

TIMMINS GOLD CORP.

MANAGEMENT DISCUSSION AND ANALYSIS for the period ended December 31, 2008

Date of Report

The following Management Discussion and Analysis (“MD&A”) for Timmins Gold Corp. (“Timmins” or the “Company”) is prepared as of February 27, 2009, and should be read in conjunction with the unaudited Consolidated Financial Statements (“Financial Statements”) and related notes for the three and nine month periods ended December 31, 2008, the comparative period ended December 31, 2007 and the audited financial statements and MD&A for the year ended March 31, 2008. 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). 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”). The San Francisco Gold Property (“Property”), located in Sonora, Mexico is the Company’s principal and only material mineral property for purposes of NI 43-101. As discussed under *Results of Operations*, the Company had previously commissioned an independent pre-feasibility study of the 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. An amendment to the Study was filed on January 13, 2009,

The conclusions within the Study recommended development and re-commissioning of the 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). In June and July 2008, the Company completed a \$19.3 million equity financing. 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 has expended \$28.2 million to December 31, 2008 on the acquisition and development of the Property. The Company has spent approximately US\$15.9 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 expenditures was included in the Study.

An updated mine schedule has been completed and mining is now expected to commence in mid-2009 with cash flow from operations projected toward the end of 2009. With the latest downturn in the industry the Company has renegotiated a number of contracts in its favour. These terms include more advantageous payment schedules and reduced contract prices. However, 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.

Pursuant to National Instrument 43-101, Lawrence A. Dick, Phd, P.Geo is the Qualified Person (“QP”) responsible for the technical disclosure in this MD&A.

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 significant dilution to 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 current capital market volatility worldwide has impacted the Company’s operations. The effects 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 equity financing. On March 2, 2009, the Company announced a non-brokered private placement offering of \$10 million (see Financing). The Company simultaneously announced the appointment of CPM Group of New York to act as the its financial advisor to review and advise on non-equity offers received by the Company for the working capital requirements for operations at the Mine. Management will continue to address the Company's and the 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 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

As a result of a review by the British Columbia Securities Commission the Company was required to issue a news release to clarify its disclosure on the San Francisco Property. On April 7, 2008 the Company filed a technical report entitled "NI 43-101 Technical Report on the Preliminary Feasibility Study for the San Francisco Gold Project, Sonora, Mexico (the "Report") dated March 31, 2008 prepared by Micon International Limited and Independent Mining Consultants Inc. It has come to the Company's attention that certain disclosure in the Report is not in compliance with the guidelines established by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). In particular, Tables 17.4 and 17.6 in the Report detailing the sensitivity analysis for "Floating Cones for Resource Definition – Measured, Indicated & Inferred Mineral Resources" were not prepared in compliance with NI 43-101, Part 2.2, since they included inferred mineral resources and additional tonnages derived from sensitivity analysis that should not have been treated as mineral resource estimates. The Company has retracted its prior disclosure of mineral resource estimates exceeding those tabulated below.

As a result the reproduction of these tables in the Company's news release dated April 8, 2008 and the Annual Information Form dated July 24, 2008 were also not in compliance with NI 43-101. The Company has prepared and filed on SEDAR an amended technical report dated January 16, 2009.

The correct disclosure of both the mineral resource and mineral reserve at the Property as of February 29, 2008 are published in the revised Report and are as follows. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves.

Resource Classification	Tonnes (000 t)	Grade (g/t Au)	Gold
Measured Mineral Resource	5,352	0.912	156,930
Indicated Mineral Resource	22,296	0.781	559,860
Total Measured + Indicated	27,648	0.806	716,790
Inferred Mineral Resource	2,506	0.788	63,490

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
Grand Total	Probable		22,634	0.84	611.0

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 new crushers, conveyors and screens have been delivered to the mine. Assuming all contractual obligations are fulfilled the crushers are scheduled to be fully operational by April 2009. The refurbishing of the primary crusher has been completed and the primary crusher is also scheduled to be fully operational by April 2009. The gold plant has been refurbished and is currently being tested. The Company has 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. The Company has not yet signed an agreement with a contract miner.

Tequila Property

The Company has 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. On December 16, 2008, the Company issued a news release announcing the assay results of an 18 hole, 3,829 meter diamond drill program.

The Company is currently reviewing the data from the drill program to assess future exploration activity.

Cocula Property

On February 17, 2009, the Company announced the results of a 26 hole, 1,974 meter reverse circulation drill program. The Company plans to continue with surface sampling and trenching to delineate the breccia zone, followed by further reverse circulation drilling once the Company has the funds available.

El Capomo Property

In early fiscal 2008, the Company acquired the mineral rights to 60,000 hectares in four claim blocks by staking. Although the Company has assessed the results of the first phase surface program as encouraging, it does not anticipate recommending any significant expenditures on the program until market conditions improve.

