their proximity and geological similarity to the Peñasquito Gold Deposit. Mineralization generally consists of carbonate replacement bodies located along the intrusive-limestone contact. Ore deposits in the region are formed in skarns, chimneys, and mineralized breccias developed in clastic and permeable rocks of the Caracol formation in contact with intermediate intrusive bodies. Evidence exists of such intrusive and limestone packages on the property. In particular, the Company's geologists have identified a sandstone unit on the property believed to be part of the Caracol formation, the host of the Peñasquito mineralization. Assays from selected grab samples taken by the Company's geologists have returned anomalous gold values in excess of 1 gram of gold per tonne.

## **El Picacho Property**

During the current period, the Company entered into an option agreement to acquire a 100 percent interest in the 703 hectare El Picacho property located 20 kilometers west of the San Francisco Mine. The Company also staked an additional 6,500 hectares encompassing the claims along the principal trend of the mineralization and now controls over 70,000 hectares either proximate to or surrounding the San Francisco Mine and the Sonora-Mojave Megashear. To exercise the option, the Company must pay a total of US\$1.5 million over a four year period in installments. The schedule of payments includes a \$15,000 payment every six months during the initial 36 months of the option period, and one single payment of \$1,395,000 at the end of month 48. In addition, the vendor is entitled to receive a one and a half percent (1.5%) Net Smelter Return (NSR), capped at US\$1.5 million dollars. The Company has been granted the option to purchase the NSR at any time for US\$1.5 million dollars. El Picacho was acquired to assess the low grade, bulk tonnage potential of the property's known mineralization given the geological similarities and proximity to the Mine. Due diligence sampling by the Company on the property returned encouraging results with grades ranging from 0.50 g/t gold to 4.0 g/t gold over 1.0 meter and with several samples grading in excess of 12 g/t of gold over 1 meter. The highest grade sample returned 21.946 g/t gold over 0.90 meters.

The El Picacho property exhibits two distinct types of mineralization. The western portion of the property hosts mineralization very similar to that identified at the Company's nearby Mine. This mineralization consists of auriferous quartz veins hosted in a metamorphic complex consisting of gneiss, gabbro, schist and granite-gneiss. La Cornea, El Jabali and Virgen Maria are gold occurrences associated with the quartz veining in this metamorphic sequence. The Eastern portion of the property hosts Carlin type mineralization similar to that exposed in many of the past producing mines in the region. A contact between the metamorphic and sedimentary unit has been interpreted as a detachment zone created by thrusting in the region. The sediments consist of an alternating sequence of quartzite, sandstone, siltstone and limestone that host precious metal mineralization in both mantos and breccias that have developed along the stratification planes. Gold mineralization is found both in the limestone and in the sediments. El Murcielago and San Ramon are gold occurrences associated with this sequence.

The Company completed a sampling and mapping program on the old workings and mineral occurrences within the claim group to help define the vertical, lateral and strike extent of the identified mineralized zones. Initial sampling has returned very encouraging results when compared to similar types of mineralized systems in the region (note Tables 1 & 2 disclose results from those samples returning grades in excess of 0.40 g/t Au. Full assay results can be found on the Company's website at [www.timminsgold.com](http://www.timminsgold.com)).

**Table 1 - El Murcielago sampling - Assay Results**

<b>Sample No</b>	<b>Width (m)</b>	<b>Au g/t</b>	<b>Ag g/t</b>
13201	1.22	12.704	20.1
13202	1.50	1.785	7.5
13203	1.25	0.797	0.4
13204	1.30	1.066	0.8
13205	1.00	3.632	138
13206	0.85	1.035	19.5
13209	0.80	1.621	4.3
13219	2.00	0.419	5.4
13220	3.20	0.779	7.4
13231	2.20	2.027	159

**Table 2 - San Ramon sampling - Assay Results**

Sample No	Width (m)	Au g/t	Ag g/t
13238	0.40	3.748	4.5
13239	0.45	3.982	3.6
13240	0.25	0.866	4.2
13252	0.50	3.842	2.9
13253	1.00	13.172	20.6
13254	1.00	4.077	6.9
13257	1.00	7.956	11.5
13258	1.00	7.256	12.1
13259	1.00	12.339	15.1
13261	0.70	3.781	5.0
13262	0.50	0.294	6.0
13263	0.90	0.686	5.0
13264	0.60	2.744	9.6
13265	0.90	21.946	21.8
13266	1.30	4.608	10.1
13267	0.90	0.504	9.5
13268	0.50	0.984	7.8
13269	0.60	0.824	3.4
13270	0.80	2.973	4.3
13271	0.70	0.519	4.8
3272	0.80	0.737	2.7

