FORM 40-F

Annual reports filed by certain Canadian issuers pursuant to Section 15(d) and Rule 15d-4

Filing Date: **2012-03-30** | Period of Report: **2011-12-31**
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FILER

Timmins Gold Corp.

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SIC: **1040** Gold and silver ores

Mailing Address	Business Address
P.O. BOX 10335	*P.O. BOX 10335*
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	604-682-4002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 40-F

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the nine month fiscal period ended: **December 31, 2011**

Commission file number: **001-35329**

TIMMINS GOLD CORP.

(Exact Name of Registrant as Specified in its charter)

British Columbia, Canada	**1040**	**N/A**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code)	(I.R.S. Employer Identification No.)

570 Granville Street, Suite 1900
Vancouver, British Columbia
V6C 3P1
(604) 682-4002

(Address and telephone number of Registrant' s principal executive offices)

CT Corporation System
111 Eighth Avenue, 13th Floor
New York, New York 10011
(212) 894-8700

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Common Shares, no par value	**NYSE Amex LLC**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

For annual reports, indicate by check mark the information filed with this form:

[X] Annual Information Form   [X] Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer' s classes of capital or common stock as of the close of the period covered by the annual report:

140,291,127 Common Shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

[ ] Yes [ ] No

FORWARD LOOKING INFORMATION

Certain statements and information contained in this annual report on Form 40-F (the “Form 40-F”) and the documents incorporated by reference in this Form 40-F constitute "forward-looking statements" within the meaning of applicable U.S. securities laws and “forward-looking information” within the meaning of applicable Canadian securities laws, which we refer to collectively as "forward-looking statements". Forward-looking statements are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as “seek”, “expect”, “anticipate”, “budget”, “plan”, “estimate”, “continue”, “forecast”, “intend”, “believe”, “predict”, “potential”,“target”, “may”, “could”, “would”, “might”, “will” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this Form 40-F and the documents incorporated herein by reference include, but are not limited to statements and information regarding: the Company's future mining activities, including mining capacity, recoveries, cash costs, production and mine life; the Company's reserves and resources estimates; the Company’ s exploration and development plans, including anticipated costs and timing thereof; the Company’ s plans for growth through exploration activities, acquisitions or otherwise; and expectations regarding future maintenance and capital expenditures, working capital requirements, the availability of financing and future effective tax rates.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited to: that contracted parties provide goods and/or services in a timely manner, that no unusual geological or technical problems occur; that plant and equipment function as anticipated and that there is no material adverse change in the price of gold, costs associated with production or recoveries.

Forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and you are cautioned not to place undue reliance on forward-looking statements contained herein. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this Form 40-F and the documents incorporated herein by reference include, but are not limited to: risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company’ s expectations; risks relating to possible variations in reserves, resources, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; risks related to commodity price and foreign exchange rate fluctuations; the uncertainty of profitability based upon the cyclical nature of the industry in which the Company operates; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities; risks related to environmental regulation and liability; political and regulatory risks associated with mining and exploration; risks related to the uncertain global economic environment; and other factors contained in the section entitled “Risk Factors” in our Annual Information Form included as Exhibit 99.1 hereto.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, or incorporated by reference in, this Form 40-F if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

CAUTIONARY NOTE REGARDING MINERAL RESERVE AND RESOURCE ESTIMATES

The Company is subject to the reporting requirements of the applicable Canadian securities laws, and as a result we report our mineral reserves and resources according to Canadian standards. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The definitions of NI 43-101 are adopted from those given by the Canadian Institute of Mining, Metallurgy and Petroleum. U.S. reporting requirements are governed by Industry Guide 7 ("Guide 7") of the Securities and Exchange Commission (the "Commission"). These reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody different approaches and definitions. For example, under Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. In particular, we report "resources" in accordance with NI 43-101. While the terms "Mineral Resource," "Measured Mineral Resource," "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the Commission and generally, U.S. companies are not permitted to report resources in documents filed with the Commission. As such, certain information contained in this Form 40-F concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the Commission. In addition, an Inferred Mineral Resource has a great amount of uncertainty as to its existence and as to its economic and legal feasibility, and you cannot assume that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. You are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves, and not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable. In addition, the definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the Commission.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and procedures designed to ensure that (i) information required to be disclosed by the Company in reports that it files or submits to the Commission under the Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Commission' s rules and forms and (ii) information required to be disclosed in the Company' s reports filed under the Exchange Act is accumulated and communicated to the Company' s management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow for timely decisions regarding required disclosure.

At the end of the period covered by this report, an evaluation was carried out under the supervision of and with the participation of the Company' s management, including the CEO and CFO, of the effectiveness of the design and operations of the Company' s disclosure controls and procedures. The evaluation included documentation review, enquiries and other procedures considered by management to be appropriate in the circumstances. Based on that evaluation, the Company' s CEO and CFO have concluded that, as of the end of the period covered by this report, the Company' s disclosure controls and procedures were effective.

The Company' s management, including the CEO and CFO, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

INTERNAL CONTROL OVER FINANCIAL REPORTING

This annual report does not include a report on management' s assessment regarding internal control over financial reporting or an attestation report of the Company' s registered public accounting firm due to a transition period established by rules of the Commission for newly public companies.

NOTICES PURSUANT TO REGULATION BTR

The Company was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the nine month fiscal period ended December 31, 2011.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company' s board of directors (the "Board") has determined that it has at least one audit committee financial expert serving on its audit committee. The Board has determined that Paula Rogers is an audit committee financial expert (as such term is defined in paragraph 8(b) of General Instruction B to Form 40-F) and is independent, as that term is defined by the Exchange Act and the NYSE Amex' s corporate governance standards applicable to the Company.

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, including without limitations for purpose of Section 11 of the Securities Act of 1933, does not impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the Board in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or Board.

CODE OF ETHICS

The Board has adopted a written code of ethics entitled, "Code of Business Conduct" (the "Code"), by which it and all officers and employees of the Company, including the Company' s principal executive officer, principal financial officer, principal accounting officer or controller, abide. There were no amendments, or waivers granted in respect of, the Code during the nine month fiscal period ended December 31, 2011 The Code is posted on the Company' s website at www.timminsgold.com. A copy of the Code may also be obtained by contacting the Corporate Secretary of the Company at the address or telephone number indicated on the cover page of this annual report on Form 40-F. If there is an amendment to the Code, or if a waiver of the Code is granted to any of Company' s principal executive officer, principal financial officer, principal accounting officer or controller, the Company intends to disclose any such amendment or waiver by posting such information on the Company' s website. Unless and to the extent specifically referred to herein, the information on the Company' s website shall not be deemed to be incorporated by reference in this annual report on Form 40-F.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

Deloitte & Touche LLP, independent registered chartered accountants, acted as the Company' s independent auditor for the nine month fiscal period ended December 31, 2011. See page 49 of the Company' s Annual Information Form, which is attached hereto as Exhibit 99.1, for the total amount billed to the Company by Deloitte & Touche LLP for services performed in the last two fiscal periods by category of service (for audit fees, audit-related fees, tax fees and all other fees) in Canadian dollars.

See page 49 of the Company' s Annual Information Form, which is attached hereto as Exhibit 99.1, for a description of the audit committee' s pre-approval policies and procedures. No audit-related fees, tax fees or other non-audit fees were approved by the Audit Committee pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The disclosure provided under Section "Liquidity, Cash Flows and Capital Resources", on page 14 of Exhibit 99.2, "Management' s Discussion and Analysis", is incorporated by reference herein.

IDENTIFICATION OF THE AUDIT COMMITTEE

See pages 47-49 of the Annual Information Form for the nine months ended December 31, 2011 included as Exhibit 99.1 to this report.

CORPORATE GOVERNANCE PRACTICES

There are certain differences between the corporate governance practices applicable to the Company and those applicable to U.S. companies under NYSE Amex listing standards. A summary of the significant differences can be found on the Company' s website at www.timminsgold.com.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking. The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file this annual report on Form 40-F arises or transactions in said securities.

B. Consent to Service of Process. The Company has filed an Appointment of Agent for Service of Process and Undertaking on Form F-X with respect to the class of securities in relation to which the obligation to file this Form 40-F arises.

SIGNATURE

Pursuant to the requirements of the Exchange Act, the Company certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

TIMMINS GOLD CORP.

By: /s/ Bruce Bragagnolo

Name: Bruce Bragagnolo

Title: Chief Executive Officer and Secretary

Date: March 29, 2012

EXHIBIT INDEX

99.1	Annual Information Form for the nine months ended December 31, 2011
99.2	Management' s Discussion and Analysis for the nine months ended December 31, 2011
99.3	Audited annual financial statements for the nine months ended December 31, 2011
99.4	Certificate of Bruce Bragagnolo required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.5	Certificate of Colin Sutherland required by Rule 13a-14(a) or Rule 15d-14(a), pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
99.6	Certificate of Bruce Bragagnolo pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certificate of Colin Sutherland pursuant to 18 U.S.C. Section 1350, as enacted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of Deloitte & Touche LLP, Independent Registered Chartered Accountants
99.9	Consent of Alan J. San Martin
99.10	Consent of Mani M. Verma
99.11	Consent of Richard M. Gowans
99.12	Consent of William J. Lewis
99.13	Consent of Christopher R. Lattanzi
99.14	Consent of Lawrence A. Dick

Exhibit 99.1

FORM 51 – 102F2
ANNUAL INFORMATION FORM
Nine Months ended December 31, 2011
March 28, 2012

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Unless otherwise stated or the context requires otherwise, references in this AIF to the "Company", "Timmins", "we," us" or "our" refer to Timmins Gold Corp. and its subsidiaries on a consolidated basis.

The Company recently changed its fiscal year end to December 31 from March 31. Consequently, this AIF is filed in respect of the nine months ended December 31, 2011. References in this AIF to "fiscal 2011", "fiscal 2010", "fiscal 2009" and "fiscal 2008" refer to the years (each a 12 month period) ended March 31, 2011, 2010, 2009 and 2008, respectively. Readers should be aware that references to fiscal 2011 are to a fiscal period prior to the nine months ended December 31, 2011 to which this AIF relates. Readers should also be aware that because the nine months ended December 31, 2011 is a shorter fiscal period than the prior fiscal period, direct comparisons between such periods cannot be made.

FORWARD LOOKING STATEMENTS

Certain statements and information contained in this Annual Information Form ("AIF") and the documents incorporated by reference in this AIF constitute "forward-looking statements" within the meaning of applicable U.S. securities laws and "forward-looking information" within the meaning of applicable Canadian securities laws, which we refer to collectively as "forward-looking statements". Forward-looking statements are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as "seek", "expect", "anticipate", "budget", "plan", "estimate", "continue", "forecast", "intend", "believe", "predict", "potential", "target", "may", "could", "would", "might", "will" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this AIF and the documents incorporated herein by reference include, but are not limited to statements and information regarding: the Company's future mining activities, including mining capacity, recoveries, cash costs, production and mine life; the Company's reserves and resources estimates; the Company' s exploration and development plans, including anticipated costs and timing thereof; the Company' s plans for growth through exploration activities, acquisitions or otherwise; and expectations regarding future maintenance and capital expenditures, working capital requirements, the availability of financing and future effective tax rates.

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Forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and you are cautioned not to place undue reliance on forward-looking statements contained herein. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this AIF and the documents incorporated herein by reference include, but are not limited to: risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company' s expectations; risks relating to possible variations in reserves, resources, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; risks related to commodity price and foreign exchange rate fluctuations; the uncertainty of profitability based upon the cyclical nature of the industry in which the Company operates; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities; risks related to environmental regulation and liability; political and regulatory risks associated with mining and exploration; risks related to the uncertain global economic environment; and other factors contained in the section entitled "Risk Factors" in this AIF.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, or incorporated by reference in, this AIF if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

MINERAL RESERVE AND RESOURCE ESTIMATES

The Company is subject to the reporting requirements of the applicable Canadian securities laws, and as a result it reports its mineral reserves and resources according to Canadian standards. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"). The definitions of NI 43-101 are adopted from those given by the Canadian Institute of Mining, Metallurgy and Petroleum. U.S. reporting requirements are governed by Industry Guide 7 ("Guide 7") of the Securities and Exchange Commission (the "Commission"). These reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody different approaches and definitions. For example, under Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. In particular, the Company reports "resources" in accordance with NI 43-101. While the terms "Mineral Resource," "Measured Mineral Resource," "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the Commission and generally, U.S. companies are not permitted to report resources in documents filed with the Commission. As such, certain information contained in this AIF concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the Commission. In addition, an Inferred Mineral Resource has a great amount of uncertainty as to its existence and as to its economic and legal feasibility, and it cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. It cannot be assumed that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves, and it cannot be assumed that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable. In addition, the definitions of "Proven Mineral Reserves" and "Probable Mineral Reserves" under CIM standards differ in certain respects from the standards of the Commission.

CURRENCY AND EXCHANGE RATES

All dollar amounts in this AIF are expressed in United States dollars, unless otherwise indicated. References in this AIF to "dollars" or "$" are to United States dollars. References in this AIF to "C$" are to Canadian dollars. The following table sets forth the value of the Canadian dollar expressed in United States dollars on December 31 of each year and the average, high and low exchange rates during the year indicated based on the noon rate of exchange as reported by the Bank of Canada:

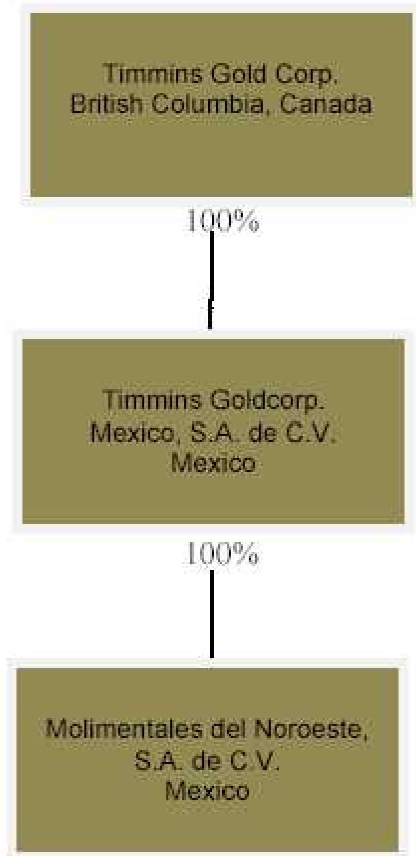
Canadian Dollars into United States Dollars	2011	2010	2009
Closing	0.9833	1.0054	0.9555
Average	1.0100	0.9709	0.8757
High	1.0583	1.0054	0.9716
Low	0.9430	0.9278	0.7692

CORPORATE STRUCTURE

Timmins Gold Corp. (the "Company") was incorporated pursuant to the *Business Corporations Act* (British Columbia) on March 17, 2005.

The Company' s registered and records office is located at Suite 1900 – 570 Granville Street, Vancouver, British Columbia, V6C 3P1. The Company' s head office is located at Suite 1900 – 570 Granville Street, Vancouver, British Columbia, V6C 3P1. The Company' s head office in Mexico is located at Blvd. Solidaridad #335 A, Edificio 'A' – Primera Planta Local 3, Col Palmar del Sol, Hermosillo, Sonora, Mexico, 83270. The Company also maintains field offices at the San Francisco Mine site, near Estacion Llano, Sonora and Magdalena de Kino, Sonora.

The Company has two wholly owned subsidiaries: Timmins Goldcorp Mexico, S.A. de C.V. ("Timmins Mexico") and Molimentales del Noroeste, S.A. de C.V. ("Molimentales"). Timmins Mexico was incorporated pursuant to the laws of Mexico on March 23, 2005 and is the entity through which the Company conducts its Mexican operations. Molimentales was acquired from Geomaque de Mexico, S.A. de C.V., ("Geomaque") pursuant to an acquisition agreement dated March 20, 2007, and was incorporated pursuant to the laws of Mexico for the principal purpose of holding the mineral concessions and infrastructure that constitute the San Francisco Gold Mine (the "Mine").



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

The Company is a gold mining and exploration company engaged in exploration, mine development and the mining and extraction of precious metals, primarily gold. The Company' s primary asset and only material mineral property is the San Francisco Gold Property located in Sonora, Mexico, which includes the Company' s only operating mine (the "Mine"). The Company attained commercial production at the Mine on April 1, 2010 and its first year of operations in 2010 was a successful transition from an advanced exploration and development company to a junior producer. Since achieving commercial production, the Company has continued to ramp up production with increases in the average tonnes of ore processed per day achieving record rates during the month of October, 2011 of 14,968 tonnes per day.

The Mine was previously developed and operated by Geomaque. In 2005 the Company entered into an agreement to acquire a 100% interest in the Mine for total consideration of $5.0 million and 10.0 million common shares of the Company. In addition, the Company was required to purchase certain mining and processing equipment on a deferred basis for $4.025 million including Mexican value added tax. Most of the equipment and facilities at the Mine have been refurbished and are being used in operations. As at December 31, 2011, the remaining liability associated with the purchase of the mining and processing equipment was $1,725,000. See Note 10 of our consolidated financial statements for a description for the amount outstanding.

During fiscal 2008 and 2009 the Company focused its efforts on successfully arranging financing for the construction and re-commissioning of the Mine. During this period, construction of a new secondary and tertiary crushing system at the Mine was completed and testing was undertaken. The gold extraction plant was refurbished and tested, and mine infrastructure for the Mine, including its power supply and connection to civil works, was put in place. In addition, a third drill program was implemented with the objective of expanding the known mineral resources at the Mine. During fiscal 2009 the Company also completed a regional exploration program consisting of geological mapping and sampling, soil geochemistry and ground and airborne geophysics. Work proceeded on the new heap leach pads and emergency pond. During fiscal 2009, the assay lab at the Mine became operational and processed samples from drilling activity in support of planning for expansion of the existing open pit. The Company commenced pre-stripping waste in the fourth quarter of 2009, and at that time it also commenced the crushing and leaching of ore.

Commercial production began in April, 2010 and the ramp-up to full production at the Mine proceeded as planned. Based on drill success and an increased resource estimate provided in November, 2010, a decision was made to expand crushing capacity to 18,000 tonnes per day. Additional equipment was added to achieve the new targeted production level. In order to reach the new production level, five new carbon columns were built, additional water rights were purchased, a new module was added to the secondary and tertiary crushers and additional mining equipment was delivered, including three Komatsu shovels, one Caterpillar loader and sixteen 91 tonne Caterpillar trucks, allowing full scale open pit extraction of materials, including ore and waste, at a current average rate of 60,000 tonnes per day.