Tim Property

Recently the Company acquired, by staking, a 45,000 hectare land package in the Peñasquito area of Mexico. 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 claims are contiguous to Goldcorp's Peñasquito Gold Deposit and are approximately 20 km to the northwest of the Camino Rojo project (Canplats Resources). The Company does not have any plans presently to conduct exploration on this property until market conditions improve.

El Picacho Property

Recently the Company entered into an option agreement to acquire a 100 percent interest in the 703 hectare El Picacho property located 20 kilometres 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. The Company does not have any plans presently to conduct further exploration on this property until market conditions improve.

Summary of Quarterly Results

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

	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Total revenues	\$152,193	\$49,642	\$48,156	\$143,512	\$51,137	\$41,199	\$18,442	\$9,563
Net (loss) income	(\$577,331)	(\$1,016,294)	(\$1,178,095)	(\$3,570,523)	(\$1,084,943)	(\$682,711)	\$4,405	(\$6,389)
Basic loss per share (1)	\$0.01	\$0.02	\$0.02	\$0.08	\$0.02	\$0.02	\$0.00	\$0.00

(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

Nine month comparison

The Company recorded a net loss for the nine month period ended December 31, 2008 of \$2,771,720 (\$0.04 per share), compared with a net loss for the same period in 2007 of \$1,763,249 (\$0.04 per share). The majority of the Company's operating expenditures are denominated in US dollars. In the first nine months of 2009, the Company also incurred \$218,622 of exploration expenditures on the written-off non-producing Las Colorados mineral property.

Total general and administrative costs excluding exploration expenditures written off, and non-cash amounts of imputed interest charges, foreign exchange loss/(gain), amortization, and stock based compensation were \$1,660,625 for the nine month ended December 31, 2008 and \$1,300,150 for the comparative period in 2007. The Company continued with its investor relations program. This campaign resulted in an increase of \$329,560 in IR expenditures.

The increase of \$3,056,377 in deferred exploration and development costs is mostly associated with development of the San Francisco Property. The Company also spent approximately \$11,724,000 on machinery and equipment for the Mine. The Company also completed a drill program on its Cocula Property at a cost of approximately \$220,000 (including salaries and consulting fees).

In fiscal 2008, the Company acquired mine equipment and buildings for US\$3,500,000 (plus 15% IVA) 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 \$172,850 was recorded for the nine months ended December 31, 2008. The mine equipment has been recorded at a cost of US\$2,875,142.

Three month comparison

The Company recorded a net loss for the three month period ended December 31, 2008 of \$577,331 (or \$0.01 per share), compared with a net loss for the same period in 2007 of \$1,084,943 (or \$0.02 per share). The net loss decreased despite a large increase in investor relations expenses and salaries and wages. The decrease was as a result of a foreign exchange gain of \$281,718. The Company had received, and held, the funds received in the private placement in US dollars, during which time the Canadian dollar decreased against the US dollar.

Total general and administrative costs excluding non-cash charges of implied interest, foreign exchange loss/(gain), amortization, and stock based compensation were \$772,878 for the three months ended December 31, 2008 and \$465,876 for the comparative period in 2007. Investor relations expense increased because of increased investor relations activities. Salaries and wages expense increased by 200% because the Company settled a wrongful dismissal suit with a former director and officer for; the Vancouver office hired an additional two part-time employees, and the salaries of the administrative staff in Mexico are no longer allocated to projects, but are expensed instead.

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 \$70,634 of accretion for the nine months ended December 31, 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 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 December 31, 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

The Company has not raised any funds since it completed its last financing of \$19,300,000. These funds were raised in a private placement financing with PRRF. The securities issued are subject to a voluntary nine month hold period that expires on April 15, 2009. The Company has been able to renegotiate several contracts with the suppliers involved in re-commissioning the mine. These negotiations have resulted in the deferment of payments.

However, on March 2, 2009, the Company announced a non-brokered private placement offering of \$10 million. The private placement will consist of units at a price of \$0.50 per unit. Each unit will consist of one common share and one half share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at an exercise price of \$0.75 for a period of one year from closing of the private placement. Finder's fees will be payable in accordance with the policies of the Exchange. The proceeds from the private placement will be used towards completion of the construction of the Mine and for general working capital. All of the securities issued in connection with the private placement will be subject to a four month hold period from the date of closing. The private placement is subject to the approval of the Exchange.

Investing Activities

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. For instance, US\$6,972,436 has been 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.

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. In the interim, the Company is not spending any funds on any of its other properties as the re-commissioning of the Mine is its priority.

Liquidity

The Company had cash of \$2,767,181 at December 31, 2008 compared to \$2,471,042 at March 31, 2008. The Company had working capital of \$1,998,311 at December 31, 2008 compared to \$3,119,199 at March 31, 2008. The Company was reimbursed the \$120,924 it was owed by a related party for rent and administrative expenses incurred on behalf of that party.