**Summary of Quarterly Results**

The following is a summary of the Company's unaudited financial results for the eight most recently completed quarters:

	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007
Total revenues	\$49,642	\$48,156	\$143,512	\$51,137	\$41,199	\$18,442	\$9,563	Nil
Net (loss) income	(\$1,016,294)	(\$1,178,095)	(\$3,570,523)	(\$1,084,943)	(\$682,711)	\$4,405	(\$6,389)	(\$88,450)
Basic loss per share (1)	\$0.02	\$0.02	\$0.08	\$0.02	\$0.00	\$0.00	\$0.00	\$0.01

(1) Loss per share on a diluted basis is not disclosed as it is anti-dilutive due to losses incurred.

The expenses incurred by the Company are typical of junior exploration companies that have not yet established mineral reserves. The Company's expenditures fluctuate from quarter to quarter as a result of non-recurring activities or events.

## Operating Activities

### *Six month comparison*

The Company recorded a net loss for the six month period ended September 30, 2008 of \$2,194,389 (\$0.03 per share), compared with a net loss for the same period in 2007 of \$239,558 (\$0.01 per share). In the comparative period these expenditures were offset by a significant foreign exchange gain of \$1,087,312 resulting from the Company's current policy of holding the majority of its financial resources in Canadian dollars until such time that payment is required. The majority of the Company's operating expenditures are denominated in US dollars. In the first six months of 2009, the Company also incurred \$203,331 of exploration expenditures on the written-off non-producing Las Colorados mineral property.

Total general and administrative costs excluding exploration expenditures written off, imputed interest charges, foreign exchange loss/(gain), amortization, and stock based compensation were \$891,171 for the six month ended September 30, 2008 and \$891,369 for the comparative period in 2007. The Company continued with its investor relations and promotional program in North America and Europe. This campaign resulted in an increase of \$171,699 in IR expenditures. The Company currently has contracts with two IR and communications firms at a cost of \$12,000 a month, as well as a full-time member of staff dedicated to IR work. The increase in IR costs was largely offset by a decrease of \$162,582 in salaries and benefits for the period ended September 30, 2008. This was due to a bonus paid to an employee in 2007 to acquire shares of the Company as provided in his employment agreement.

The increase of \$4,222,344 in deferred exploration and development costs is mostly associated with development of the San Francisco Property. The Company also completed drill programs on the Tequila Property and surface exploration programs on the El Capomo and Cocula Properties.

In fiscal 2008, the Company acquired mine equipment and buildings for US\$3,500,000 as part of the acquisition of the San Francisco Mine. The Company is required to pay for these acquisitions prior to April 20, 2010. The loan is interest-free. The obligation has been recorded at the discounted amount and will be accreted to its face value through to April 20, 2010. An interest charge of \$113,236 was recorded for the six months ended September 30, 2008. The mine and equipment have been recorded at a cost of \$3,045,638.

### *Three month comparison*

The Company recorded a net loss for the three month period ended September 30, 2008 of \$1,016,294 (or \$0.02 per share), compared with a net loss for the same period in 2007 of \$243,963 (or \$0.00 per share). Total general and administrative costs excluding exploration expenditures written off, implied interest charges, foreign exchange loss/(gain), amortization, and stock based compensation were \$476,964 for the six month ended September 30, 2008 and \$439,006 for the comparative period in 2007. The largest increase was in investor relations expenditures of \$95,344 due to increased investor relations activity.

## Comparison of Actual and Proposed Use of Proceeds from June & July 2008 Equity Financing

The table below details as at September 30, 2008, the proposed versus actual use of proceeds of the \$19,300,000 raised by private placement completed in June and July 2008:

	<b>Proposed Use of Proceeds (CDN\$)</b>	<b>Actual Use of Proceeds (CDN\$)</b>
Gross Proceeds of Private Placement	\$19,300,000	\$19,300,000
Cost of Private Placement	<u>\$871,239</u>	<u>\$871,000</u>
Net Proceeds of Private Placement	<u>\$18,428,761</u>	<u>\$18,428,761</u>
Mine Equipment Acquisition	\$15,428,761*	\$9,223,238
Resource Property Expenditures-San Francisco	*	\$2,397,392
Resource Property Expenditures-Other Properties	\$3,000,000*	\$1,592,093*
General & Administrative Expenses	n/a	<u>\$1,037,609*</u>
Total Expenditures to September 30, 2008	n/a	\$14,250,332
Available Cash	n/a	<u>\$4,178,429</u>
Total Use of Proceeds at September 30, 2008	<u>\$18,428,761</u>	<u>\$18,428,761</u>