On November 1, 2011, Micon produced an independent technical report on the Mine entitled *NI 43-101 F1 Technical Report - Updated Resources and Reserves and Mine Plan for the San Francisco Gold Mine, Sonora, Mexico*, (the "2011 Report"). The 2011 Report concluded that the Mine and property merit further exploration, which supports the Company' s exploration plans.

During the nine months ended December 31, 2011 the Company continued its intensive exploration drilling programs which included deeper drilling to explore the mineralization at depth, both in and around the San Francisco pit and for the first time in and around the La Chicharra pit. The results of this drilling confirmed the continuity and extensions of the mineralization, both along strike and down-dip and below the existing pit floor at both the San Francisco and La Chicharra open pits. Assays received from drilling completed in August and September, 2011 returned some of the highest grades intercepted to date from the San Francisco pit. The Company completed in excess of 110,000 meters of drilling from July, 2011 to December, 2011. Subsequent to December 31, 2011 the Company restarted the drill program at San Francisco and La Chicharra and anticipates completing an additional 100,000 meters of drilling in this program.

During the nine months ended December 31, 2011 the Company also focused on improving operational efficiencies and processes at the Mine. In November, 2011, the Company installed a new feeder and screen to complete the crushing facility expansion from 14,000 tonnes per day ("t/d") to 18,000 t/d. Improvements to the blasting procedures and the completion of a pre-screening facility at the primary crusher are designed to increase throughput from the San Francisco crushing system to in excess of 22,000 t/d. In addition, a new 10,000 t/d modular crusher is being installed at the La Chicharra pit which is expected to further increase the capacity of the crushing system at both pits to 32,000 t/d by October, 2012. Ore mined but not currently processed is being stockpiled for future processing. The Company also implemented several modifications to the Mine as a result of this expansion including increasing irrigation capacity and solution flow to the heap leach pads by installing a new pump and new solution handling tanks beside the conveyors in order to place a high concentration of cyanide solution directly onto the fresh ore on the conveyor belts before stacking on the heap leach pad. As a result of these modifications, the Company has seen improvements in production rates and expects to see continued production improvements during 2012. The Company will continue to review additional improvement and expansion opportunities in the future.

The Company mined 6.3 million tonnes from the Mine during the nine months ended December 31, 2011, compared to 5.8 million tonnes during the same prior year period, an 8% increase. Dry tonnes of ore mined increased to 2.1 million tonnes of ore during the current period from 1.2 million tonnes of ore during the same prior year period; a 65% increase.

The average grade of ore mined from the Mine decreased during the current period to 0.58 g/t Au, compared to 0.94 g/t Au for the same prior year period. This decrease in average grade of ore mined is the result of the recent drilling program of the Company whereby the ore body has been further defined via the additional drill holes. While the additional drilling has resulted in a more accurate ore grade which is lower than that of the 2010 estimates, it is considered more homogeneous. The average grade of ore mined and ore processed during the nine months ended December 31, 2011 was 0.66 g/t Au and 0.81 g/t Au, respectively, compared to 0.84 g/t Au and 0.84 g/t Au, respectively, for the year ended March 31, 2011. This was due to ramping up of the grade placed on pads during the six months ended September 30, 2011 and to the change in the mine model in response to the 2011 Report.

During the nine months ended December 31, 2011 the Company staked an additional 95,000 hectares of claims between the Mine and the El Chanate gold mine of AuRico Gold Inc. The Company also purchased a 10 hectare concession called La Mexicana for $250,000, which was the last concession in the area that the Company did not control.

All mining activities at the Mine are carried out by a mining contractor. The contractor provides all the required mining equipment and personnel required to meet production targets. The Company provides contract supervision, geology, engineering and planning and survey services to the Company' s employees.

Production, Reserves and Resources

The table below shows the production rates achieved at the Mine during the three months ended December 31, 2011, the nine months ended December 31, 2011 and the year ended March 31, 2011 together with comparables for the three months ended December 31, 2010 and the nine months ended December 31, 2010.

	Three months ended December 31		Nine months ended December 31		Twelve months ended March 31
	2011	2010	**2011**	2010	2011
Ore mined (dry tonnes)	**2,097,621**	1,208,678	**5,776,128**	3,204,742	4,412,081
Average ore mined grade (g/t Au)	**0.58**	0.94	**0.66**	0.84	0.85
Waste mined (t)	**4,160,488**	4,568,616	**13,496,919**	12,524,199	17,621,131
Total mined (t)	**6,258,109**	5,777,294	**19,273,047**	15,728,941	22,033,212
Strip ratio	**1.98**	3.70	**2.34**	3.91	3.99
Ore processed (t)	**1,327,299**	1,208,678	**3,930,664**	3,204,742	4,412,081
Average ore processed grade (g/t Au)	**0.78**	0.94	**0.81**	0.84	0.85
Total days in period	**92**	92	**275**	275	365
Average ore processed per day (t/d)	**14,427**	13,138	**14,293**	11,654	12,088
Gold produced (oz)	**21,524**	20,031	**55,487**	47,032	65,786

Total production for the nine months ended December 31, 2011 was 55,487 gold ounces and 29,788 silver ounces, compared to 47,032 gold ounces and 25,221 silver ounces during the same prior year period, and 65,786 gold ounces and 33,874 silver ounces during the year ended March 31, 2011.

Mineral Resource Estimates

MINERAL RESOURCES THAT ARE NOT MINERAL RESERVES DO NOT HAVE DEMONSTRATED ECONOMIC VIABILITY. IN ADDITION, INFERRED MINERAL RESOURCES ARE CONSIDERED TOO SPECULATIVE GEOLOGICALLY TO HAVE THE ECONOMIC ANALYSIS APPLIED TO THEM THAT WOULD ENABLE THEM TO BE CATEGORIZED AS MINERAL RESERVES. SEE “MINERAL RESERVE AND RESOURCE ESTIMATES”.

In September, 2011, following a reverse circulation and core hole drill program which concluded in July, 2011, the Company announced the publication of the 2011 Report which included a significant increase in its resource and reserve estimate for the Mine and new resources in the La Chicharra deposit. The new resource and reserve estimates are contained in the 2011 Report and illustrated in the table below. The updated mineral resource estimates were completed by Mr. William Lewis, B.Sc. P.Geo., Ing. Alan San Martin, MAusIMM (CP) and Mani Verma, P. Eng. of Micon. The mineral resource estimate was based on a gold price of $1,200 per ounce and a 0.128 g/t gold cutoff grade, and utilizes all drill results available at August 31, 2011.

Pit Area	Category	Tonnage (x1,000)	Avg. Grade (g/t Au)	Gold Ounces
San Francisco Mine	Measured	42,546	0.640	876,000
	Indicated	22,698	0.595	434,000
	Total Measured & Indicated	**65,244**	**0.625**	**1,310,000**
	Inferred*	66,483	0.420	898,000
La Chicharra Deposit	Measured	6,158	0.488	96,000
	Indicated	2,222	0.488	35,000
	Total Measured & Indicated	**8,380**	**0.488**	**131,000**
	Inferred*	7,197	0.465	107,000
Total Resources	Measured	48,704	0.621	972,000
	Indicated	24,920	0.586	469,000
	Total Measured & Indicated	**73,624**	**0.609**	**1,441,000**
	Total Inferred*	**73,680**	**0.424**	**1,005,000**

*Inferred resources in this table include material outside of the pit limit that has the potential to become additional reserves at a future stage.

Updated resource estimates of 1,441,000 total measured and indicated resource ounces and 1,005,000 inferred ounces in the 2011 Report represent 46% and 383% increases respectively over the previous 2010 estimates.

In March, 2012, following a drill program of 370 holes of core and reverse circulation drilling totaling 85,166 meters completed between July and November, 2011, the Company announced updated mineral resources estimates for the Mine and the La Chicharra deposit. The drill program added 134,000 ounces of measured and indicated resources (net of depletion) and 346,000 ounces of inferred resources which represents a 34% increase to the inferred resource. The new resource estimates are contained in a March 13, 2012 news release and are illustrated in the table below. The updated mineral resource estimates were audited by Mr. William Lewis, B.Sc. P.Geo., and Ing. Alan San Martin, MAusIMM (CP) of Micon. The mineral resource estimate was based on a gold price of $1,200 per ounce and a 0.128 g/t gold cutoff grade, and utilizes all drill results available at December 31, 2011.

Pit Area	Category	Tonnage (x1,000)	Avg. Grade (g/t Au)	Gold Ounces
San Francisco Mine	Measured	42,614	0.63	949,000
	Indicated	22,482	0.59	426,000
	Total Measured & Indicated	**69,096**	**0.62**	**1,375,000**
	Inferred*	79,456	0.45	1,156,000

Pit Area	Category	Tonnage (x1,000)	Avg. Grade (g/t Au)	Gold Ounces
La Chicharra Deposit	Measured	11,396	0.50	182,000
	Indicated	1,305	0.44	18,000
	Total Measured & Indicated	**12,701**	**0.50**	**200,000**
	Inferred*	13,746	0.44	195,000
Total Resources	Measured	58,010	0.61	1,131,000
	Indicated	23,787	0.58	444,000
	Total Measured & Indicated	**81,797**	**0.60**	**1,575,000**
	Total Inferred*	**93,202**	**0.42**	**1,351,000**

1. Mineral resources are based on a gold price of $1,200 per ounce
2. An internal cutoff grade of 0.128 g/t gold was used for measured & indicated and inferred ounces
3. The inferred resources include material outside of the pit shell. It has the potential to become additional reserves of the Mine at a future stage.

Mineral Reserve Estimate

In October and November, 2011, following a reverse circulation and core hole drill program which concluded in July, 2011, the Company announced a significant increase in its reserve estimate for the Mine, as shown in the table below. This revised reserve estimate constitutes a 104% increase from the previous estimated minerals reserves at the Mine. The updated mineral reserve estimates were audited by Mr. William Lewis, B.Sc. P.Geo., Ing. Alan San Martin, MAusIMM (CP) and Mani Verma, P. Eng. of Micon. The mineral reserves estimates were based on a gold price of $1,100 per ounce, a 0.14 g/t gold cutoff grade and a mining recovery of 99%. An overall average of 8.3% dilution was estimated for the San Francisco pit and 7.5% for the La Chicharra pit.

PIT	Classification	Metric tonnes (1000)	Gold g/t	Contained Gold Ounces
San Francisco Mine	Proven	42,850	0.604	831,000
	Probable	21,395	0.556	383,000
	Total	**64,245**	**0.588**	**1,214,000**
La Chicharra Deposit	Proven	6,180	0.447	89,000
	Probable	1,966	0.439	27,000
	Total	**8,146**	**0.445**	**116,000**
Total	Proven	49,030	0.584	920,000
	Probable	23,361	0.546	410,000
	Total	**72,391**	**0.572**	**1,330,000**

Although a mineral reserve has been estimated for the La Chicharra deposit, the Company has not yet included the La Chicharra deposit in its formal mining plan.

Updated reserve estimate of 1,330,000 proven and probable reserve ounces represents a 71% increase over the 2010 Report.

Strategy

The Company' s activities during the nine months ended December 31, 2011 focused on optimizing and expanding the operations and production at the Mine. With the exception of the Cocula Property, in which the Company allowed its interest to expire in July, 2011, the Company continued to maintain its property rights with respect to all of its property interests. The Company did not undertake any significant activity on areas outside of the Mine, except for a first phase reverse circulation drill program at the Norma gold-silver property located approximately 20 km northwest of the Mine. Although the Company evaluates other opportunities as they are presented, its principal focus is to increase production at the Mine and generate positive cash flows from operations.

Subsequent to December 31, 2011, the Company has commenced an additional drilling program at the San Francisco pit for 65,000 metres of reverse circulation drilling at an approximate cost of $6.5 million. Ongoing drilling also continues to the northwest of the La Chicharra prospect with the objective of testing mineralization along a strike length of over 600 metres. The Company plans to continue development of La Chicharra and has commenced a drilling program for 35,000 metres of reverse circulation drilling at an approximate cost of $3.5 million. The Company expects that the results of these drill programs will further define the ore body and be used in a future resource update.

Based on the conclusions of the 2011 Report, the Company expects that open pit mining will continue at the Mine until 2017 and that only minimal capital expenditures remain to complete the expansion of the Mine to a capacity of 18,000 t/d of leach feed. Additional capital will be required principally in 2012 to increase production to 32,000 t/d.

The following table shows a summary of the Company' s projected operating costs over the expected life of the Mine, based on the 2011 Report:

	Life-of-Mine Cash Flow (USD million)	**Average Unit Cost (USD/tonne leached)**
Mining Cost (including stockpiled material)	328	5.15
Crushing Cost	77	1.20
Leaching Cost	60	0.94
Gold Recovery Cost	20	0.31
Laboratory Cost	10	0.15
Environmental Cost	2	0.03
General and Administration	17	0.26
Total Cash Operating Costs	**513**	**8.04**

Gold Sales

The Company delivers gold and silver in doré form to an internationally respected precious metal refinery in North America where the doré may, at the Company' s option, be converted into London Good Delivery metal, or alternatively, be sold to the refiner. Gold is delivered to the refinery by armoured, insured carriers. If metal is returned to the Company, it is then sold to international bullion dealers.

Expansion Plans

The Company will review organic expansion opportunities as they arise and will review merger and acquisition opportunities on an ongoing basis.

Financings

During the nine months ended December 31, 2011, the Company did not raise any capital from the issuance of equity or debt instruments. In June, 2011, the Company replaced and restructured its debt. Under the previous arrangement, Sprott Asset Management LP, ("SAM") for and on behalf of certain of the Sprott funds, agreed to provide US$15 million financing in senior secured notes (the "Notes"). The Notes were used to pay down existing debt, and to pay for existing equipment and for general working capital to complete development and the commissioning of operations at the Mine. The Notes were to be repaid in 12 equal monthly installments commencing in August, 2010. Each payment was to be equal to the value at the time of payment of 1,667 ounces of gold (20,004 ounces total). The Noteholders were granted an aggregate of 3 million share purchase warrants exercisable for a period of 24 months at an exercise price of CDN$0.80 per share, none of which remain unexercised.

The new credit agreement with Sprott Resource Lending Partnership LP allowed the Company to deliver the final five payments totaling 8,335 ounces of gold to SAM and has provided a further C$5.6 million in working capital. The new credit agreement provides for a lump sum payment of principal on maturity in 14 months, with interest paid at the rate of 1% per month.

In August, 2011 the Company facilitated the re-sale of common shares by one of its significant shareholders. The Company engaged MPartners and National Bank Financial as agents to sell, on a best efforts basis, the 25,205,090 common shares of the Company held by Pacific Road Capital Management Pty. Limited for fully managed accounts (Pacific Road) through a secondary private placement of special warrants. Each special warrant was exchangeable for one common share held by Pacific Road once a prospectus was filed to qualify the distribution of the 25,205,090 common shares. The aggregate net proceeds of the private placement, after deducting certain expenses and the agents' fee, was paid by the Company to Pacific Road in consideration for Pacific Road delivering the common shares to purchasers of the special warrants upon exchange of the special warrants. None of the proceeds of the private placement were payable to the Company.

During the nine months ended December 31, 2011 the Company received an aggregate of $2,021,805 through the exercise of incentive stock options issued pursuant to the Company' s stock option plan ($469,115) and through the exercise of share purchase warrants issued in connection with previous financings ($1,552,690).

Recent Developments

The Company's Chief Financial Officer, Mr. Colin Sutherland, has accepted the position of Chief Financial Officer of Archipelago Resources PLC. Mr. Sutherland will continue acting as the Company's Chief Financial Officer during a transition period through the end of April 2012.

DESCRIPTION OF THE BUSINESS

Risk Factors

Risk Factors Relating to The Company' s Business

The Company's revenue is derived primarily from the sale of gold, and therefore decreases in the price of gold may cause the Company's revenue to decrease substantially.

The majority of the Company' s revenue is derived from the sale of gold, and therefore fluctuations in the price of gold represent one of the most significant factors affecting the Company' s operations and profitability. To a lesser extent, the Company also generates revenue from other by-product or co-product metals, such as silver. The price of gold and other commodities has fluctuated widely in recent years and is affected by numerous factors beyond the Company' s control, including:

- levels of supply and demand;

- global or regional consumptive patterns;
- sales by government holders;
- metal stock levels maintained by producers and others;
- increased production due to new mine developments and improved mining and production methods;
- speculative activities;
- inventory carrying costs;
- availability and costs of metal substitutes;
- international economic and political conditions;
- interest rates;
- currency values; and
- inflation.

The market price of gold and other metals may decline from current levels. Declining market prices for gold or other metals could materially adversely affect the Company' s operations and profitability. Further, a decline in the market price of gold may also require the Company to write-down its mineral reserves, which would have a material adverse effect on its earnings and profitability. The Company currently does not enter into forward contracts with respect to or otherwise hedge its potential future gold sales.

The Company' s inability to access additional capital could have a negative impact on its growth strategy.

The Company currently has limited financial resources and operating income, and adequate funding may not be available to further its exploration and development projects. The Company may need to raise additional capital to fund its operations, and such capital may not be available on commercially acceptable terms, if at all. If the Company is unable to obtain additional capital on commercially acceptable terms, the Company may be forced to reduce or curtail its operations or its anticipated exploration activities. Although the Company has been successful in the past in financing its activities through the sale of equity securities, it may not be able to obtain sufficient financing in the future. Our ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company.

The Company operates in a highly competitive industry with many large competitors, and it expects that competition may intensity in the future.

The gold mining industry is intensely competitive, and the Company competes with other companies that have greater financial and human resources and technical facilities. Competition is primarily for mineral-rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labor and equipment to operate such properties; and the capital to finance the development of such properties. Many of the Company' s competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a worldwide basis and have far greater financial and technical resources than the Company. In addition, the high price of gold is encouraging new entrants to start competing companies and established companies to expand gold mining operations significantly. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties, which could have an adverse effect on our results.

The Company has a limited operating history and therefore cannot ensure the long-term successful operation of its business or the execution of its business plan.

The Company was incorporated on March 17, 2005 and commenced commercial production on April 1, 2010. As a result, the Company has a very limited operating history upon which you may evaluate its proposed business and prospects. The Company' s existing and proposed business operations will be subject to numerous risks, uncertainties, expenses and difficulties associated with early stage extractive operations and the exploration and development of new mining properties, as more fully described elsewhere herein.

The Company is subject to particular risks associated with doing business in Mexico, any of which could result in additional costs to the Company and cause its operating results to suffer.

The Company' s only operating mine and all of its exploration properties are located in Mexico. In the past, Mexico has been subject to a number of risks and uncertainties, including:

- terrorism and hostage taking;
- expropriation or nationalization without adequate compensation;
- difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions;
- labor unrest;
- high rates of inflation;
- changes to royalty and tax regimes;
- substantial fluctuations in currency exchange rates;
- volatile local political and economic developments;
- difficulty understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, mines and mining operations; and
- difficulty obtaining key equipment and components for equipment.