At the start of the interim period, the closing of the PRRF financing had improved the Company's cash position by \$19.3 million. However, the funds have been spent on deposits and payments to suppliers and contractors relating to the re-commissioning of the Mine. The Company does have several large payments totalling approximately US\$2 million which are due shortly.

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 until 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 last two interim periods and the 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 financing totalling \$19,300,000 with PRRF. 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 the Mine 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.

The Company is currently assessing the most appropriate alternatives to finance the remaining capital requirements to re-commence operations at San Francisco. The Company has engaged the services of CPM Group for nine months to arrange financing for the development and re-commissioning of the San Francisco Property, and to assist the Company in evaluating financing requirements and alternatives and structuring. The financing alternatives include offers of equity, convertible notes, gold linked notes and project debt financing from financial institutions, investment banks and brokerages, none of which may be available on terms acceptable to the Company.

Transactions with Related Parties

During the nine months ended December 31, 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 December 31, 2008, \$233 (March 31, 2008 - \$9,766) was owed by this director and officer for expense advances.
- (b) As of December 31, 2008, \$647 (2007 - \$647) was held in trust by the legal firm controlled by a director and an officer of the Company.
- (c) The Company incurred \$47,500 (2007 - \$40,500) for accounting services with a private company of which a director of the Company is a vice-president. As of December 31, 2008, \$5,250 (March 31, 2008 - \$5,250) was owed to this company. During the period, this director became a Vice President of the Company, and is no longer a vice president of the private company.
- (d) The Company paid \$4,500 (2007 - \$Nil) as consulting fees to directors of the Company.
- (e) The Company incurred \$89,268 (2007 - \$139,033) of consulting fees, including geological consulting, by directors and officers of the Company. As of December 31, 2008, \$994 (March 31, 2008 - \$3,430 was advanced) was advanced to these directors and officers.
- (f) The Company incurred \$103,937 (2007 - \$44,328) for rent and administrative expenses on behalf of a company with directors in common. As of December 31, 2008, \$120,924 (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

The Company's consulting agreement with Alpha Communications Inc.; which performed public and investor relations and communications activities, expired during the period.

The Company has agreed to enter into an agreement with Whaler Capital Corporation. The initial period is for three months, for a monthly fee of \$7,000. The Company has agreed to grant this consultant 100,000 stock options at an exercise price of \$0.55 each.

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.

During the period, a settlement was reached between the former director, officer and employee, and the Company in a wrongful dismissal suit. The amount of the settlement was charged to operations in the current period. 75,000 performance shares were also cancelled as part of the settlement.

Subsequent to the period end, the Company reached a settlement with a former consultant in a wrongful dismissal suit. The amount of the settlement was charged to operations in the subsequent period.

Disclosure of Outstanding Share Capital

Common Shares

Description	Authorized at December 31, 2008	Outstanding as at February 27, 2009
Common shares	Unlimited	65,555,454*

* This does not include the convertible preference shares discussed below

Convertible Preference Shares

Description	Authorized at December 31, 2008	Outstanding as at February 27, 2009
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 February 27, 2009:

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	2,100,000	\$0.70	May 11, 2012
Common Shares	500,000	\$0.50	December 31, 2010
Common Shares	175,000	\$0.50	July 18, 2012
Common Shares	487,500	\$0.50	October 5, 2009
Common Shares	1,450,000	\$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 and on the Company's website at 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

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. At the Mine, construction of the new state of the art crushing system is scheduled to be completed within 60 days. The reclaim tunnel is in place, the ore feeders are being installed in the tunnel and the crushers have now been installed. The primary crusher was fully refurbished before installation. The new Sandvik secondary crushers have been designed and calibrated for the rock type and capacity of the mine to maximize throughput and minimize down-time. The crushing circuit will have sufficient capacity to crush 3,500,000 tonnes of ore each year, which will support planned production of 80,000 ounces of gold each year. The current mine life is five years and the 42,000 hectare land package comprising the project has displayed excellent exploration potential. The crushing circuit has been designed for future expansion of capacity with minimal additional cost.

The gold extraction plant has been refurbished and is currently being wet tested. The earthworks for the new heap leach pads are proceeding towards completion. The assay lab has been operational for 12 months and has been processing samples from drilling activity in support of planning for expansion of the existing open pit.

Management believes approximately US\$25 million is still required to complete development of, and provide sufficient initial working capital for the San Francisco Mine to become self sustaining. The announcement on March 2, 2009, of the \$10 million non-brokered private placement will, if it closes, provide sufficient capital to meet the Company's current contractual obligations as they fall due, as well as to continue with development of the Mine. Management will continue to pursue every avenue to obtain financing on acceptable terms, and remains confident financing will be secured in the foreseeable future. However, there can be no assurance that this will occur.