\*Pursuant to the terms of the private placement \$3 million of the proceeds may be allocated to expenditures other than those directly related to development of the San Francisco Mine

### Asset retirement obligations (ARO)

The Company retained the services of an environmental consultant to assess the potential cost to the Company of the future closure of the San Francisco mine, and the related reclamation and retirement obligations for mine facilities and infrastructure. The consultant assessed the Company's obligation at approximately US\$2,000,000. Consequently the Company has set up an asset retirement obligations of \$1,279,000 using a credit-adjusted risk-free discount rate of 6.775% and recorded \$43,915 of accretion for the six months ended September 30, 2008. This rate is equivalent to rates at which the Company had previously been offered financing. 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.

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. The initial liability for the asset retirement obligation has been recognized at its fair value in the period in incurred, so the corresponding asset retirement cost has been added to the carrying amount of that asset. This cost will be amortized as an expense over the economic life of the related asset, once production of that asset commences. Following this 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. As at September 30, 2008, the Company has made no additional provision for site restoration costs or environmental liabilities on any of its other exploration stage properties.

## **Financing Condition, Liquidity and Capital Resources**

### **Financing Activities**

During the period the Company completed a private placement financing totalling \$19,300,000 with the Pacific Road Resources Fund (“PRRF”), a private equity mining investor. The financing took place in two tranches. The first stage was a private placement of 4,000,000 common shares at a price of \$1.25 per share for gross proceeds of \$5,000,000 closed on June 10, 2008. The second tranche was 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. This tranche closed on July 14, 2008. Each special warrant is exercisable without payment of any additional consideration into a unit consisting of one convertible preference share and 0.318 convertible share purchase warrants for a total of 3,500,000 warrants. Each whole convertible share purchase warrant is exercisable into one convertible preference share at a price of \$1.50 per share, on or before October 1, 2008.

On September 30, 2008, all 11,000,000 units were exercised into 11,000,000 convertible preference shares and 3,500,000 warrants. On October 1, 2008, all the warrants expired unexercised. The convertible preference shares, created at the request of PRRF and approved by the shareholders of the Company at its Annual General Meeting on September 10, 2008, are convertible into one common share of the Company without payment of any additional consideration.

The securities issued under the special warrant private placement are subject to a voluntary nine month hold period that expires on April 15, 2009. \$871,239 share issue costs were incurred for both tranches.

### **Investing Activities**

Proceeds from the May 2007 private placement and subsequent warrant exercise were used principally to acquire the San Francisco Mine from Geomaque (Mexico), complete third and fourth phase drill programs at San Francisco and complete the Study (see Results of Operations-San Francisco Gold Project). A portion of the proceeds were also used to fund a first phase drill program at the Tequila Property and surface exploration programs at the Cocula and El Capomo properties (see Results of Operations). In the six months of fiscal 2009, the Company spent a total of \$4,222,344 on exploration and acquisition of mineral properties, including approximately US\$1 million paid to the Ejido to acquire the land upon which the Mine is located. A further US\$6,972,436 was advanced to Sandvik Mining and Construction de Mexico, S.A. de C.V. towards the acquisition and installation of the crushing and screening system at the Mine.

The proceeds of the recent PRRF financing have provided approximately 40% of the funds required for the capital expenditures to recommission operations at the San Francisco Mine. The funds have been used for the purchase and construction of the new secondary and tertiary crushing systems, the construction of the new heap leach pads, capital costs associated with the refurbishment of the primary crusher and gold plant and general working capital including drilling. Timmins is currently assessing the most appropriate alternatives to finance the remaining capital requirements to re-commence operations at San Francisco. These alternatives include offers of various forms of financing including equity, convertible notes, gold linked notes and project debt financing from financial institutions, investment banks and brokerage houses.

### **Liquidity**

The Company had cash of \$4,787,515 at September 30, 2008 compared to \$2,471,042 at March 31, 2008. The Company had working capital of \$6,992,001 at September 30, 2008 compared to \$3,119,199 at March 31, 2008.

The closing of the PRRF financing had improved the Company’s cash position by \$19.3 million. However, \$7 million of this has already been ear marked for deposits and payments to suppliers and contractors relating to the re-commissioning of the Mine.

Timmins has historically relied upon equity financings to satisfy its capital requirements. Based upon the conclusions of the Pre-feasibility Study and updated capital and operating cost projections, the Company will require approximately US\$25 million of additional funds to complete construction of the San Francisco Mine, commence operations, and provide sufficient working capital to such time that cash flow can sustain operations.