Any of these factors, among others, may cause changes in the existing business or regulatory environment in Mexico with respect to mineral exploration and mining activities, which could result in additional costs to the Company and thereby cause its operating results to suffer. In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of Mexico or by its court system. These risks, along with any variation from the current regulatory, economic and political climate may limit or disrupt the Company' s operations, restrict the movement of funds or result in the deprivation of contractual rights.

The Company's business is subject to various governmental regulations, and compliance with these regulations may cause the Company to incur significant expenses. If the Company fails to maintain compliance with applicable regulations, it may be forced to pay fines, be subject to civil penalties or be forced to temporarily halt or cease operations.

The Company' s business is subject to a variety of federal, state, provincial and local laws and regulations in Mexico and Canada, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration, development, production and post-closure reclamation of mines;
- imports and exports;
- price controls or production restrictions;
- taxation;
- mining royalties;
- labor standards and occupational health and safety, including mine safety; and
- historical and cultural preservation.

The Company' s activities relating to the Mine are subject to, among other things, regulations promulgated by SEMARNAP, Mexico' s environmental protection agency; DGM, the Mexican Department of Economy−Director General of Mines; and the regulations of CONAGUA, the *Comision National del Aqua* with respect to water rights. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of the Company' s operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the Company' s past and current operations, or possibly even those actions of parties from whom the Company acquired its properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It is difficult to strictly comply with all regulations imposed on the Company, and even with the application of considerable care the Company may inadvertently fail to comply with certain laws. Such events can lead to fines, penalties, loss, reduction or expropriation of entitlements, the imposition of additional local or foreign parties as joint venture partners and other material negative impacts on the Company.

If the Company is unable to hire, train, deploy and manage qualified personnel in a timely manner, particularly in Mexico, its ability to manage and grow its business will be impaired.

Recruiting and retaining qualified personnel is critical to the Company' s success. The Company is dependent on the services of key executives including our President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company' s interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company' s business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff, particularly in Mexico. The Company may not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

It may be particularly difficult to find or hire qualified personnel in the mining industry who are situated in Mexico, to obtain all of the necessary services or expertise in Mexico, or to conduct operations on the Company' s projects at reasonable rates. If qualified personnel cannot be obtained in Mexico, the Company may need to obtain those services outside of Mexico, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Company.

The Company may be unable to obtain or renew required government permits, or may only be able to do so at significant expense, which may harm its operating results.

In the ordinary course of business, the Company is required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits and licenses is a complex and time-consuming process, often involving public hearings and costly undertakings on the Company' s part.

The duration and success of the Company' s efforts to obtain and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the permitting authority. The Company may not be able to obtain or renew permits or licenses that are necessary to its operations, or the cost to obtain or renew permits or licenses may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting and licensing process, including challenges to the terms of such permits or licenses, whether successful or unsuccessful, could delay the development or impede the operation of a mine, which could adversely impact the Company' operations and profitability.

In order for the Company to carry out its mining activities, its exploitation licenses must be kept current. There is no guarantee that the Company' s exploitation licenses will be extended or that new exploitation licenses will be granted. In addition, such exploitation licenses could be changed and applications to renew existing licenses may not be approved. The Company may also be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties, and will also be required to obtain and comply with permits and licenses that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. The Company may not be able to comply with any such conditions.

Failure to discover new reserves, maintain or enhance existing reserves or develop new operations could negatively affect the Company' s future results and financial condition.

The long-term operation of the Company' s business and its profitability is dependent, in part, on the cost and success of its exploration and development programs. Most of the Company' s properties are in the exploration and development stages and only the San Francisco property has a mineralization considered a probable mineral reserve pursuant to CIM standards. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The Company' s mineral exploration and development programs may not result in any discoveries of bodies of commercially viable mineralization, and even if commercial quantities of mineralization are discovered, the Company may not be able to bring the mineral property into commercial production. Development of the Company' s mineral properties will follow only upon obtaining satisfactory exploration results. Discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices, anticipated capital and operating costs and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the Company' s control. As a result, the Company' s acquisition, exploration and development programs may not yield new reserves to replace or expand current reserves. Unsuccessful exploration or development programs could have a material adverse impact on the Company' s operations and profitability.

In addition, the Company' s ability to sustain its present levels of gold production is dependent upon the identification of additional reserves at the Mine. If the Company is unable to develop new ore bodies, it may not be able to sustain or increase present production levels. Reduced production would have a material and adverse impact on future cash flows, results of operations and financial condition.

The Company is subject to various operating risks and hazards associated with its exploration and mining operations, any of which could cause it to incur substantial expenses or affect the economic feasibility of its projects. The Company may be unable to insure against such risks, or to insure against such risks at a reasonable cost.

The ownership, operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- environmental hazards;
- industrial accidents, explosions and third party accidents;
- the encountering of unusual or unexpected geological formations;
- ground falls, rock bursts, cave-ins and seismic activity including earthquakes;
- fires and flooding;
- metallurgical and other processing problems, including the availability and costs of processing and refining facilities;
- availability of economic sources of power;
- variations in grade, deposit size, density and other geological problems;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- mechanical equipment performance problems;

- unavailability or significant changes in the cost of materials and equipment including fuel;
- labor force disruptions;
- title claims, including aboriginal land claims;
- unanticipated transportation costs; and
- periodic interruptions due to inclement or hazardous weather conditions.

These occurrences could result in:

- environmental damage and liabilities;
- work stoppages, delayed production and resultant losses;
- increased production costs;
- damage to, or destruction of, mineral properties or production facilities and resultant losses;
- asset write downs;
- monetary losses;
- claims for compensation of loss of life and/or damages in connection with accidents that occur on company property, and punitive awards in connection with those claims; and
- other liabilities.

These factors, among others, may cause anticipated capital and operating costs, production and economic returns, or other estimates to differ significantly from the Company' s actual capital and operating costs. It is not always possible to fully insure against such risks and the Company may decide not to insure against such risks due to high premiums or for other reasons. Should any such uninsured liabilities arise, they could adversely impact the Company' s profitability.

The Company's operations are dependent on the accessibility and reliability of existing local infrastructure, and its exploration activities are dependent upon adequate infrastructure being available in the future.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company' s projects. If adequate infrastructure is not available in a timely manner, the exploitation or development of the Company' s projects may not be commenced or completed on a timely basis, if at all. In addition, the resulting operations may not achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company' s advanced projects will be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company' s operations and profitability.

The Company is subject to extensive environmental regulation, and any failure of compliance could result in fines or government sanctions, civil liabilities and damage to its reputation.

All phases of the Company' s operations are subject to environmental laws and regulations. These laws and regulations set certain standards regarding health and environmental quality, and provide for penalties and other liabilities for violations, as well as obligations to rehabilitate current and former properties in certain circumstances. Furthermore, operating permits could be temporarily withdrawn where there is evidence of serious breaches of health and safety, or even permanently, in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws. In addition, environmental legislation in Mexico is generally evolving in a manner which will require stricter standards and will be subject to increased enforcement, fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Such changes in environmental regulation, if any, may adversely impact the Company' s operations and profitability.

Land reclamation requirements may be burdensome.

Land reclamation requirements are generally imposed on companies with mining operations in order to minimize the long term effects of land disturbance, and the Company is subject to such requirements at its mineral properties. Reclamation obligations include requirements to:

- control dispersion of potentially harmful effluents; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations arising from exploration and development activities, the Company must allocate financial resources that might otherwise be spent on further exploration and development programs. If the Company is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

The Company' s production and exploration depend on its ownership of, or control over, the properties on which it operates, and maintaining existing property rights or obtaining new rights is a highly competitive and costly process.

The Company' s ability to carry out successful mining activities will depend in part on its ability to obtain tenure to its properties to the satisfaction of international lending institutions. The issue of any such licenses must be in accordance with Mexican law and, in particular, relevant mining legislation. The validity of mining or exploration titles or claims or rights, which constitute most of the Company' s property holdings, can be uncertain and may be contested. The Company has used reasonable commercial efforts to investigate its title or claims to its various properties and, to its knowledge, except where it has otherwise identified, those titles or claims to material properties are in good standing. However, the Company has not conducted surveys of all the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The Company' s properties may also be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects. The Mexican government may revoke or significantly alter the conditions of the applicable exploration and mining titles or claims, and such exploration and mining titles or claims may be challenged or impugned by third parties, which could materially impact the Company' s rights to its various properties or interests. Title insurance is generally not available for mining properties, and the Company' s ability to ensure that it has obtained secure claims to individual mineral properties or mining concessions may be severely constrained.

Mines have limited lives and, as a result, the Company continually seeks to replace and expand reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where the Company would consider conducting exploration and/or production activities. Because the Company faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does, the Company may be unable to acquire attractive new mining properties on terms that it considers acceptable. Competition in the mining business for limited sources of capital could adversely impact the Company' s ability to acquire and develop suitable mines, developmental projects or properties having significant exploration potential. As a result, the Company' s acquisition and exploration programs may not yield new mineral reserves to replace or expand current mineral reserves.

The process of estimating mineral reserves and resources is subject to inherent uncertainties, and reported reserves may not accurately reflect the economic viability of the Company's properties.

There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral and reserve grades must be considered as estimates only. Levels of metals indicated by such mineral reserves or mineral resources may not be produced, and the Company may not receive the price assumed in determining its reserves. These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the reserve and resource estimates included in this AIF are well established and reflect management's best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of metals, as well as increased capital or production costs or reduced recovery rates may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. Resource estimates may not ultimately be reclassified as proven or probable reserves. If the Company's reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

In estimating its reserves and resources, the Company relies on laboratory-based recovery models to project estimated recoveries by ore type at optimal crush sizes. Actual gold recoveries in a commercial heap leach operation may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. Minerals recovered in small scale laboratory tests may not be duplicated in large scale tests under on-site conditions or in production-scale operations. Material changes in proven and probable reserves or resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources the Company discloses should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering at the Mine. The Company believes these experts are competent and that they have and will carry out their work in accordance with all internationally recognized industry standards. If, however, the work conducted and to be conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

The process of estimating future mine production and related costs are subject to inherent uncertainties, and actual results may differ materially from such estimates.

The Company periodically prepares estimates of future mine production and future production costs for the Mine. There can be no assurance that the Company will achieve these production estimates. These production estimates are dependent on, among other things, the accuracy of underlying mineral reserve estimates; the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores; equipment and mechanical availability; labor availability; facilities and infrastructure; having sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing. Failure to achieve production estimates could have a material and adverse effect on any or all of the Company' s future cash flows, results of operations and financial condition.

The Company' s actual production and costs may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors, such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; and the risks and hazards associated with mining described above under "−The Company is subject to various operating risks and hazards associated with its exploration and mining operations, any of which could cause it to incur substantial expenses or affect the economic feasibility of its projects. The Company may be unable to insure against such risks, or to insure against such risks at a reasonable cost." In addition, metal recoveries in small scale laboratory tests may not be duplicated in larger scale tests under on-site conditions or during production, and known and experienced recoveries may not continue. Costs of production may also be affected by changing stripping ratios, ore grade metallurgy, labor costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve cost estimates could have a material and adverse effect on any or all of the Company' s future cash flows, results of operations and financial condition.

The expansion and development of the Company' s mining properties is uncertain and subject to risk.

The development of the Company' s properties that are found to be economically feasible will require the expansion and improvement of existing mining operations, as well as the construction and operation of additional mines, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing and expanding mining operations and business enterprises including:

- the timing and cost, which will be considerable, of the construction of additional mining and processing facilities;

- the availability and costs of skilled labor, power, water, transportation and mining equipment;

- the availability and cost of appropriate smelting and/or refining arrangements;

- the need to obtain necessary environmental and other governmental approvals, permits and licenses, and the timing of those approvals, permits and licenses; and

- the availability of funds to finance construction and development activities.

It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Accordingly, the Company may not be able to successfully develop and expand mining operations or profitably produce precious metals at its exploration or development-stage properties.

The Company's results may be negatively affected by currency exchange rate fluctuations.

Fluctuations in currency exchange rates, particularly the weakening or strengthening of the U.S. dollar (being the currency in which the Company's products are sold) against the Mexican peso (being the currency in which the majority of the Company's capital and operating costs are incurred), could have a significant impact on the Company's results of operations. The Company does not currently have a formal policy of actively managing such currency fluctuations, and therefore, such fluctuations may have a significant impact on its financial results in any given period.

Some of the Company's directors and officers have interests that may be different than the Company's interests.

Some of the Company's directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the *Business Corporations Act* (British Columbia). Some of the Company's directors and officers are or may become directors or officers of other companies engaged in other business ventures. In order to avoid potential conflicts of interest which may arise between the directors' and officers' duties to the Company and their duties to other companies, the Company's directors and officers have agreed to the following:

- participation in other business ventures will be allocated on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;
- no commissions or other extraordinary consideration will be paid to such directors and officers; and
- business opportunities arising through other companies in which such directors and officers are involved will not be offered to the Company except on the same or better terms than the basis on which they are offered to third party participants.

In addition, the Company's Corporate Governance and Nominating Committee has developed, and its board of directors has adopted, guidelines which require all directors to disclose all conflicts of interest and potential conflicts of interest to the Company.

The Company may pursue strategic transactions in the future, which could be difficult to implement, disrupt its business or change its business profile significantly.

The Company will continue to consider opportunistic strategic transactions, which could involve acquisitions or dispositions of assets. Any future strategic transaction could involve numerous risks, including:

- potential disruption of the Company's ongoing business and distraction of management;
- difficulty integrating acquired businesses or segregating assets to be disposed of;

- exposure to unknown and/or contingent or other liabilities, including litigation arising in connection with the acquisition, disposition and/or against any businesses the Company may acquire, and

- changing the Company' s business profile in ways that could have unintended consequences.

If the Company enters into significant strategic transactions in the future, related accounting charges may affect its financial condition and results of operations, particularly in the case of any acquisitions. In addition, the financing of any significant acquisition may result in changes in its capital structure, including the incurrence of additional indebtedness. Conversely, any material disposition could reduce its indebtedness or require the amendment or refinancing of a portion of its outstanding indebtedness. The Company may not be successful in addressing these risks or any other problems encountered in connection with any strategic transactions.

Risk Factors Relating to the Company' s Common Shares

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company' s common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company' s board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company' s common shares may be volatile.

The trading price of the Company' s common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including:

- changes in the market price of the commodities the Company sells and purchases, particularly gold and silver;

- current events affecting the economic situation and exchange rates in Canada, the United States, Mexico and internationally;

- changes in financial estimates and recommendations by securities analysts;

- acquisitions and financings;

- quarterly variations in operating results;

- the operating and share price performance of other companies that investors may deem comparable;

- the issuance of additional equity securities by the Company or the perception that such issuance may occur; and

- purchases or sales of blocks of the Company' s common shares.

Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the prices of the Company' s common shares regardless of the Company' s operating performance and could cause the market price of the Company' s common shares to decline.

The Company may issue additional equity securities which may reduce the Company' s earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures and acquisitions. If the Company issues additional common shares, your percentage ownership of the Company will decrease and you may experience dilution in the Company' s earnings per share. Moreover, as the Company' s intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

If securities analysts or industry analysts downgrade the Company' s common shares, publish negative research or reports, or do not publish reports about the Company' s business, the price of and trading volume of the Company' s common shares could decline.

The trading market for the Company' s common shares will be influenced by the research and reports that industry or securities analysts publish about the Company, its business and its market. If one or more analysts adversely change their recommendation regarding the Company' s common shares or its competitors' securities, the price of the Company' s common shares would likely decline. If one or more analysts cease covering or fail to regularly publish reports about the Company, it could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. In addition, the Company' s common shares price could be adversely affected by negative stories written or broadcast about it.

Holders of the Company' s common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders. In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

Mineral Properties

For a complete description of the Property see the report entitled *NI 43-101 F1 Technical Report Updated Resources and Reserves and Mine Plan for the San Francisco Gold Mine Sonora, Mexico* dated November 1, 2011 (the "2011 Report"), prepared by Micon International Limited of Toronto, Ontario ("Micon"). The Qualified Persons responsible for the 2011 Report are William J. Lewis, B.Sc., P.Geo., Ing. Alan J. San Martin, MAusIMM (CP), Mani Verma, P.Eng., Christopher R. Lattanzi, P.Eng. and Richard M. Gowans, B.Sc., P.Eng. of Micon. The 2011 Report has been filed with Canadian securities regulatory authorities on SEDAR (available at www.sedar.com).

San Francisco Gold Project

The following is the summary section of the 2011 Report.

GENERAL

Timmins Gold Corp. (TSX-V:TMM) (TMM) has retained Micon International Limited (Micon) to conduct an audit of its resource and reserve estimates and prepare an update of its 2010 Technical Report on the San Francisco gold project in the state of Sonora, Mexico. The purpose of this Technical Report is to support disclosure of the results of Micon' s resource and reserve audit and the updated mining plan, compliant with Canadian National Instrument (NI) 43-101.

Micon' s most recent Technical Report for TMM was entitled "NI 43-101 Technical Report on the Updated Resources and Reserves and Mine Plan for the San Francisco Gold Mine, Sonora, Mexico", dated November 30, 2010. That Technical Report was filed by TMM on the System for Electronic Document Analysis and Retrieval (SEDAR) which is an electronic filing system developed for the Canadian Securities Administrators (CSA).

Micon does not have nor has it previously had any material interest in TMM or related entities. The relationship with TMM is solely a professional association between the client and the independent consultant. This report is prepared in return for fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

This report includes technical information which requires subsequent calculations or estimates to derive sub-totals, totals and weighted averages. Such calculations or estimations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, Micon does not consider them to be material.

This report is intended to be used by TMM subject to the terms and conditions of its agreement with Micon. That agreement permits TMM to file this report as a Technical Report with the CSA pursuant to provincial securities legislation. Except for the purposes legislated under provincial securities laws, any other use of this report, by any third party, is at that party' s sole risk.

The conclusions and recommendations in this report reflect the authors' best independent judgment in light of the information available to them at the time of writing. The authors and Micon reserve the right, but will not be obliged, to revise this report and conclusions if additional information becomes known to them subsequent to the date of this report. Use of this report acknowledges acceptance of the foregoing conditions.

Property Description and Location

The San Francisco property is situated in the north central portion of the state of Sonora, Mexico, approximately 150 km north of the state capital, Hermosillo. In this report, the term San Francisco project (the project) refers to the area within the exploitation or mining concessions controlled by TMM, while the term San Francisco property (the property) refers to the entire land package (mineral exploitation and exploration concessions) under TMM' s control.

The project is comprised of two previously mined open pits (San Francisco and La Chicharra), together with heap leach processing facilities and associated infrastructure located close to the San Francisco pit.

TMM advises that it holds the San Francisco project, which consists of 13 mining concessions, through its wholly-owned Mexican subsidiary Timmins Goldcorp Mexico, S.A. de C.V. (Timmins). All the concessions are contiguous and each varies in size for a total property area of 44,442.72 hectares (ha). In late 2005, the original Timmins II concession was subdivided into two concessions (Timmins II Fraccion Sur and Pima) as part of separate exploration strategies for the original Timmins II concession. All concessions are subject to a bi-annual fee and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year.

Timmins advises that it acquired the first seven concessions covering the San Francisco mine through its purchase of Molimentales del Noroeste de S.A. de C.V. (Molimentales) in April, 2007.

In 2006, Timmins signed a temporary occupancy agreement with an agrarian community (Ejido) in Mexico called Los Chinos whereby Timmins was granted access privileges to 674 ha, the use of the Ejido' s roads, as well as being able to perform all exploration work on the area covered by the agreement. The agreement is for a period of 10 years with an option to extend the access beyond the 10-year period.

During August and September, 2009, Molimentales acquired the 800 ha of surface land on which the San Francisco mine is located, by means of five purchase agreements covering every one of the Ejido Jesus Garcia Heroe de Nacozari' s five former parcels that altogether form the 800 ha. Molimentales is currently negotiating the acquisition of 800 ha from the El Ejido Los Chinos, which was originally part of an exploration agreement signed in 2006.

Other parties control two mineral concessions which are contained within the area of the mineral concessions owned by Timmins but neither of these concessions impacts the main area of the San Francisco project.

On February 23, 2011, TMM announced that it had staked an additional 95,000 ha of claims along the highly prospective Sonora-Mojave Megashear structural province in northern Sonora. TMM has continued to stake additional concessions since February and the total additional regional mineral concessions now amount to approximately 152,279.6 ha.

On July 6, 2011, Molimentales acquired (through a straight purchase) a 10-ha mineral concession called La Mexicana by paying the vendor a buy-out price of USD 250,000. This straight purchase agreement is currently in the process of being filed with the Mexican Federal Mining Registrar. Prior to this purchase the La Mexicana mineral concession was the last area in the metamorphic package that did not belong to Timmins.

The Mexican mining laws were changed in 2005 and, as a result of these changes, all mineral concessions granted by the Dirección General de Minas (DGM) became mining concessions and there are no longer separate specifications for a mineral exploration or exploitation concession. A second change to the mining laws was that all mining concessions are granted for 50 years provided that the concessions remain in good standing. As part of this change, all former exploration concessions which were previously granted for 6 years became eligible for the 50-year term.

For any concession to remain valid, the bi-annual fees must be paid and a report has to be filed during the month of May of each year which covers the work conducted during the preceding year. Concessions are extendable provided that the application is made within the five-year period prior to the expiry of the concession and the biannual fee and work requirements are in good standing. The bi-annual fee payable to the Mexican government for Timmins to hold the group of contiguous mining concessions for the San Francisco operations is USD 102,818. The bi-annual fee for Timmins to hold the group of contiguous mining concessions which comprise the regional mineral property is USD 104,168.

Accessibility, Climate, Physiography, Local Resources and Infrastructure

The project is located in the Arizona-Sonora desert in the northern portion of the Mexican state of Sonora, 2 km west of the town of Estación Llano (Estación), approximately 150 km north of Hermosillo and 120 km south of the United States/Mexico border city of Nogales along Highway 15 (Pan American highway). The closest accommodations are in Santa Ana, a small city located 21 km to the north on Highway 15.

The climate at the project site ranges from semi-arid to arid. The average ambient temperature is 21°C, with minimum and maximum temperatures of -5ºC and 50ºC, respectively. The average rainfall for the area is 330 millimetres (mm) with an upper extreme of 880 mm. The desert vegetation surrounding the San Francisco mine is composed of low lying scrub, thickets and various types of cacti, with the vegetation type classified as Sarrocaulus Thicket.

Physiographically, the San Francisco property is situated within the southern Basin and Range Province, characterized by elongate, northwest-trending ranges separated by wide alluvial valleys. The San Francisco mine is located in a relatively flat area of the desert with the topography ranging between 700 and 750 m above sea level.

History

After conducting exploration on the project between 1983 and 1992, Compania Fresnillo S.A. de C.V. (Fresnillo) sold the property in 1992 to Geomaque Explorations Ltd. (Geomaque). After conducting further exploration, Geomaque decided to bring the project into production in 1995. Due to economic conditions, mining ceased and the operation entered into the leach-only mode in November, 2000. In May, 2002, the last gold pour was conducted; the plant was mothballed, and clean-up activities at the mine site began.

In 2003, Geomaque sought and received shareholder approval to amalgamate the corporation under a new Canadian company, Defiance Mining Corporation (Defiance). On November 24, 2003, Defiance sold its Mexican subsidiaries (Geomaque de Mexico and Mina San Francisco), which held the San Francisco gold mine, to the Astiazaran family of Sonora and their private company.

Since June, 2006, the Astiazaran family and their company Desarrollos Prodesa S.A. de C.V. have been extracting sand and gravel intermittently from both the waste dumps and the leach pads for use in highway construction as well as other construction projects.

Timmins acquired an option to earn an interest in the property in early 2005, whereupon Timmins conducted a review of the available data and started a reverse circulation drilling program in August and September, 2005. This was followed by a second drilling program comprised of both reverse circulation and diamond drilling in 2006, based on the results of the 2005 drilling program.

From 2007 to 2009, concurrent with the feasibility study which focused on re-starting the mining operations, TMM conducted exploration comprised of mainly infill and confirmation drilling in and around of the San Francisco and La Chicharra pits. The drilling results as of the end of 2009 indicated that the mineralization extended both along strike and down dip of the deposit, a situation which led to the decision to accelerate the drilling in the first 6 months of 2010. The results from the 2010 drilling, when combined with the previous results, led to Timmins updating the resource and reserve estimations as well as its mine plan. The latest updates were disclosed in a November, 2010 Technical Report which TMM filed on SEDAR.

Between July, 2010 and June, 2011, Timmins conducted an intensive exploration drilling program which included deeper drilling to explore the mineralization at depth, both in and around the La Chicharra and San Francisco pits. The results of this drilling indicate that the mineralization is located in parallel mineralized bodies both along strike and at depth. Timmins believes that the conclusion that the mineralization is located in parallel bodies may lead to further increases in the mineral resources and is continuing its intensive drilling program as a result.

GEOLOGICAL SETTING AND MINERALIZATION

The San Francisco project is a gold occurrence with trace to small amounts of other metallic minerals. The gold occurs in granitic gneiss and the deposit contains principally free gold and occasionally electrum. The mineralogy, the possibility of associated tourmaline, the style of mineralization and fluid inclusion studies suggest that the San Francisco deposits may be of mesothermal origin.

The San Francisco deposits are roughly tabular with multiple phases of gold mineralization. The deposits strike 60° to 65° west, dip to the northeast, range in thickness from 4 to 50 m, extend over 1,500 m along strike and are open ended. Another deposit, the La Chicharra zone, was mined by Geomaque, as a separate pit.

EXPLORATION PROGRAMS

2010 to 2011 Exploration Programs

From July, 2010 to June, 2011, 691 RC and core holes were drilled for a total of 94,148 m. These holes were drilled to cover several objectives; most of the reverse circulation drilling and the entire core drilling were undertaken in and around the San Francisco pit and in June, 2011, 36 RC holes totalling 6,170 m were drilled in the northern area of the La Chicharra pit. The RC drilling included 9,817 m in 67 holes of condemnation drilling which covered two areas; the first area was to the south of the existing waste dumps with the second to the west of the new leach pads. The negative results allowed Timmins to expand the existing waste dumps to the south and the negative results to the west of the leach pads allow for this area to be used for the stockpile of the low grade material. Details of the drilling programs are outlined in Section 10 of this report.

For the exploration drilling and other programs conducted on the San Francisco property, between July, 2010 and the end of June, 2011, Timmins expended approximately USD 9.153 million.

Future Exploration Programs

Most of the exploration drilling performed from July, 2010 to June, 2011 was focused on exploring potential extensions of the gold mineralization around the perimeter of the San Francisco pit and supporting the mining operation through confirmation or infill drilling in specific areas where there was a lack of reliable information. Only recently was the decision taken to extend the exploration programs to include the La Chicharra pit and the area around it. The general results were successful with the addition of further resources and reserves, including the addition of the La Chicharra area for the first time. Based on the positive results, Timmins will continue with the exploration drilling for the rest of 2011 and into 2012, with an exploration budget of approximately USD 19.6 million.

Timmins will continue to explore the area surrounding and beneath the San Francisco pit to further expand the mineral resources and reserves. Timmins will also begin to explore to the northwest along the projected strike extension from the pit, both to determine the continuity of the mineralization in this direction and to condemn areas which may be used for further infrastructure such as leach pads and waste piles as the mining operations continue.

In the La Chicharra area, infill drilling is currently in progress to test the extension of the mineralized zones near the pit perimeter primarily in the down-dip direction. However, Timmins also believes that it is important to extend the exploration along strike and this will be done as soon as the infill drilling to the north of the pit is completed. The first part of this program will drill in both directions to the west-northwest and east-southeast, starting from the existing La Chicharra pit. Once these programs are underway or completed, Timmins has outlined a drill program to tie in the mineral intersections on Section 1300W, 500 m to the south of the San Francisco pit, which are related to the southeastern projection of the La Chicharra mineral trend. This program will cover an area approximately 1,300 m long and 500 m wide with the initial drilling program based on a grid of 50 m.

Recently Timmins reached an agreement with the Ejido El Claro to conduct exploration work on the Ejido' s ground. Also, Timmins purchased the last mineral concession (La Mexicana) inside the San Francisco property that it did not already control. These arrangements will allow Timmins to conduct exploration programs on a further thirteen targets to the north of the San Francisco mine.

Timmins has laid out a program to conduct systematic drilling starting with the La Mexicana target and on at least four other targets located in the eastern portion of the northern exploration area. These other four targets are the La Playa, El Diez, Area 1B and El Socorro areas which have been linked to a series of structural events that could be favourable for the emplacement of gold mineralization. Timmins has outlined a series of north-south section lines linking the targets that will be drilled on 100 m centres along the lines.

Micon has reviewed TMM/Timmins' proposal for further exploration and studies on its San Francisco property and considers that the budget for the proposed program is reasonable. Micon recommends that TMM/Timmins implements the program as proposed, subject to either funding or other matters which may cause the proposed program to be altered in the normal course of its business activities, or alterations which may affect the program as a result of the exploration activities themselves.

RESOURCE AND RESERVE ESTIMATES

Mineral Resource Estimate

The block model is based on 5 m by 5 m by 6 m high blocks. The coordinate limits of the previous model were retained for this current work. The topography was updated to reflect the surface at the end of June, 2011. The undisturbed pre-mining topographic surfaces are also available in the model.

Unlike the previous study, in which Timmins used the indicator kriging (IK) estimation method to outline the mineral resources, Timmins has conducted a manual interpretation of the mineralized zones based on all of the drilling intersections now available in its database. The manual interpretation allows for a more geologically precise mineralization interpretation which will enable Timmins to plan better drilling programs to explore the extent of the mineralization and also to prepare better engineering designs regarding the ore and waste split in the pit for planning purposes. Overall, the method is similar to the previous method, except that the grade zones are no longer computer designed but are directly interpreted by the geologists using the drilling information they have gathered.

The database of the San Francisco and La Chicharra deposits consists of 2,665 drill holes with 182,319 intervals, amounting to 302,999 m of drilling. A total of 92 of the drill holes lie beyond the model limits and have not been included in the study. The current database includes 691 new holes drilled from 2010 to 2011, and 94,148 m of drilling.

Once Micon had audited and accepted Timmins block model, Timmins proceeded to run a pit optimization program in order to estimate the resources. The gold price used for estimating the resources at the San Francisco project was USD 1,200 per ounce, based on the three year trailing average in July, 2011, plus USD 100 per ounce.

The parameters used in the pit optimization for the estimation of the resources are summarized in Table 1.1. They are a combination of the parameters decided by Micon and Timmins taking into account the actual costs obtained from the operation.

Pit bench heights were set at 6 m (the block height used in the model) and slope angles were based on inter-ramp angles recommended by Golder Associates in its December, 1996, report, adjusted to allow for haul roads of 25 m width.

Table 1.1

Pit Optimization Parameters for the 2011 Resource Estimate for the San Francisco Project

Costs			**Rock Densities and Recoveries**			
Description	**Units**	**Amount**	**Name**	**Code**	**Density**	**Recovery %**
Waste mining cost	USD/t	1.82	Diorite	2	2.72	60.50
Ore mining cost	USD/t ore	1.82	Gneiss felsic	4	2.75	70.70
Process cost	USD/t ore	2.75	Granite	5	2.76	85.70
G & A cost	USD/t ore	0.64	Schist	6	2.75	71.70
Gold price	USD/oz	1,200	Gneiss mafic	7	2.75	65.00
			Lamprophrite dike	8	2.76	60.50
			Pegmatite	10	2.85	71.70
			Gabbro	11	2.81	57.80
			Conglomerate	12	2	71.70
			General Recovery			**68.60**

Table provided by Timmins Goldcorp Mexico, S.A. de C.V.

The pit shell adopted for reporting resources was estimated at a gold price of USD 1,200/troy ounce, using the economic parameters summarized in Table 1.1 and the topographic surface as of June, 2011. Table 1.2 summarizes the August, 2011, mineral resource estimate.

Table 1.2
Mineral Resource Estimate for the San Francisco Project (Inclusive of Mineral Reserves)
(Cut-off Grade of 0.128 g/t Gold and a USD 1,200 Gold Price)

Pit Area	Category	Tonnage (x1,000)	Avg. Grade (g/t Au)	Gold Ounces
San Francisco Mine	Measured	42,546	0.640	876,000
	Indicated	22,698	0.595	434,000
	Total Measured & Indicated	**65,244**	**0.625**	**1,310,000**
	Inferred*	66,483	0.420	898,000
La Chicharra Deposit	Measured	6,158	0.488	96,000
	Indicated	2,222	0.488	35,000
	Total Measured & Indicated	**8,380**	**0.488**	**131,000**
	Inferred*	7,197	0.465	107,000
Total Resources	Measured	48,704	0.621	972,000
	Indicated	24,920	0.586	469,000
	Total Measured & Indicated	**73,624**	**0.609**	**1,441,000**
	Total Inferred*	**73,680**	**0.424**	**1,005,000**

*Inferred resources in this table include material outside of the pits limit that has the potential to become additional reserves at a future stage.

Micon recommends that Timmins use the August, 2011 mineral resource estimate contained in Table 1.2 as the stated mineral resource estimate for the San Francisco project, as this estimate recognizes the use of a 0.128 g/t Au cut-off as the grade at which the mineralization would meet the parameters for potential economic extraction as defined by the CIM standards and definitions for resources. The figures in Table 1.2 have been rounded to reflect that they are an estimate.

Micon believes that no environmental, permitting, legal, title, taxation, socioeconomic, marketing or political issues exist which would adversely affect the mineral resources estimated above, at this time. However, mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral Reserve Estimate

Once Micon had audited and accepted Timmins resource estimate, Timmins proceeded to run a pit optimization program in order to estimate the reserves. The gold price used for estimating the resources at the San Francisco project was USD 1,100 per ounce, based on the three year trailing average in July, 2011.

Mining recovery for the San Francisco deposit has been assumed to be 99%. Micon agrees with the mining recovery as initially presented, although this number may change based on actual year-to-year reconciliation studies.

The dilution for the San Francisco deposit is defined according to the type of mineralization and the size of the modelled blocks. The deposit varies in size and shape of the mineralization from one bench to another. The potential dilution varies with the amount of waste in contact with economic material; larger mineralized zones carry a lower percentage of dilution than smaller zones.

Timmins believes that its method for estimating dilution achieves a close approximation of what can be expected during operations. The method consists of identifying the blocks that are partially mineralized with a maximum 40% of material below the economic cut-off grade, and adding that waste percent (tonnes and grade) as mining dilution.

An overall average of 8.3% dilution was estimated for the San Francisco pit and 7.5% for the La Chicharra pit.

The parameters used in the pit optimization for the estimation of reserves are the same as those used for the resource estimation, except for the gold price of USD 1,100.

Table 1.3 presents the total reserves estimated within the pit design outline, including mine recovery and dilution factors.

Table 1.3

Mineral Reserves within the San Francisco and La Chicharra Pit Design (August, 2011) after Mining Recovery and Dilution

PIT	Classification	Metric tonnes (1000)	Gold g/t	Contained Gold Ounces
San Francisco Pit	Proven	42,850	0.604	831,000
	Probable	21,395	0.556	383,000
	Total	**64,245**	**0.588**	**1,214,000**
La Chicharra Pit	Proven	6,180	0.447	89,000
	Probable	1,966	0.439	27,000
	Total	**8,146**	**0.445**	**116,000**
Total	Proven	49,030	0.584	920,000
	Probable	23,361	0.546	410,000
	Total	**72,391**	**0.572**	**1,330,000**

The proven and probable reserves in Table 1.3 have been derived from the measured and indicated mineral resources summarized in Table 1.2 and account for mining recovery and dilution. The figures in Table 1.3 have been rounded to reflect that they are an estimate.

The mineral reserve estimate has been reviewed and audited by Micon. It is Micon' s opinion that the August 30, 2011 mineral reserve estimate has been prepared in accordance with the CIM standards and definitions for mineral reserve estimates and that TMM/Timmins can use this estimate as a basis for further mine planning and operational optimization at the San Francisco mine project.

Although a mineral reserve has been estimated herein for the La Chicharra pit, drilling is continuing in this area and Timmins has not yet included the La Chicharra pit in its formal mining plan. It is expected that, once the current drilling program is completed, the mineral reserves at La Chicharra will be re-estimated and scheduled for mining.

OPERATIONAL DATA

Production to Date

The San Francisco mine resumed commercial production in April, 2010. Table 1.4 summarizes production from April, 2010 to the end of June, 2011, by quarter. Ore of lower grade is being stockpiled for processing at the end of the mine life. Timmins reports that, at September 30, 2011, there was an accumulated stockpile of 1.518 Mt at an average grade of 0.281 g/t, containing approximately 13,700 ounces of gold.

During July, 2011 Timmins tested the expansion of the crushing system to 18,000 t/d and announced that it is quickly reaching this target.