Until such time, if ever, the Company successfully establishes a regular stream of positive cash flow from its mining operations it will require additional capital to finance development and ongoing exploration of its properties. Such capital could be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity or debt financings. Currently 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 Corporation 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 its 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 and development success. As detailed above in the discussion of *Overall Performance-Impact of Market Volatility on Operations*, the recent equity and capital market volatility worldwide has had a significant impact on the Company's operations during the most recently completed interim period and the subsequent period to the date of this management discussion and analysis. Management believes that while the San Francisco Mine operations are projected to generate positive cash flow over the life of the mine (currently estimated at five years) at gold prices above \$550 per ounce, should the difficult financing/credit environment continue, and if current gold prices decline, there will be a negative impact on the economics of the San Francisco Mine Project and the long term liquidity of the Company. While Management believes adequate financing, on acceptable terms will be secured there can be no assurance of this occurring. A delay in completion of the project could occur if gold prices decline and if the Company does not secure financing to complete Mine construction.

## **Capital Resources**

In May 2007 the Company entered into an agreement to acquire a 100% interest in the San Francisco Property for total consideration of US\$5 million (paid) and 10 million shares (issued) of the Company. In addition, the agreement required the Company to purchase certain mining and processing equipment for US\$3.5 million + IVA (the "Acquisition Agreement"). Payment of this interest-free loan of US\$3.5 million is not required until three years from closing (i.e., April 2010) of the acquisition of the San Francisco Property. Assuming successful recommissioning of operations at the San Francisco Mine the Company anticipates being in a position to fund this obligation from cash-flow from operations.

After the Company received the Pre-feasibility Study demonstrating the economic viability of recommissioning operations at the San Francisco Mine, the Company decided to proceed with development and began evaluating the various financing alternatives available to it. On May 29, 2008 the Company announced a financing private placement totalling \$19,300,000 with the Pacific Road Resources Fund ("PRRF") a mining private equity investor (see Financing Activities). The proceeds of the financing provided a portion of the capital required for the refurbishment and purchase of the plant and equipment required for the restart of Timmins Gold's San Francisco Mine in Sonora, Mexico, including the purchase and construction of the new secondary and tertiary crushing systems, the construction of the new heap leach pads, capital costs associated with the refurbishment of the primary crusher and gold plant and general working capital. Timmins Gold is currently assessing the most appropriate alternatives to finance the remaining capital requirements to re-commence operations at San Francisco. The Company has signed an agreement with Haywood Securities (UK) Ltd. to assist with the structure of the financing. The financing alternatives include offers of equity, convertible notes, gold linked notes and project debt financing from financial institutions, investment banks and brokerages. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms.

## **Transactions with Related Parties**

During the six months ended September 30, 2008, the Company entered into the following transactions with related parties:

- (a) The Company paid \$Nil (2007 - \$20,000) as consulting fees to a director and an officer of the Company. As of September 30, 2008, \$9,766 (March 31, 2008 - \$9,766) was owed by this director and officer for expense advances.
- (b) As of September 30, 2008, \$647 (2007 - \$647) was held in trust by the legal firm controlled by a director and an officer of the Company.

The Company incurred \$32,000 (2007 - \$24,000) for accounting services with a private company of which a director of the Company is a vice-president. As of September 30, 2008, \$3,783 (March 31, 2008 - \$5,250) was owed to this company. Subsequent to the period end this director became a Vice President of the Company, and is no longer a vice president of the private company.

- (c) The Company paid \$4,500 (2007 - \$Nil) as director's fees to directors of the Company.
- (d) The Company incurred \$47,807 (2007 - \$90,275) of consulting fees, including geological consulting, by directors and officers of the Company. As of September 30, 2008, \$2,791 (March 31, 2008 - \$3,430 was advanced) was advanced to these directors and officers.
- (e) The Company incurred \$56,649 (2007 - \$23,931) for rent and administrative expenses on behalf of a company with directors in common. As of September 30, 2008, \$93,400 (March 31, 2008 - \$16,987) 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.

## **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 8 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.

## **Investor Relations**

During the interim period the Company entered into a consulting agreement with Alpha Communications Inc. to perform public and investor relations and communications activities. The Company pays Alpha consulting fees of US\$10,000 per month. The contract was extended until December 15, 2008 at which time it expires.

## **Contingencies**

In the previous fiscal year a former director, officer and employee, and a former consultant of the Company separately initiated actions 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 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.

Subsequent to the period end, a settlement was reached between the former director, officer and employee and the Company. The Company agreed to settle all claims against it for the sum of \$30,000. This amount was charged to operations in the current period. The \$30,000 represents the Company's proportionate share of a total settlement of \$100,000.