Table 1.4

San Francisco Project, Timmins Annual Production for 2010 and 2011 by Quarter

Year	Quarter	Mined Ore* (Dry Tonnes)	Average Grade (g/t Gold)	Processed Ore (Dry Tonnes)	Average Grade (g/t Gold)	Gold Ounces Recoverable	Gold Ounces Sold
2010	April - June	905,296	0.718	905,296	0.718	14,145	11,319
	July - September	1,090,768	0.817	1,090,768	0.817	19,374	15,680
	October - December	1,208,678	0.939	1,208,677	0.939	25,033	20,030
2011	January - March	1,207,339	0.895	1,207,339	0.895	24,088	18,755
	April - June	1,648,230	0.762	1,239,075	0.859	22,138	17,965
Total		**6,060,311**				**104,778**	**83,749**

*Excluding lower grade ore stockpiled.

Table provided by Timmins Goldcorp Mexico, S.A. de C.V.

Mine Plans

Before Timmins commenced mining within the San Francisco pit, pit designs were revised from the two mining phases developed previously by Independent Mining Consultants, Inc., to three mining phases designed by Timmins. The latter designs were used for re-starting operations, in order to achieve a favourable distribution of waste tonnage during the mine life and enhance the availability of heap leach feed.

In 2010, the three-phase open pit design was extended to incorporate the additional, discovered resources to the northwest of the previous pit outline. In the present update, additional drilling extended the pit limits from 70 to 100 m surrounding the previous 2010 design. A fourth pit phase has now been added to the design production schedule. The first phase will be completely mined by the end of 2011.

The La Chicharra pit, previously mined by Geomaque, is located 1,000 m west of the San Francisco pit. Timmins anticipates that the La Chicharra pit will be returned to operation in the future.

For the San Francisco mine plan, phase one developed the pit down the 560 m elevation. The phase two push back expands the pit about 350 m west and 150 m north, with the lowest bench at the 542 m elevation. The third phase has a 215 m push back of the west wall and 130 m of the east wall, with the lowest bench at the 494 elevation. Phase four expands the pit 200 m southwest and 200 m southeast, to its ultimate design limit, with the final pit bottom at the 440 elevation. The estimated tonnage for each design phase is listed in Table 1.5.

Table 1.5

Summary of the Mining Tonnages for the San Francisco Mining Phases as of the end of August, 2011

Pit	Ore Tonnage	Gold (g/t)	Gold (oz)	Waste Tonnage	Total Tonnes	Stripping Ratio
Phase 2	4,735,747	0.846	128,788	3,907,249	8,642,996	0.8
Phase 3	24,400,667	0.585	458,855	40,010,568	64,411,235	1.6
Phase 4	35,108,868	0.576	626,579	78,192,055	113,300,923	2.2
La Chicharra	8,145,959	0.555	116,503	25,663,280	33,809,239	3.2
Total	**72,391,241**	**0.572**	**1,330,725**	**147,773,152**	**186,355,154**	**2.0**

Table provided by Timmins Goldcorp Mexico, S.A. de C.V.

PROCESSING

Ore extracted from the pit is transported in haulage trucks with a capacity of 100 tonnes, which feed directly into the gyratory primary crusher with dimensions of 42” x 65”. The crusher has nominal capacity of 1,200 t/h. The crushed product is then transported on conveyor belts to a stockpile with a capacity of 10,000 tonnes.

Two feeders beneath the stockpile deliver the ore to a conveyor belt for transport to the secondary crushing circuit. The ore is screened at ½”. Screen undersize reports to the final product, while screen oversize is fed to two secondary crushers.

Product from the secondary crushers is transported on conveyor belts to the tertiary crushing circuit, which consists of two tertiary crushers operating in closed circuit with ½” screens. Undersize from the screens is delivered to the leach pad.

Timmins has installed an additional crusher and screen to increase throughput to 18,000 t/d. Timmins now intends to install sufficient crushing and other equipment to increase the production of leach feed to approximately 32,000 t/d by 2013.

The current leach pad occupies approximately 40 ha and is divided into seven sections. Product from the crushing plant is transported to the leach pad on overland conveyors and deposited on the pad with a stacker, forming lifts 6 m in height. A bulldozer is used to level the surface of each lift. The irrigation pipelines are then installed to distribute the leach solution over the entire surface of the lift.

The leach solution, consisting of 0.03% sodium cyanide and having a pH of 10.5 to 11, flows downward through the crushed ore, dissolving the precious metals. The solution percolates to the bottom of the lift and flows to the canal that carries the pregnant solution to a storage pond, from which it is pumped to the ADR plant.

Barren solution exiting the ADR plant flows to a second storage pond where fresh water and sodium cyanide are added, before the solution is pumped back to the leach pad.

Due to the increase in mineral reserves and the increase in production, authorization was granted for an additional 49 ha for the construction of a new leach pad, located next of the current pads.

CAPITAL AND OPERATING COSTS

Only minimal capital expenditures remain to complete the expansion of the San Francisco project to a capacity of 18,000 t/d of leach feed. Additional capital will be required, principally in 2012, to increase production to 32,000 t/d. Timmins' estimate of life-of-mine capital expenditure is summarized in Table 1.6, which also includes a nominal provision n for sustaining capital.

Table 1.6
Estimated Future Capital Expenditure

Year	Capital Expenditure (USD thousand)		
	Expansion Capital	Sustaining Capital	Total
2011 (fourth quarter)	3,303	20	3,323
2012	18,922	75	18,997
2013	3,000	75	3,575
2014	3,000	75	3,575
2015	3,000	75	3,575
2016	-	75	75
2017	-	-	-
TOTAL	**31,225**	**395**	**33,120**

Timmins' operating cost forecast for 2012 and subsequent years is summarized in Table 1.7. From 2013 onwards, the forecast is based on mining a total of approximately 11.6 million tonnes of ore and approximately 22 million tonnes of waste per year. Approximately 4.2 million tonnes of stockpiled low grade is planned to be crushed and placed on the leach pad in 2017.

Table 1.7
Operating Cost Forecast

	Unit Cost (USD/tonne placed on pad)			
	Actual		**Forecast**	
	2011 Jan. - Sept.	**2011 Oct. - Dec.**	**2012**	**2013 - 2016 (average)**
Mining (excluding stockpiled material)	9.51	7.78	6.93	5.28
Crushing	1.45	1.25	1.20	1.20
Leaching	1.07	0.97	0.96	0.94
Gold Recovery	0.38	0.37	0.34	0.30
Laboratory	0.28	0.23	0.20	0.14
Environmental	Included in G & A	0.05	0.04	0.03
General and Administration	0.51	0.46	0.34	0.23
Total	**13.20**	**11.11**	**10.01**	**8.12**

The unit mining cost per tonne of ore placed on the leach pad is based on a cost of $1.82/t of total material mined. The actual cost for the first nine months of 2011 was $1.85/t mined.

Micon has reviewed the estimates of capital expenditure and operating cost prepared by Timmins and regards them as reasonable.

ECONOMIC EVALUATION

Micon has performed the economic analysis of the San Francisco project by conventional discounted cash flow techniques, using the life-of-mine production schedule and the estimates of future capital expenditures and operating costs summarized above, together with certain supplementary procedures and estimates described in Section 22. The starting date for the cash flow forecasts is October 1, 2011, and all estimated future annual after-tax cash flows have been discounted to that date at discount rates of 5% and 8% per year. The long-term gold price used in the economic analysis is USD 1,200 per ounce.

The results of the economic analysis of the San Francisco project are summarized in Table 1.8. Based on the reserve estimates discussed herein, the life of the San Francisco pit extends into 2017.

Table 1.8
Summary of Economic Analysis

	Life-of-Mine Cash Flow (USD million)	**Average Unit Cost (USD/tonne leached)**
Net Sales Revenue	**968**	**15.17**
Mining Cost (including stockpiled material)	328	5.15
Crushing Cost	77	1.20
Leaching Cost	60	0.94
Gold Recovery Cost	20	0.31
Laboratory Cost	10	0.15
Environmental Cost	2	0.03

	Life-of-Mine Cash Flow (USD million)	Average Unit Cost (USD/tonne leached)
General and Administration	17	0.26
Total Cash Operating Costs	**513**	**8.04**
Operating Profit	**455**	**7.13**
Capital Expenditures (including closure)	38	0.60
Income Tax	125	1.96
Undiscounted Net Cash Flow	**291**	**4.57**
Net Present Value, 5% Discount	252	
Net Present Value, 8% Discount	232	
Average Cash Cost (USD/oz gold)	633	
Average Annual Gold Production (oz/y)	145,000	

It can be seen that, at a gold price of USD 1,200/oz, the San Francisco project exhibits robust economics over its projected remaining life of approximately 5.5 years. The life-of-mine average cash cost of producing gold is estimated at USD 633/oz, and future capital expenditures are forecast to be relatively low. The economic analysis indicates that the project will yield present values of USD 252 million at a discount rate of 5%/y and USD 232 million at a discount rate of 8%/y. The expansion capital scheduled principally in 2012 will be paid back rapidly through accelerated cash flows.

Sensitivity Analysis

The economics of the San Francisco project are more sensitive to changes in the factors that influence revenue than the factors which influence cost. The principal factors influencing revenue are gold price, ore grade and metallurgical recovery. Table 1.9 shows the changes in undiscounted after-tax cash flow and present value over a range of gold prices from USD 900 to USD 1,500/oz.

Table 1.9 Sensitivity to Gold Price

Gold Price (USD/oz)	Change from Base (%)	Cash Flow and Present Value (USD million)		
		Undiscounted Cash Flow	Present Value (5%/y discount)	Present Value (8%/y discount)
900	-25	121	101	95
1,000	-16.7	178	153	141
1,100	-8.3	235	202	186
1,200	**Base**	**291**	**252**	**232**
1,300	8.3	348	301	277
1,400	16.7	405	350	231
1,500	25	462	399	368

These data suggest that the San Francisco project is economically attractive at a gold price of USD 900/oz or more. The sensitivity of project economics to changes in ore grade or metallurgical recovery is the same as the sensitivity to changes in gold price. The sensitivity results shown in Table 1.9 for a range of gold prices would apply equally to a range of variability ore grade or metallurgical recovery from -25% to +25%.

Project economics are moderately sensitive to variations in overall operating cost but, with the relatively low level of forecast capital expenditure, variations in life-of-mine capital have little effect on overall economics.

CONCLUSIONS AND RECOMMENDATIONS

The San Francisco mine commenced commercial production in April, 2010, and by the end of December, 2010, Timmins had sold 47,029 ounces of gold. Between the end of December, 2010 and the end of June, 2011, a further 36,720 ounces of gold has been sold, for a total of 83,749 ounces of gold since the mine commenced commercial production.

Micon has audited the resource and reserve estimates, and has reviewed the mine design, the mining schedule, the mining contract terms and the ability of the contractor to meet the mining production targets, and concludes that the estimations and designs have been properly carried out and that the contractor is capable of meeting the schedule.

Micon has reviewed the crushing, heap leach and ADR facilities, including the planned expansion, and concludes that they are adequate for the treatment of the scheduled process feed material and the recovery of gold in doré as forecast in the production plan.

Micon has reviewed the economics of the San Francisco operation and concludes that it is viable and meets the criteria for publication of a mineral reserve.

Given the known extent of mineralization on the property, compared to the amount of mining activity, the San Francisco project has the potential to host further deposits or lenses of gold mineralization, similar in character and grade to those exploited in the past, outside the present resource base.

Micon has reviewed the proposed exploration program for the property and, in light of the observations made in this report, supports the concepts as outlined by TMM/Timmins. Given the prospective nature of the property, it is Micon' s opinion that the San Francisco project merits further exploration and that TMM/Timmins' proposed exploration plans are properly conceived and justified.

Micon agrees with the general direction of TMM/Timmins' exploration and development program for the property and makes the following additional recommendations:

1) Micon recommends that as Timmins continues to define the mineralized lenses in its new model for the deposit, it snaps the interpretation to the drill holes for better definition and interpretation accuracy of the mineral lenses

2) Micon recommends that Timmins composites the grades within each mineralized lense rather than from the collar of the drill hole down to the toe as is now the case.

The following is not contained in the 2011 Report.

Other Mineral Properties

While the Company is primarily focussed on Sonora, it has expanded into other regions such as Jalisco, Nayarit and Zacatacus. The Company also has an interest in and plans to undertake exploration activities at the following properties:

El Capomo Property, Nayarit – The Company acquired by staking the mineral rights to 60,000 hectares in four claim blocks by staking. El Capomo Property is located in Nayarit State, approximately 50 kilometres east of Puerto Vallarta.

Timm Property, Zacatacas – The Company acquired by staking a 45,000 hectare land package in the Peňasquito area. The Tim claims are located in the northern part of the state of Zacatecas, approximately 42 kilometres west of the town of Concepcion del Oro and contiguous to the Peňasquito mine recently placed into production by Goldcorp Inc.

El Picacho Property, Sonora – The Company holds an option to acquire a 100% 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 7,200 hectares either proximate to or surrounding the Mine.

Patricia and Norma Property, Sonora – These two claims totaling approximately 20,000 hectares were staked by the Company and are located in the Municipality of Trincheras, Sonora, Mexico to the west of the San Francisco claims block.

San Onesimo, Zindy and San Fernando Properties, Zacatecas – The Company holds an option to acquire an interest in each of the San Onesimo, Zindy and San Fernando mineral concessions located in the State of Zacatecas, Mexico.

Quila Property, Jalisco – The Company holds an option to acquire a 100% interest in a 12,000 hectare claim on the eastern section of Soltoro Ltd.' s 22,428 hectare Quila claim located in Jalisco, Mexico.

Cocula Property, Jalisco – The Company held an option to acquire a 100% interest in this project located approximately 50 kilometres west of Guadalajara, Jalisco. On July 11, 2011 the Company allowed its interest in this property to expire.

DIVIDENDS

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

CAPITAL STRUCTURE

Authorized and Issued Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares of which 140,291,127 common shares were issued and outstanding as at December 31, 2011 and 141,731,127 common shares are currently issued and outstanding. The holders of common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each common share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the common shares are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the common shares are entitled to receive the remaining property and assets of the Company.

Convertible Preference Shares

The authorized capital of the Company also includes an unlimited number of non-voting convertible preference shares without par value, none of which were issued and outstanding during the nine month period ended December 31, 2011 and none of which are currently issued and outstanding.

Options

As at December 31, 2011, the Company had the following outstanding options pursuant to the 2011 Stock Option Plan adopted by the Company' s board of directors on September 8, 2011. These options are exercisable into common shares.

Number of Options	Exercise Price	Expiry Date
1,300,000	C$0.70	May 11, 2012
1,225,000	C$0.75	November 27, 2012
2,150,000	C$1.00	November 13, 2014
175,000	C$1.00	November 27, 2014
3,400,000	C$2.50	April 4, 2016
400,000	C$2.35	June 27, 2016
200,000	C$2.75	August 15, 2016
8,850,000		

Subsequent to December 31, 2011, a further 3,500,000 options were granted to officers and directors of the Company on January 26, 2012, expiring on January 26, 2017, at an exercise price of C$2.56 per share, all of which remain outstanding.

Warrants

As at December 31, 2011, there were no warrants outstanding in the capital of the Company and there are not warrants outstanding as at the date of this AIF.

MARKET FOR SECURITIES

Effective November 4, 2011 the Company' s common shares were listed for trading on the New York Stock Exchange AMEX under the symbol "TGD". Effective March 23, 2011 the Company' s common shares were listed and posted for trading on the Toronto Stock Exchange under the symbol "TMM". Prior to March 23, 2011, the Company' s common shares were listed and posted for trading on the TSX Venture Exchange under the symbol "TMM". The following table gives the monthly trading ranges for the Company' s common shares and a number of shares traded ("Volume") on the Toronto Stock Exchange.

Trading Price and Volume
Toronto Stock Exchange

2011	High	Low	Close	Volume
April 2011	C$2.64	C$2.22	C$2.40	8,138,778
May 2011	C$2.55	C$2.14	C$2.42	8,168,282
June 2011	C$2.44	C$2.11	C$2.35	9,287,006
July 2011	C$2.75	C$2.29	C$2.55	10,489,562
August 2011	C$2.99	C$2.48	C$2.74	12,921,004
September 2011	C$3.45	C$2.67	C$2.89	17,093,161
October 2011	C$3.23	C$2.26	C$2.39	15,856,413
November 2011	C$2.68	C$1.94	C$2.33	17,035,364
December 2011	C$2.49	C$1.74	C$1.95	14,987,749

ESCROWED SECURITIES

There are no common shares held in escrow.

DIRECTORS AND OFFICERS

Director and Officer Information

The following table provides the names, municipalities of residence, position, and principal occupations of each of the directors and executive officers as of the date hereof:

Name, Municipality of Residence and Position with the Company	Director/Officer Since	Principal Occupation for the Past Five Years
Arturo Bonillas(1)(4)(5) Hermosillo, Sonora, Mexico *President, and Director*	March 17, 2005	Mr. Bonillas has been the Company' s President since March 17, 2005.
Bruce Bragagnolo(1)(4)(5) Vancouver, British Columbia, Canada *Chief Executive Officer, Secretary and Director*	March 17, 2005	Mr. Bragagnolo is a barrister and solicitor and has been the Company' s Chief Executive Officer since May 1, 2007.
Frank Cordova(4) Hermosillo, Sonora, Mexico *Director*	July 16, 2008	Mr. Cordova is an attorney. He has held a number of positions in the Mexican federal and state governments and is currently the Secretary of Security for the State of Sinaloa.
Lawrence Dick, Phd., P.Geo.(2)(3)(4)(5) Vancouver, British Columbia, Canada *Director*	September 27, 2005	Mr. Dick was the President of Continuum Resources Ltd. ("Continuum") from February of 2002 until March of 2006. Mr. Dick has been a director of Evolving Gold Corp. since June 2004. Prior to joining Continuum, Mr. Dick held positions and as Executive Vice President and Director of General Minerals Corporation in Latin America.
R. Barry Fraser(3)(4) Vancouver, British Columbia, Canada *Chairman of the Board and Director*	December 3, 2010	Mr. Fraser is a barrister and solicitor . He has been a partner with Clark Wilson LLP since March, 2007 and prior to that he was an associate and later a partner with McCarthy Tetrault.
Eugene Hodgson(1)(2)(3) Vancouver, British Columbia, Canada *Director*	October 31, 2005	Mr. Hodgson has been a self-employed consultant to public companies since 1996. He is currently Vice-President, Western Pacific Region for Corpfinance International Limited.
Paula Rogers(2)(3) Vancouver, British Columbia, Canada *Director*	August 3, 2011	Ms. Rogers is a Chartered Accountant. She is the Chief Financial Officer of Castle Peak Mining Ltd. and former Vice- President and Treasurer of Goldcorp Inc. from 2005 to 2010.
Miguel Soto(5) Aguascalientes, Ags Mexico *Chief Operating Officer and Director*	September 27, 2005	Mr. Soto has been the Chief Operating Officer of the Company since September of 2005.

Name, Municipality of Residence and Position with the Company	Director/Officer Since	Principal Occupation for the Past Five Years
Colin Sutherland Hammonds Plains, Nova Scotia, Canada *Chief Financial Officer**	June 27, 2011	Mr. Sutherland is a Chartered Accountant. He has been the Company' s Chief Financial Officer since June, 2011. He is the Chief Financial Officer of Archipelago Resources Inc. Prior to joining the Company he was the Chief Financial Officer of Gammon Gold Inc. from 2004 to 2007, President and Chief Executive Officer of Nayarit Gold Inc. from 2007 to 2010 and President of Capital Gold Corp. from 2010 to 2011.
Alex P. Tsakumis Richmond, British Columbia, Canada *Vice-President Corporate Development*	November 12, 2009	Mr. Tsakumis has been the Company' s VP Corporate Development since November, 2009. Prior to that he provided corporate development and communications consulting services to the Company.
Miguel Bonilla Hermosillo, Sonora, Mexico *Vice-President Finance Mexico*	November 12, 2009	Mr. Bonilla has been the Company' s Vice-President Finance, Mexico since November, 2009. He has been the Company' s comptroller since its inception in 2005. Mr. Bonilla is a Certified Public Accountant.
Darren Prins Vancouver, British Columbia, Canada *Vice-President Finance Canada*	August 15, 2011	Mr. Prins has been the Company' s Vice-President Finance Canada since August, 2011. He is a Chartered Accountant and was formerly Corporate Controller and Assistant Corporate Controller for Rusoro Mining Ltd. (October 2009 to July 2011). Prior to that Mr. Prins was in the audit and assurance practice at Ernst & Young LLP.

Notes:

(1) Denotes a member of the Finance Committee of the Company
(2) Denotes a member of the Audit Committee of the Company
(3) Denotes a member of the Compensation Committee of the Company
(4) Denotes a member of the Corporate Governance and Nominating Committee of the Company
(5) Denotes a member of the Mining Operations Committee of the Company

* Mr. Sutherland has accepted the position of Chief Financial Officer of Archipelago Resources PLC, but will continue acting as the Company's Chief Financial Officer during a transition period through the end of April 2012.

Shareholdings of Directors and Officers

To the best of the Company' s knowledge, as at December 31, 2011, directors and executive officers, as a group, beneficially owned, directly, or exercised control over 6,285,300 common shares (not including common shares issuable upon the exercise of stock options) of the Company, representing 4.48% of the then outstanding common shares.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company is, as of the date hereof or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Company) that:

a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

b) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as of the date hereof or was within 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

b) has, within 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

No director or executive officer of the Company and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

The foregoing, not being within the knowledge of the Company, has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interests, which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In addition, the Company' s Corporate Governance and Nominating Committee has developed, and the board of directors has adopted, guidelines which require all Company directors to disclose all conflicts of interest and potential conflicts of interest to the Company.

To the best of the Company' s knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not party to any legal proceedings or regulatory actions.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF, no insider of the Company, director, or associate or affiliate of them, has any material interest, direct or indirect, in any transaction since incorporation or in any proposed transaction that has materially affected, or will materially affect the Company.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Company is Computershare Trust Company of Canada of 2nd Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3A6.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company within the nine months ended December 31, 2011, or before that period but are still in effect:

1. 2011 Stock Option Plan dated September 8, 2011 and the granting of stock options thereunder to directors, officers, employees and consultants of the Company;

2. Consulting Agreement dated March 1, 2011 between the Company and Grandich Publications, LLC;

3. Mining Agreement between Peal Mexico, S.A. de C.V. and Molimentales del Noroeste, S.A. de C. V. dated September 15, 2009 regarding mining operations.

4. Termination Agreement dated July 11, 2011, terminating the Exploration and Option to Purchase Mineral Concessions Agreement between Rosalio Lopez Orozco and Timmins GoldCorp Mexico, S.A. DE C.V. dated July 18, 2007 as amended, regarding the Cocula project;

5. Property Option Agreement among the Company, Timmins Mexico, Soltoro Ltd. And Soltoro S. A. de C.V. dated November 23, 2010 regarding the Quila property;

6. Exploration and Option to Purchase Mineral Concessions Agreement between Julio Cesar Suarez Ramirez and Timmins GoldCorp Mexico, S.A. DE C.V dated December 6, 2007 regarding the El Picacho property;

7. Exploration and Option to Purchase Mineral Concessions Agreement among Fernando Santos Chavez, Maria Isaias Yolanda Rangel Zavala, Onesimo Donez Noriega, Maria Elvia Reyes Gutierrez, Timmins Goldcorp Mexico, S.A. de C.V. and Francisco Arturo Bonillas Zepeda dated November 24, 2010 regarding the San Onesimo property;

8. Credit Agreement between the Company and Sprott Resource Lending Partnership dated May 27, 2011;

9. Guarantee between Timmins Goldcorp Mexico S.A. de C.V. and Sprott Resources Lending Partnership dated May 27, 2011;

10. Guarantee between Molimentales del Noroeste S.A. de C.V. and Sprott Resources Lending Partnership dated May 27, 2011;

11. General Security Agreement between the Company and Sprott Resource Lending Partnership dated May 27, 2011;

12. The Company is also in the process of formalizing employment and consulting agreements with management and executives.

INTEREST OF EXPERTS

As the term is defined in National Instrument 43-101, Lawrence Dick, P. Geo., a Director of the Company, is a Qualified Person. Except for 100,000 common shares and 100,000 incentive stock option (as at December 31, 2011) he is not known to the Company to have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or any of the Company' s associates or affiliates.

In November, 2011, the Company filed the technical report entitled *NI 43-101 F1 Technical Report Updated Resources and Reserves and Mine Plan for the San Francisco Gold Mine Sonora, Mexico* dated November 1, 2011 (the "2011 Report"). The 2011 Report was prepared by Micon. The Independent Qualified Persons (as defined by National Instrument 43-101) responsible for the 2011 Report are William J. Lewis, B.Sc., P.Geo., Ing. Alan J. San Martin, MAusIMM (CP), Mani Verma, P.Eng., Christopher R. Lattanzi, P.Eng. and Richard M. Gowans, B.Sc., P.Eng. of Micon. The 2011 Report has been filed with Canadian securities regulatory authorities on SEDAR (available at www.sedar.com).

Messrs. Lewis, San Martin, Verma, Gowans and Lattanzi, and Micon, are not known to the Company to have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company or any of the Company' s associates or affiliates.

Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The text of the Company' s Audit Committee Charter are included as Appendix 1.

Composition of the Audit Committee and Relevant Education and Experience

The Company' s Audit Committee is comprised of Paula Rogers, Lawrence Dick and Eugene Hodgson, all of whom are "financially literate" within the meaning of applicable Canadian and U.S. securities laws. In the opinion of the Company' s Board of Directors, Ms. Rogers and Mr. Dick are "independent" within the meaning of applicable Canadian and U.S. securities laws, including Rule 10A-3 of the Exchange Act of 1934, as amended (the "Exchange Act") and the rules of the TSX and NYSE Amex. Mr. Hodgson is not considered to be independent under such rules due to his having served as an executive officer of the Company within the past three years. Mr. Hodgson is permitted to serve on the Company' s audit committee pursuant to the exemption from the listing standards for audit committees provided by Rule 10A-3(b)(1)(iv)(A) of the Exchange Act and the rules of the TSX and the NYSE Amex. The Company has determined that its reliance on such exemption would not materially adversely affect the ability of the audit committee to act independently and to satisfy the other requirements of Rule 10A-3 of the Exchange Act or other applicable laws and regulations.

The Company’ s Board of Directors has determined that it has at least one audit committee financial expert serving on its audit committee. The Company’ s Board of Directors has determined that Paula Rogers is an audit committee financial expert (as such term is defined in paragraph 8(b) of General Instruction B to Form 40-F) and is independent, as that term is defined by the Exchange Act and the NYSE Amex’ s corporate governance standards applicable to the Company.

The Securities and Exchange Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an “expert” for any purpose, including without limitations for purpose of Section 11 of the Securities Act of 1933, as amended, does not impose on such person any duties, obligations or liability that are greater than those imposed on such person as a member of the audit committee and the Company’ s Board of Directors in the absence of such designation and does not affect the duties, obligations or liability of any other member of the audit committee or Company’ s Board of Directors.

A summary of the relevant education and experience of each member of the Audit Committee is included in the table below.

Committee Member	**Relevant Education and Experience**
Eugene Hodgson, Director Not Independent Financially Literate	Mr. Hodgson is the Vice President-Western Region for Corpfinance International Ltd. He is currently a director and the Chair of the Audit Committee for Grandfield Pacific Inc. Mr. Hodgson was formerly a director and the Chief Financial Officer of Sea Breeze Power Corp. and a director and the Chair of the Audit Committee for ALDA Pharmaceuticals Inc.
Lawrence Dick, Director Independent Financially Literate	Mr. Dick has over 35 years experience in the mining industry and has been responsible for exploration, pre-development and development projects ranging from small exploration projects to development projects with several $100 millions in capital expenditures. These include the giant Collahuasi exploration and development project, now one of the largest copper producers in the world. Mr. Dick was responsible for preparing and monitoring an exploration budget of over $35 million per year. He has served as president, vice president, and director of many junior and mid tier public companies, with direct responsibility for expenditures and rationalizing expenditures in consideration of the work being conducted. He has overseen public audits conducted on a number of companies for which he has acted as a director and/or officer. Most recently Mr. Dick was the President of Evolving Gold Ltd. until his resignation earlier this year. He continues as a Director of Evolving Gold Ltd., a position he has held since 2004. Mr. Dick was also the President of Continuum Resources Ltd. from February of 2002 until March of 2006.
Paula Rogers Director and Chair of Audit Committee Independent Financially Literate	Ms. Rogers received her Bachelor of Commerce degree from the University of British Columbia in 1990. She became a member of the Institute of Chartered Accountants of British Columbia in 1993. From 1990 to 1994, Ms. Rogers was with Deloitte & Touche, Chartered Accountants. Ms. Rogers has over 15 years experience working for Canadian-based international public companies in the areas of treasury operations, tax planning and compliance, mergers and acquisitions and financial reporting. She has extensive experience in multi-million dollar financings in the Canadian and US bank and public debt markets. Ms. Rogers is also currently the CFO of TSXV-listed Castle Peak Mining Ltd. She has served as an officer of other public companies including Vice-President, Treasurer of NYSE-listed Goldcorp Inc. and Treasurer of Wheaton River Minerals Ltd.

Pre-approval policies and procedures

All related services provided by the Auditors, including non-audit services, are subject to pre-approval by the Audit Committee through established procedures. The Company' s chief financial officer ("CFO") discusses proposed non-audit related services to be performed by Deloitte & Touche LLP ("Deloitte") with the Chair of the Audit Committee. If the amount is immaterial and will not otherwise interfere with the independence of the auditors, the Chair approves the services and the CFO reports to the Audit Committee on these services at the next regularly scheduled Audit Committee meeting. If the amount of the proposed services is material, a special Audit Committee meeting is convened to discuss the proposed service and the pre-approval is put to a vote. Management regularly updates the Audit Committee on the services rendered by the Auditors.

The Audit Committee has reviewed other services provided by the Auditors and has determined that they do not interfere with the independence of the Auditors.

External auditor service fees

Deloitte has been the Company' s external auditor since January, 2008. The aggregate fees billed for professional services rendered by Deloitte for the nine months ended December 31, 2011 and the year ended March 31, 2011 were as follows:

	Nine Months Ended December 31, 2011	**Year Ended March 31, 2011**
Audit fees	$420,500	$285,900
Audit related fees	$169,000	$331,850
Tax fees	$90,750	$122,000
All other fees	Nil	Nil
Total	**$680,250**	**$739,750**

Notes:

(1) "Audit Fees" means the aggregate fees billed by the Company' s external auditor for audit and interim review services.

(2) "Audit Related Fees" means the aggregate fees billed for assurance and related services by the Company' s external auditor that are reasonably related to the performance of the audit or review of the Company' s financial statements and are not reported under "Audit Fees".

(3) "Tax Fees" means the aggregate fees billed in each of the last two fiscal years for professional services rendered by the Company' s external auditor for tax compliance, tax advice and tax planning.

(4) "Other Fees" means the aggregate fees billed for products and services provided by the Company' s external auditor, other than the services reported under "Audit Fees", "Audit-Related Fees" and "Tax Fees".

(5) Audit fees for the nine-months ended December 31, 2011 include fees of $62,750 related to the audit of the year ended March 31, 2011 which were agreed subsequent to the filing of the annual report for the year ended March 31, 2011.

ADDITIONAL INFORMATION

Additional information relating to the Company' s business is available on SEDAR at www.sedar.com or on the Company' s website at www.timminsgold.com.

Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the management information circular prepared for the Annual Meeting of Shareholders held on September 8, 2011, and available on SEDAR at www.sedar.com.

Additional financial information is provided in the Company's financial statements and Management Discussion and Analysis for the Company's most recently completed financial year and is available on SEDAR at www.sedar.com or on the Company's website at www.timminsgold.com.

APPENDIX 1
TIMMINS GOLD CORP.
(the "Company")
AUDIT COMMITTEE MANDATE AND CHARTER

A. AUTHORITY AND MANDATE

1. **The Audit Committee** (the "Committee") is an advisory committee of the Board of Directors of the Company (the "Board").

2. This mandate and charter (the "Charter") is part of a flexible governance framework for the Board' s' strategic oversight of the Company. This Charter will be interpreted in the context of the Company' s Articles and all applicable laws, regulations and listing requirements and guidelines, including those of the Canadian Securities Administrators: National Policy 58-201 *Corporate Governance Guidelines* ("NP 58-201"), and National Instrument 52-110 *Audit Committees* ("NI 52-110") as amended from time to time.

   This Charter is a Board policy to guide the directors and officers in the governance of the Company. Although this Charter is intended to consolidate and restate legislative, regulatory or corporate obligations established by other documents and processes, it remains subject to the most current and binding legislative, regulatory and contractual obligations of the Company, and its directors and officers.

   The authority and mandate of this Committee will evolve for greater independence of Committee members and processes as the corporate enterprise emerges through stages of capitalization and production.

3. The Committee has the authority to:

   a) engage independent external auditors;

   b) engage independent counsel and other advisors as it determines necessary to carry out its duties;

   c) set and pay compensation for any advisors appointed by it; and

   d) communicate directly with the internal and external auditors.

   Such advisors and external auditors will report to and be accountable to the Committee.

4. The Committee reports to and is accountable to the Board. The Company will provide the Committee with reasonable resources for its work, including services of non-executive secretary.

5. The Committee may delegate information assembly, assessment or advisory responsibilities to such advisors or subcommittees as it reasonably sees fit. The Committee may request any executive officer, employee, advisor or consultant of the Company to attend a Committee meeting and the individuals will be obliged to make every effort to do so or provide alternative effective communications with the Committee.

OVERVIEW AND PURPOSE

6. The Audit Committee approves, monitors, evaluates, advises or makes recommendations to the Board**,** in accordance with this Committee charter, on:

   a) matters affecting the external audit and the financial reporting and accounting control policies and practices of the Company; and

   b) oversight of management's duties regarding financial risks encountered by the Company.

MEMBERSHIP AND ATTENDANCE AT MEETINGS

7. The members of the Committee will consist of a minimum of three directors, appointed from Board directors by the Board and at the pleasure of the Board. Committee members will be appointed or affirmed at the first Board meeting following each Annual General Meeting and should expect to serve successive terms. One member of the Committee should have professional financial credentials and expertise.

8. Subject to limited permitted exemptions, every audit committee member must be independent. At all times, even if exemptions apply, a majority of the members of the Committee will be "independent" (as defined by NI 52-110, and the Company' s Board Guideline: Independence).

9. Subject to limited exemptions to upgrade education, every audit committee member must be financially literate as defined by NI 52-110, currently as having the ability to read and understand a set of financial statements of comparable breadth and complexity of issues reasonably expected to be raised in the financial statements of the Company.

10. The Board will designate the chair of the Committee (the "Chair").

11. Attendance by invitation at a or a portion of a Committee meeting is determined by the Chair in the first instance, or by resolution of the Committee members. One or more of the Chief Financial Officer, Chief Executive Officer, or President of the Company, the auditor, and such other corporate officers, advisors, or support staff should be prepared to attend at the request of the Chair.

DUTIES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

12. The Board, executive officers, and advisors, recognize that the Committee' s role is one of advising on strategic matters and providing oversight through the periodic assessment of corporate-governance performance against strategic plans, policies and protocols.

    The Company' s executive officers and management are responsible for recommending board governance systems and strategic planning, enterprise risk management, and establishing internal controls, including retaining such advisors as management sees fit for professional advice on such matters. Executive officers, management and advisors are expected to have more time, knowledge and information to address day-to-day details and decisions; the Committee is expected to exercise due care and diligence at a strategic oversight level but not to provide detailed expertise nor assurances as to the work of others.

13. The following responsibilities are guidelines, subject to such other responsibilities or limitations designated by resolution of the Board from time to time, and to special circumstances:

13.1 Financial Strategic Planning and Policies

The Committee will review and make recommendations to the Board on matters related to:

(a) strategic plans, goals, policies and budgets related to the financial and risk management and administration of the Company, and;

(b) finance policies of the Company for compliance with such strategic documents, including such matters as signing authority, internal systems and controls, and reporting.

As a guideline and not as an exclusive list, the Committee will periodically review and assess, in conjunction with management and the external auditor, the following financial policy matters:

(a) the appropriateness of accounting policies and financial reporting practices used by the Company;

(b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Company;

(c) any new or pending developments in accounting and reporting standards that may affect or impact on the Company;

(d) identification of the Company's principal financial risks and uncertainties and the systems to manage such risks and uncertainties;

(e) the key estimates and judgments of management that may be material to the financial reporting of the Company;

(f) that adequate procedures are in place for the review of the Company's public disclosure of financial information derived from the Company's financial statements, other than the Company's financial statements, MD&A and annual and interim earnings press releases, as applicable;

(g) the integrity (including without limitation, the effectiveness) of the Company's disclosure controls and procedures, internal control and management information systems;

(h) the Company' s hiring policies regarding employees and former employees of the present and former external auditors of the Company, and;

(i) the approval policies and practices concerning the expenses of officers of the Company, including the use of Company assets.