## **Disclosure of Outstanding Share Capital**

### **Common Shares**

<b>Description</b>	<b>Authorized at September 30, 2008</b>	<b>Outstanding as at November 24, 2008</b>
Common shares	Unlimited	65,555,454*

\* This does not include the convertible preference shares discussed below

## Convertible Preference Shares

Description	Authorized at September 30, 2008	Outstanding as at November 24, 2008
Convertible preference shares	Unlimited	11,000,000

These shares have no preferential rights on dissolution, bankruptcy or similar events. They also have no voting rights and are not entitled to the payment of dividends.

## Options Outstanding as at November 24, 2008:

Designation of Securities under Option	No. of Securities to be Acquired Upon Exercise	Exercise Price per Share	Expiry Date
Common Shares	200,000	\$1.20	April 7, 2010
Common Shares	1,200,000	\$0.35	July 25, 2011
Common Shares	2,500,000	\$0.70	May 11, 2012
Common Shares	175,000	\$0.50	July 18, 2012
Common Shares	487,500	\$0.50	October 5, 2012
Common Shares	1,600,000	\$0.75	November 27, 2012
Common Shares	50,000	\$0.60	October 22, 2010

## Financial Instruments and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities, some of which are denominated in US dollars and Mexican Pesos. Amounts denominated in non-Canadian dollars are translated into Canadian dollars at the rates applicable to the period end date. The Company has financial gains or losses 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 Mine will also be denominated in these foreign currencies. The Company may acquire foreign currencies to fix such costs in Canadian funds, if management considers it advantageous.

The carrying value of financial instruments, which include cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and advances due to/from 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](http://www.sedar.com) and on the Company's website at [www.timminsgold.com](http://www.timminsgold.com).

## Changes in Accounting Policies including Initial Adoption

On April 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

- (a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories.
- (b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.
- (c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company will be required to disclose the following:
  - qualitative information about its objectives, policies and processes for managing capital;
  - summary quantitative data about what it manages as capital;
  - whether during the period it complied with any externally imposed capital requirement to which it is subject; and
  - when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
- (d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern.

## International Financial Reporting Standards

On February 13, 2008, the Canadian Accounting Standards Board ("AcSB") confirmed the mandatory changeover date to International Financial Reporting Standards ("IFRS") for Canadian profit-oriented publicly accountable entities ("PAE's") such as the Company.

The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after January 1, 2011. For PAE's with a December 31 year-end, the first unaudited interim financial statements under IFRS will be the quarter ending March 31, 2011, with comparative financial information for the quarter ended March 31, 2010. The first audited annual financial statements will be for the year ending March 31, 2012, with comparative financial information for the year ended March 31, 2011. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the April 1, 2010 opening balance sheet which will be issued as part of the comparative financial information in the June 30, 2011 unaudited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. During fiscal 2009, the Company will continue to evaluate the impact of IFRS on the Company and is in the process of developing a plan for the conversion to IFRS. If the Company decides not to early adopt the standards, the actual conversion work will occur in late 2009 and 2010, in anticipation of the preparation of the April 1, 2010 balance sheet that will be required for comparative purposes for all periods ending in 2011.

## **Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

## **Internal Controls over Financial Reporting**

No changes of the Company's internal controls over financial reporting ("ICFR") occurred in the current period that have materially affected, or are reasonably likely to materially, affect the Company's ICFR.

## **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. To date the Company has not utilized these products. 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, including its San Francisco Project is not assured; nor is there assurance that the expenditure of funds will result in the discovery and development of an economic mineral deposit. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements.

## **Outlook**

With the receipt of the Prefeasibility Study in April 2008 demonstrating the economic viability of the San Francisco Mine the Company decided to move forward with development and re-commissioning of the Mine. Management considered receipt of the Study to be a significant milestone as the Company moves from exploration to development and hopefully production. The Company also considered the completion of a \$19.3 million equity financing during the current interim period to be an important milestone. The financing allowed the Company to enter into contracts for the acquisition of those capital assets requiring longer lead times such as delivery and installation of the crushing circuit, and the initiation of construction of the heap leach pads. As addressed previously, management believes approximately US\$25 million is required to complete development of, and provide sufficient initial working capital for the San Francisco Mine to become self sustaining.

While encouraged by the results from Cocula and Tequila, future programs on these projects are not currently a priority and will be contingent upon the Company having excess funds and being able to justify expenditures on early stage projects. Management continues to evaluate other opportunities as they are presented, however its principal focus is to ultimately finance, develop and initiate production at the San Francisco Mine. While Company management is pursuing every avenue to obtain financing on acceptable terms, and is confident it will be secured in the foreseeable future there can be no assurance this will occur.