13.2 Financial Accountability and Public Disclosures. The Committee will,

(a) obtain reasonable assurance, by discussions with and reports from management and external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented;

(b) review, and recommend to the Board for approval, the following public disclosure documents:

i. the financial content of the annual report, if applicable;

ii. the annual management information circular and proxy materials;

iii. the annual information form, if applicable;

iv. management' s discussion and analysis section of the Company' s quarterly and annual reports, and;

v. quarterly financial statements and related press release, if applicable, on earnings of the Company, and;

(c) review, and recommend to the Board for approval, all financial statements, reports of a financial nature, and the financial content of prospectuses or any other reports which require approval by the Board, including any report of management which accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves.

prior to the Company providing such disclosures to the shareholders, any regulatory authority, or the public.

13.3 Financial Accountability and the External Auditor. The Committee will,

(a) assess candidates and recommend to the Board an external auditor to prepare an annual auditor' s report and perform other audit services for the Company and recommend the compensation of the external auditor , for the approval of the Board and nomination of such auditors by resolution for appointment by the shareholders in a general meeting;

(b) review the terms and conditions of the annual external audit engagement including, but not limited to, :

i. staffing;

ii. objectives and scope of the external audit work;

iii. materiality limits;

iv. audit reports required;

v. areas of audit risk;

vi. performance timetable; and

vii. proposed fees and compensation.

(c) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by its external auditors or those of its subsidiaries; the Committee may delegate to one or more independent members of the Committee the authority to pre-approve non- audit services if the Committee is informed of each pre-approval at the next scheduled Committee meeting (all pre-approvals shall be made according to the pre-approval policies and procedures specified by the Board for each particular non-audit service);

(d) review the fees paid to the external auditors or its affiliates for non-audit services, and consider the impact on the independence of the external audit work;

(e) oversee the work of the external auditors engaged for the purposes of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting, and including the review with the external auditors the results of the annual audit examination including, but not limited to the following:

i. any difficulties encountered, or restrictions imposed by management, during the annual audit;

ii. any significant accounting or financial reporting issues;

iii. the auditor's evaluation of the Company's system of internal accounting controls, procedures and documentation;

iv. the post-audit or management letter containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal accounting control weaknesses; and

v. any other matters which the external auditors should bring to the attention of the Committee.

(f) meet with the external auditors, at least annually or as requested by the auditors, without management representatives present; and to meet with management, at least annually, without the external auditors present.

13.4 Financial Accountability, Risk Management and Internal Controls.

The Committee will,

(a) obtain reasonable assurance, by discussions with and reports from executive officers and the external auditors, that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented;

(b) annually request the external auditor to provide its views on the quality (not just the acceptability) of the Company' s annual and interim financial reporting. Such quality assessment should encompass judgments about the appropriateness, aggressiveness or conservatism of estimates and elective accounting principles, or methods and judgments about the clarity of disclosures;

(c) review the engagement of the auditor every five years, and when changing auditors for this or any other reason, review all issues related to the change, including the information to be included in the notice of change of auditor called for under applicable securities legislation and the rules and policies of applicable exchanges, and the planned steps for an orderly transition;

(d) review any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.

(e) review the internal control and approval policies and practices concerning, and oversee the Company' s management of, identifying and mitigating financial risks faced by the Company.

(f) review the compensation of directors and officers, including expenses and the use of the Company' s assets;

(g) review all contractual indemnities and any claims of indemnification pursuant to the Articles of the Company;

(h) provide Committee meeting minutes and reports to the Board, and;

(i) review annually the terms of reference for the Committee and support the annual assessment of the performance of the Committee, and recommend any required changes to the Board.

13.5 Financial Accountability and Internal Transparency

The Committee will be responsible for the strategic oversight of, and have the full support and assistance of the Board and the Company to:

(a) provide the Committee with such information, including access to all books, records, facilities and personnel, and resources to retain outside counsel or advisors, as the Committee may consider necessary and appropriate for its purposes.

(b) request that the Chief Executive Officer and Chief Financial Officer or persons who perform functions similar to them, report on any and all issues requested by the Committee or the external auditor, including those which are the subject of any Certificates to be signed and filed in accordance with applicable securities regulations by the Chief Executive Officer and Chief Financial Officer or persons who perform functions similar to them; and to review such report, and to;

(c) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and, for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Appendix A - Annual Agenda

The timetable below is a guideline of the Committee' s expected regularly scheduled activities.

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
			[31Mar yr end]						[AGM]			
Financial Strategic Planning and Policies										■		
Financial Budget							■					
Financial Audit			[31Mar yr end]	■								
Review Auditor performance/retainer										■		
Review Year-end statements						■						
Financial Disclosures – review disclosures and information/ transparency matters	■		■		■				■		■	
Financial Risk Management - Review internal controls and risk environment										■		
Review accountability processes (complaints and concerns)										■		
Oversight of complaints and concerns	■		■		■				■		■	
Special ***(as required)***			[ ]						[AGM]			

B.1 **Board Compliance – Audit Committee Annual Evaluation**

[Please refer to the Governance Committee for the current standards and process for the annual assessment of the Committee's work and performance, by the Committee or the G&N Committee]

B.2 **Regulatory Compliance – Audit Committee Compliance Checklist**[1]

[The following is the type of assessment which could be requested by or required of Corporate Counsel or an independent advisor to assist the Committee in understanding obligations for regulatory disclosures or reporting]

Governance Principles and Practices	***Yes/No***		***Explain***
Organized			
Does the committee have a written mandate that addresses its purposes, goals and responsibilities; member qualifications, appointment and removal, and; reporting to the Board?			
Has the committee developed and periodically updated a set of operations guidelines, including risks, staffing and consultants, for the Board?			
Independent Judgment			
As the President is a designated member of the Committee, are appropriate measures in place for the independent and objective exercise of judgment?			
Competent			
Are [all] members of the committee qualified to serve on the Committee?			
Have engineering, systems or other operations consultants or advisors been retained to assist in strategic oversight or risk management matters, and if so who and under what mandate?			
Effective and Accountable			
Are all members of the Committee in compliance with the Code of Business Conduct and Standards? Does the Committee annually evaluate its meetings, mandate, performance, and systems?			
Does the Committee report to the Board after each committee meeting?			

[1] *Compiled from requirements of the NYSE and the Canadian TSX, but only as a guide -- not comprehensive nor current – confirm all current and applicable standards with legal counsel.*

Exhibit 99.2

TIMMINS GOLD CORP

MANAGEMENT DISCUSSION AND ANALYSIS
For the nine months ended December 31, 2011

The following Management Discussion and Analysis ("MD&A") for Timmins Gold Corp. together with its wholly owned subsidiaries ("Timmins" or the "Company") is prepared as of March 28, 2012 and relates to the financial condition and results of operations. Past performance may not be indicative of future performance. The MD&A should be read in conjunction with the audited consolidated financial statements and related notes for the nine months ended December 31, 2011 and the comparative year ended March 31, 2011. During the three months ended December 31, 2011 ("current period"), the Company changed its year-end from March 31 to December 31 to make the reporting period of the Company coincide with other precious metal producing issuers, and is reporting results for the nine months ended December 31, 2011.

On April 1, 2011, the Company adopted International Financial Reporting Standards ("GAAP" or "IFRS") as issued by the International Accounting Standards Board ("IASB"), using a transition date of April 1, 2010 to accommodate comparative periods. As a result, the audited consolidated financial statements for the nine months ended December 31, 2011 ("consolidated financial statements") have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* as issued by the IASB. Prior to April 1, 2011, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles as included in Part V of the Canadian Institute of Chartered Accountants Handbook ("Canadian GAAP" or "CGAAP"). Detailed reconciliations of comparative figures previously reported under Canadian GAAP to IFRS are provided in Note 23 to the consolidated financial statements. These differences have been identified with reference to IFRS effective as of the date of this MD&A.

The first, second, third and fourth quarters of the Company' s fiscal year are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. All amounts are presented in United States dollars ("US dollars" or "USD"), the Company' s presentation currency, unless otherwise stated. References to "C$" are to Canadian dollars.

Statements are subject to the risks and uncertainties identified in the Risks and Uncertainties and cautionary notes to U.S. investors and Forward-Looking Statements sections of this document. Note that the Company has included a non-GAAP performance measure, cash cost per gold ounce ("oz"), throughout this document. For further information, see the Non-GAAP Measures section of this document.

OVERVIEW OF THE BUSINESS

Timmins Gold Corp. is a publicly traded gold producer engaged in mining, development, exploration and acquisition of resource properties in Latin America. The Company owns and operates the San Francisco open pit gold mine (the "Mine") in the state of Sonora, Mexico. The Mine and the La Chicharra open pit gold mine ("La Chicharra") are collectively known as the San Francisco Gold Project. The Company has title to the Timmins and Timmins II concessions and the Timmins III fraction 1 and 2 located in Santa Ana, Sonora, Mexico and are included in the San Francisco property. The Company has also entered into a property option agreement to earn an interest in the San Onesimo, Zindy, and San Fernando mineral concessions located in the State of Zacatecas, Mexico.

The Company also entered into a property option agreement to earn an interest in the Quila mineral concession located in the State of Jalisco, Mexico. The Company has received title to the Santa Maria de Oro claim in Jalisco, Onesimo claims in Mazapil-Conception de Oro, and the Patricia and Norma concessions in the Municipality of Trincheras, Sonora, Mexico.

The Company' s common shares are listed on the Toronto Stock Exchange (TSX:TMM) and the NYSE Amex LLC ("NYSE Amex") (NYSE.A:TGD). Further details on Timmins Gold Corp. can be found in the Company' s associated documents, including its Annual Information Form, at www.sedar.com or on the Company' s website at www.timminsgold.com.

THREE MONTHS ENDED DECEMBER 31, 2011 HIGHLIGHTS

- Metal revenues were $35.5 million, compared to $27.6 million during the same prior year period. This represents a 28% increase over the prior year.
- Profit from operations was $15.8 million, compared to $15.9 million during the same prior year period.
- Cash flows from operations were $10.7 million, compared to cash flows from operations of $15.3 million during the same prior year period.
- The Company produced 21,524 ounces of gold and sold 21,895 ounces of gold, compared to gold produced and sold during the same prior year period of 20,031 ounces.
- The Company' s cash cost per ounce was $662, compared to a cash cost per ounce during the same prior year period of $441. This increase is attributed to a planned lower grade ore being extracted year over year (see San Francisco Gold Project - Operations Review section below); additional replacement parts being installed to prepare for the upcoming crusher expansions; additional cyanide used in the heap leach process; added security presence at the Mine; and, the industry wide increases in key mining consumables prices due to global supply constraints and labour cost increases due to the demand for mining professionals.
- Increased solutions handling capacity by purchasing additional water concessions, adding new carbon columns and pumping capacity and by adding a mixing tank for the addition of high concentration solutions to the ore on the conveyors.
- Purchased an additional 700 hectares at La Chicharra for leach pad expansion and received permits for the expansion.
- Significant milestones:
  - Timmins commenced trading on the NYSE Amex effective November 4, 2011.
  - Completion and filing on November 23, 2011 of the technical report titled "NI 43-101 F1 Technical Report Updated Resources and Reserves and Mine Plan", illustrating a 71% increase in the estimated mineral reserves at the San Francisco Gold Project to 1,330,000 contained gold ounces.
  - Completion of the 2011 drilling program on December 1, 2011; a total of 177,708 metres of drilling has been realized between January 1, 2011 and November 30, 2011 (110,755 metres between July 1, 2011 and November 30, 2011). The Company received the assays from the program and has incorporated them into a new resource estimate, which was released on March 14, 2012.

NINE MONTHS ENDED DECEMBER 31, 2011 HIGHLIGHTS

- Metal revenues were $90.8 million, compared to $61.1 million during the same prior year period. This represents a 49% increase over the prior year.
- Profit from operations was $36.6 million, compared to $27.5 million during the same prior year period. This represents a 33% increase over prior year.
- Generated record cash flows from operating activities before changes in non-cash working capital of $46.4 million, compared to $44.1 million during the year ended March 31, 2011. Cash flows from operations after changes in non- cash working capital were $24.0 million, compared to $42.7 million during the year ended March 31, 2011.

- The Company produced 55,487 ounces of gold and sold 56,777 ounces of gold, compared to gold produced and sold during the same prior year period of 47,032 ounces. This represents an 18% increase in gold production and 21% increase in gold sold over the prior year. During the 12 month calendar year 2011, the Company produced a total of 74,241 ounces of gold.
- The Company' s cash cost per ounce was $608, compared to a cash cost per ounce during the same prior year period of $526.
- Completion of crushing facility expansion from 14,000 tonnes per day ("t/d") to 18,000 t/d in July, 2011.
- In June, 2011, the Company replaced and restructured the $15.0 million gold-linked debt facility (the "Gold Loan") with a C$18.0 million debt agreement. The new debt agreement does not contain any payments which are indexed to movements in gold prices and thus allows the Company to freely realize current gold prices. In addition, the new facility does not carry a guaranteed minimum payment as outlined in the previous Gold Loan.
- In June, 2011, the Company announced the appointment of Colin P. Sutherland, CA as Chief Financial Officer. Mr. Sutherland previously held positions as President of Capital Gold Corp, President and CEO of Nayarit Gold Inc, and CFO of Aurico Gold Inc.
- In July, 2011, the Company facilitated the issuance of 25,205,090 special warrants, which allowed the holder to acquire shares directly from an existing shareholder. In August, 2011, these 25,205,090 special warrants were exercised. This was a non-dilutive event as no common shares of the Company were issued. The Company did not receive any proceeds from this transaction and did not issue any shares.
- In August, 2011, the Company announced the appointment of Paula Rogers, CA as a new member of the Board of Directors and Chair of the Audit Committee.
- In September, 2011, the Company announced an updated NI 43-101 reserve and resource estimate for the San Francisco Gold Project. The new estimate contains 1,330,000 proven and probable reserve ounces, 1,441,000 total measured and indicated resource ounces and 1,005,000 inferred ounces. This represents 71%, 46% and 383% increases, respectively, over the previous estimate.
- In September, 2011, the Company engaged an independent third party consultant to review the Company' s leaching procedures, and accordingly, the Company made revisions to its leaching process. The Company believes this will assist in the recovery of gold at levels consistent with the metallurgy outlined in previous technical reports.

RECENT DEVELOPMENTS

- Commencement of 100,000 metre drilling program on the San Francisco Gold Project as of March, 2012.
- On March 14, 2012, the Company announced an updated resource estimate for the San Francisco Gold Project. The new estimate contains 1,575,000 total measured and indicated resource ounces and 1,351,000 inferred ounces. This represents 9% and 34% increases, respectively, over the previous estimate, which was released September, 2011.

OUTLOOK

The Company' s growth strategy is to increase its production profile (current guidance: 100,000 ounces for fiscal 2012), reduce cash cost per gold ounce (current guidance: $650/oz) and increase its reserve base through a number of initiatives, including the following:

- Realizing expansion opportunities at the San Francisco Gold Project, including a planned crushing expansion from 18,000 t/d to 25,000 t/d, estimated to be completed by June, 2012 (estimated cost of $2.2 million) and a further expansion going to 32,000 t/d, estimated to be completed by January, 2013 (estimated cost of $7.7 million);

- The continuation of the Company' s exploration program designed to convert resources to reserves, increase resources, and increase its production profile. The Company has commenced an additional 100,000 metre drilling program for an estimated cost of $10.0 million; and
- Actively pursuing accretive transactions to create value for shareholders.

These growth initiatives are expected to be supported by internal cash flow generated from the operations at the San Francisco Gold Project, together with the new debt agreement with Sprott Resource Lending Partnership. The Company is committed to responsibly operating and growing to become a profitable gold producer, creating value for all its stakeholders, including shareholders, employees, suppliers, lenders, government, and the communities in which the Company operates.

REVIEW OF FINANCIAL RESULTS

	Nine months ended December 31, 2011	Year ended March 31, 2011
Gold produced (oz)	**55,487**	65,786
Gold sold (oz)	**56,777**	62,762
Average realized gold price ($/oz)	**1,599**	1,324
Average gold price (London PM Fix) ($/oz)	**1,634**	1,294
Cash cost per gold ounce ($/oz)	**608**	530
Metal revenues ($)	**90,768,679**	83,080,428
Profit from operations ($)	**36,576,001**	35,126,411
Earnings ($)	**20,873,612**	6,590,490
Earnings per share, basic ($)	**0.15**	0.05
Earnings per share, diluted ($)	**0.15**	0.05
Cash from operations ($)	**24,029,887**	42,743,992
Cash dividends declared ($)	**Nil**	Nil
Total assets ($)	**162,219,914**	113,709,656

As a result of the change in year-end from March 31 to December 31, the comparative period for the nine months ended December 31, 2011 is the year ended March 31, 2011.

Earnings for the Company increased to $20.9 million for the nine months ended December 31, 2011, compared to $6.6 million for the year ended March 31, 2011 as a result of the following factors:

Gold price

The London PM Fix price of gold averaged $1,634 per ounce, compared to $1,294 during the year ended March 31, 2011. This represents a 26% increase year over year and is a significant contributing factor to the increased revenues generated by the Company.

Metal revenues

The Company sold 56,777 gold ounces, compared to sales of 62,762 gold ounces during year ended March 31, 2011. The difference in gold ounces sold over the comparative period is a result of the change in year-end, which decreased the number of months in the current reporting period compared to the year ended March 31, 2011. Total metal revenues from mining operations were $90.8 million, compared to $83.1 million during the year ended March 31, 2011, which is the result of realizing an average gold price per ounce of $1,599, compared to $1,324 during the year ended March 31, 2011.

Cost of sales

Production costs form a component of cost of sales and were $34.5 million, compared to $33.3 million during the year ended March 31, 2011. This increase is attributed to a planned lower grade ore being extracted year over year; additional replacement parts being installed to prepare for the upcoming crusher expansions; additional cyanide consumption in the heap leach process; added security presence at the Mine; and the industry wide increases in key mining consumables prices due to global supply constraints and labour cost increases due to the demand for mining professionals.

Depletion and depreciation costs form a component of cost of sales and were $7.8 million, compared to $6.9 million during the year ended March 31, 2011. The higher cost base of mineral properties, plant and equipment on hand due to significant capital additions during the period, combined with increased amortization relating to the site reclamation provision and long-term demobilization costs were the main contributing factors to this increase.

Corporate and administrative expenses

Corporate and administrative costs were $11.9 million, compared to $7.8 million during the year ended March 31, 2011. Share-based payment was the significant driver of this increase as four million share options were granted, compared to nil for the year ended March 31, 2011. Specifically, share-based payments increased to $5.4 million, compared to $0.7 million during the year ended March 31, 2011, which resulted from the issuance and vesting of share options during the nine months ended December 31, 2011 with higher fair values than those issued and vested during the year ended March 31, 2011. Salaries also increased to $2.3 million, compared to $0.9 million during the year ended March 31, 2011 as a result of increased staff levels at the Canadian and Mexican offices. Offsetting these increases are $nil asset write-down and $nil acquisition costs, compared to $1.4 million and $1.6 million, respectively, during the year ended March 31, 2011.

Finance expense

Finance expense decreased to $2.5 million, compared to $12.8 million during the year ended March 31, 2011, significantly due to the replacement of the $15.0 million Gold Loan to Sprott Asset Management with a C$18.0 million debt agreement with Sprott Resource Lending Partnership. Specifically, the Gold Loan contained an embedded derivative (see Capital Resources section below) which required revaluation each reporting period. The increases in the London PM Fix prices from the inception of the Gold Loan up to March 31, 2011 caused increased cash payments and substantial losses from the revaluation of the embedded derivative. The smaller increases in the gold price from April 1, 2011 to the refinancing date of June 1, 2011 resulted in a lower loss on revaluation being incurred. The new debt agreement contains no such embedded derivative, which has significantly reduced the finance expense year over year, and carries a cash interest rate of 1% per month of its face value.

Loss on warrant liability

Loss on warrant liability decreased to $1.0 million, compared to $3.7 million during the year ended March 31, 2011, due to the more consistent share price of the Company on a year over year basis and fewer share purchase warrants being outstanding during the nine months ended December 31, 2011. More specifically, the share price increased from C$2.50 at April 1, 2011 to C$3.15 at September 22, 2011, compared to the increase from C$1.23 at April 1, 2010 to C$2.50 at March 31, 2011. These factors are the significant inputs for the Black-Scholes option pricing model, which was the model used to value the 2,000,000 Canadian dollar share purchase warrants. These share purchase warrants were exercised on September 22, 2011.

Income tax expense

Income tax expense was $11.8 million, compared to $12.0 million during the year ended March 31, 2011. This slight decrease was significantly due to the deferred tax expense of $6.5 million, compared to $11.3 million during the year ended March 31, 2011. During the year ended March 31, 2011, the Company used up its loss carry forwards which were previously offsetting the Company' s deferred tax liability, and as a result was required to record the full deferred tax liability at March 31, 2011 with the difference being recorded to deferred tax expense. This decrease in deferred tax expense was partially offset by increased current tax expense of $5.3 million resulting from increased profitability of the Company, compared to $0.7 million during the year ended March 31, 2011.

REVIEW OF QUARTERLY FINANCIAL RESULTS

	Three months Dec. 31, 2011	**Three months Sept. 30, 2011**	**Three months Jun. 30, 2011**	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Accounting standard	**IFRS**	**IFRS**	**IFRS**	IFRS	IFRS	IFRS	IFRS	CGAAP
Reporting currency	**USD**	**USD**	**USD**	USD	USD	USD	USD	C$
	Note 2	**Note 2**	**Note 2**					Note 1
Gold produced (oz)	**21,524**	**17,287**	**16,676**	18,754	20,031	15,682	11,319	5,321
Gold sold (oz)	**21,895**	**16,917**	**17,965**	15,730	20,031	15,682	11,319	5,321
Average realized gold price ($/oz)	**1,621**	**1,670**	**1,504**	1,398	1,380	1,247	1,227	N/A
Average gold price (London PM Fix) ($/oz)	**1,688**	**1,702**	**1,506**	1,386	1,367	1,227	1,197	1,109
Cash cost per gold ounce ($/oz)	**662**	**600**	**550**	527	441	515	691	Nil
Metal revenues ($)	**35,495,049**	**28,248,994**	**27,024,636**	21,992,953	27,642,118	19,562,230	13,883,127	Nil
Profit from operations ($)	**15,793,428**	**10,333,849**	**10,448,724**	7,595,775	15,851,248	7,897,971	3,781,417	(2,413,925)
Earnings (loss) ($)	**11,530,141**	**3,596,399**	**5,747,072**	3,048,291	5,357,681	(803,714)	(1,011,768)	(5,456,353)
Earnings (loss) per share, basic ($)	**0.08**	**0.03**	**0.04**	0.03	0.04	(0.01)	(0.01)	(0.04)
Earnings (loss) per share, diluted ($)	**0.08**	**0.03**	**0.04**	0.03	0.04	(0.01)	(0.01)	(0.04)
Cash flows from operations ($)	**10,741,740**	**7,262,371**	**6,025,776**	14,184,790	15,273,994	4,563,735	4,975,742	(13,082,573)
Cash dividends declared ($)	**Nil**	**Nil**	**Nil**	Nil	Nil	Nil	Nil	Nil

Note 1: *Information for Q4 2010 and prior is presented in accordance with Canadian GAAP, measured in Canadian dollars and was not required to be restated to IFRS. Accordingly, the Company does not have financial information to present prepared in accordance with IFRS.*

Note 2*: Due to the change in year-end from March 31 to December 31 during the current period, there is no Q3 period for the nine months ended December 31, 2011. Also, the previously reported Q1 2012 and Q2 2012 periods have been renamed to "three months June 30, 2011" and "three months September 30, 2011", respectively, so that the quarterly periods during calendar 2012 can be named Q1 2012, Q2 2012, Q3 2012, and Q4 2012.*

Metal revenues generally trended higher over the past eight quarters as the Company has benefited from rising gold prices. Higher realized gold prices and gold sales have resulted in generally improved financial results.

Three months ended December 31, 2011 results

Gold price

The Company has continued to benefit from record gold prices during the current period. The Company' s performance is largely dependent on the price of gold as it can directly impact the Company' s profitability and cash flow. The price of gold is subject to volatile price movements during short periods of time and is affected by numerous factors such as the strength of the US dollar, supply and demand, interest and inflation rates and geopolitical risks, all of which are beyond the Company' s control. The London PM Fix price of gold averaged $1,688 per ounce, compared to $1,367 during the same prior year period. The fluctuations in the daily London PM Fix prices were between $1,531 and $1,795 per ounce, compared to $1,314 and $1,421 during the same prior year period.

Metal revenues

The Company sold 21,895 gold ounces, compared to sales of 20,031 gold ounces during the same prior year period. The increase in gold ounces sold over the prior year is a result of the gradual ramp up of operations at the Mine. Total metal revenues from mining operations were $35.5 million, compared to $27.6 million during the same prior year period. The Company realized an average gold price per ounce of $1,621, compared to $1,380 during the same prior year period. The increase in ounces sold combined with record quarterly gold prices realized attributed to the increase in metal revenues.

Cost of sales

Production costs were $14.5 million, compared to $8.8 million during the same prior year period. This increase is attributed to a planned lower grade ore being extracted year over year; additional replacement parts being installed to prepare for the upcoming crusher expansions; additional cyanide used in the heap leach process; added security presence at the Mine; and the industry wide increases in key mining consumables prices due to global supply constraints and labour cost increases due to the demand for mining professionals. As a result of the cyanide supply constraint, during October, 2011, the Company was not able to apply the optimum solution flow of cyanide to the heap leach pads (see San Francisco Gold Project - Operations Review section below).

Depletion and depreciation costs form a component of cost of sales and were $2.2 million, compared to $2.1 million during the same period year period. The higher cost base of mineral properties, plant and equipment on hand due to significant capital additions during the year, combined with increased amortization relating to the site reclamation provision and long-term demobilization costs were the main contributing factors to this increase.

Corporate and administrative expenses

Corporate and administrative costs were $3.0 million, compared to $0.9 million during the same prior year period. Salaries expense along with audit, legal and consulting work comprised the majority of corporate and administrative expenses. Share-based payments also contributed to the increase as the current period expense was $0.9 million, compared to $0.1 million during the same prior year period. This resulted from the issuance and vesting of share options with higher fair values than those issued and vested during the same prior year period.

Finance expense

Finance expense decreased to $0.8 million, compared to $4.0 million during the same prior year period, significantly due to the replacement of the $15.0 million Gold Loan to Sprott Asset Management with a C$18.0 million debt agreement with Sprott Resource Lending Partnership. Specifically, the Gold Loan contained an embedded derivative (see Capital Resources section below) which required revaluation each reporting period. The increases in the London PM Fix prices during the term of the Gold Loan caused substantial losses from the revaluation of the embedded derivative. The new debt agreement contains no such embedded derivative, which has reduced the finance expense year over year.

Loss on warrant liability

Loss on warrant liability decreased to $nil, compared to $1.0 million during the same prior year period, due to the underlying share purchase warrants being exercised during the September, 2011.

Income tax expense

Income tax expense was $1.8 million, compared to $5.0 million during the same prior year period. This decrease was significantly due to deferred tax expense being incurred of $1.2 million, compared to $5.3 million during the same prior year period. During the year ended March 31, 2011, the Company used up its loss carry forwards which were previously offsetting the Company' s deferred tax liability, and as a result was required to record the full deferred tax liability at March 31, 2011 with the difference being recorded to deferred tax expense. For the three months ended December 31, 2010, the Company recognized $5.3 million of this effect in deferred tax expense.

SAN FRANCISCO GOLD PROJECT - OPERATIONS REVIEW

The San Francisco Gold Project, which was commissioned in April, 2010, is located in the Arizona-Sonora desert in the Northern portion of the Mexican state of Sonora. The Mine is comprised of an open pit operation, with crushing and heap leach processing facilities.

The Company' s first year of operations in 2010 was a successful transition from an advanced exploration and development company, to a junior producer. Since commissioning the Mine, the Company has continued to ramp up production, with increases in the average tonnes of ore processed per day achieving record rates during the month of October, 2011 of 14,968 tonnes per day. The Company' s cash cost per ounce sold increased during the current period to $662, compared to $441 during the same prior year period. The main factors that contributed to this increase are the planned lower grade of ore being extracted during the current period, additional cyanide solution being applied to the heap leach pad, as well as industry wide supply issues of key consumables used in the production of gold and labour cost increases due to the demand for mining professionals.

The following is a summary of the Company' s production statistics:

	Three months ended December 31		**Nine months ended December 31**		Year ended March 31
	2011	2010	**2011**	2010	2011
Ore processed (t)	**1,327,299**	1,208,678	**3,930,664**	3,204,742	4,412,081
Average ore processed grade (g/t Au)	**0.78**	0.94	**0.81**	0.84	0.85
Ore mined (dry tonnes)	**2,097,621**	1,208,678	**5,776,128**	3,204,742	4,412,081
Average ore mined grade (g/t Au)	**0.58**	0.94	**0.66**	0.84	0.85
Waste mined (t)	**4,160,488**	4,568,616	**13,496,919**	12,524,199	17,621,131
Total mined (t)	**6,258,109**	5,777,294	**19,273,047**	15,728,941	22,033,212
Strip ratio	**1.98**	3.70	**2.34**	3.91	3.99
Total days in period	**92**	92	**275**	275	365
Average ore processed per day (t/d)	**14,427**	13,138	**14,293**	11,654	12,088
Gold produced (oz)	**21,524**	20,031	**55,487**	47,032	65,786

The Company produced 21,524 gold ounces and 11,664 silver ounces during the current period, compared to 20,031 gold ounces and 10,699 silver ounces during the same prior year period. Total production for the nine months ended December 31, 2011 was 55,487 gold ounces and 29,788 silver ounces, compared to 47,032 gold ounces and 25,221 silver ounces during the same prior year period, and 65,786 gold ounces and 33,874 silver ounces during the year ended March 31, 2011.

During the three months ended September 30, 2011, the Company was unable to apply the optimum solution flow of cyanide to the heap leach pads due to an industry wide shortage of cyanide. The Company currently has a sufficient supply of cyanide, and was able during the current period to increase the concentration of cyanide and solution flow rates to the heap leach pads. The Company engaged an independent third party consultant to review the Company' s leaching process. The consultant outlined several recommendations to assist in the extraction of gold and silver, and the Company implemented these changes during October, 2011.

The Company believes the improvements outlined will assist in bringing recoveries closer to the metallurgical estimates outlined in previous technical reports. The Company outlined the following solutions to rectify the lower recoveries of gold and silver as follows:

- Increasing pumping capacity by 60% to match stacking rates of 18,000 t/d of ore;
- Increased pumping capacity will allow for the application of 10 litres/hour/square meter (L/hr/m2) of irrigation compared to previous applications of 4-5 L/hr/m2;
- Increased irrigation capacity will allow for optimal leach cycle times of 90 to 120 days, compared to previous leach time of 60 days;
- The Company has switched from top-stacking to retreat stacking which will allow for ore to be saturated quicker;
- An increase in the cyanide solution rate by 10% in order to achieve a minimum of 40 ppm in the return solution; and
- Construction of a cyanide and lime application method at various transfer points to achieve better saturation.

The Company has seen improvements in production rates during the current period, and as a result, a portion of the production for the current period was due to deferred gold production being realized. The Company expects to see continued production improvements during 2012. Management is closely monitoring the number of ounces in process on the heap leach pad, and will evaluate formal re-leaching programs to further extract the accumulated ounces in process in the event that the higher monthly recovery rates currently being realized cease to continue.

The Company mined 6.3 million tonnes from the Mine during the current period, compared to 5.8 million tonnes during the same prior year period, an 8% increase. Dry tonnes of ore mined increased to 2.1 million tonnes of ore during the current period from 1.2 million tonnes of ore during the same prior year period; a 65% increase.

The Company has increased total tonnes mined quarter over quarter through calendar 2010 and 2011, which led to a planned expansion of the crushing facilities from 14,000 t/d to 18,000 t/d. The Company commissioned the expansion in July, 2011 with successful testing through July and August, 2011. The Company is currently installing a scalping system, which will sift out material able to be placed directly on the heap leach pad and allow larger ore fragments to be crushed. This will bring total crushing capacity to 25,000 t/d and is expected to be commissioned in July, 2012. The total estimated capital cost of this expansion is $2.2 million. Once the scalping system is installed, crushing capacity is planned to be further increased to 32,000 t/d with the installation of a portable crushing unit by January, 2013. The total estimated capital cost of this expansion is $7.7 million, of which $3.7 million has already been paid. The lower grade ore mined but not currently processed is being stockpiled for future processing. The Company will continue to review additional expansion opportunities in the future.

The average grade of ore mined from the Mine decreased during the current period to 0.58 g/t Au, compared to 0.94 g/t Au for the same prior year period. This decrease in average grade of ore mined is the result of the recent drilling program of the Company whereby the ore body has been further defined via the additional drill holes. While the additional drilling has resulted in a more accurate ore grade which is lower than that of the prior NI 43-101 Technical Report, it is considered more homogenous. Additionally, as a result of recent gold prices, low grade ore is being stockpiled as it is deemed economic to process. Previously, the low grade ore was treated as waste. This has had the effect of reducing the overall grade mined in comparison to prior periods.

The average grade of ore processed has decreased to 0.78 g/t Au in the current period, compared to 0.94 g/t Au for the same prior year period as a result of management stockpiling the mined lower grade ore for processing upon the completion of the 32,000 t/d crushing expansion. The average grade of ore mined and ore processed during the nine months ended December 31, 2011 was 0.66 g/t Au and 0.81 g/t Au, respectively, compared to 0.84 g/t Au and 0.84 g/t Au, respectively, for the year ended March 31, 2011.

This was due to ramping up of the grade placed on pads during the six months ended September 30, 2011 and to the change in the mine model in response to the new NI 43-101 Technical Report update.

The Company continued stripping activities at the Mine, with the strip ratio higher than the estimated life of mine strip ratio of 1.73. The Company expects the strip ratio to remain consistent with results in the current period. During the current period, deferred stripping at the San Francisco Gold Project represented a capital investment of $0.3 million, for a total of $6.0 million during the nine months ended December 31, 2011.

SAN FRANCISCO GOLD PROJECT - RESOURCE REVIEW

On September 20, 2011, the Company announced an updated NI 43-101 resource and reserve update prepared by MICON International, Ltd, with the actual report being released November 23, 2011. On March 14, 2012, the Company released a further update to the resource estimate in which the measured and indicated and inferred resources were increased to 1,575,000 ounces and 1,351,000 ounces, respectively, from 1,441,000 ounces and 1,005,000 ounces, respectively.

Mineral reserves for the San Francisco Gold Project, which are part of the mineral resources, are estimated to be:

In pit reserves	**Tonnes (000 t)**	**Grade (g/t Au)**	**Gold ounces**
Proven	49,030	0.584	920,000
Probable	23,361	0.546	410,000
Total proven and probable	**72,391**	**0.572**	**1,330,000**

Mineral reserves within the San Francisco pit design (June 30, 2011) at $1,100/oz gold price and after mining recovery and dilution.

Resource classification	**Tonnes (000 t)**	**Grade (g/t Au)**	**Gold ounces**
Measured mineral resource	58,010	0.610	1,131,000
Indicated mineral resource	23,787	0.580	444,000
Total measured and indicated	**81,797**	**0.600**	**1,575,000**
Inferred mineral resource	**93,202**	**0.450**	**1,351,000**

Mineral resource estimate for the San Francisco Gold Project (inclusive of mineral reserves) (cut-off grade of 0.128 g/t Au, $1,200/oz gold price)

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.

As illustrated above, inferred resources are estimated to contain approximately 1,005,000 ounces of gold.

SAN FRANCISCO GOLD PROJECT - DEVELOPMENT REVIEW

The Company' s budget for the next phase of exploration for the San Francisco Gold Project is the result of the successful 2009-2011 drilling program.

San Francisco open pit gold mine

The Company employed nine drill rigs at the Mine from July, 2011 to November, 2011 to complete 56,315 metres of drilling (225 holes), which cost approximately $5.6 million. These metres are in addition to the 60,782 metres (441 holes) completed during January, 2011 to June, 2011, which cost approximately $6.0 million and were included in the most recent NI 43-101 Technical Report Update filed on November 23, 2011. The 56,315 metres of drilling are incorporated into the updated resource estimate, which was released March 14, 2012.

The development program focused around the existing pit in a zone 2 kilometres ("km") east-west by 1 km north-south. The drill program includes exploring below the currently planned pit bottom of 240 metres, using reverse circulation drilling and core drilling for holes deeper than 250 metres in depth. The returned assays indicate the mineralization is extending in parallel mineral bodies up to 40 metres in width below the currently planned pit bottom, and has shown mineralized zones at depths of 100 metres below the currently planned pit bottom.

The current exploration below the planned pit bottom has returned high grade intercepts, and supports the preliminary theory from the Company' s geological team, that the mineralized system may extend to greater depths. This is consistent in "mesothermal" systems, which have significant depth extent, and have the potential to yield high grade feeder systems at depth and underscore the potential for further expansion of the long-term production profile.

Results from deep core drilling underneath the planned pit bottom were very encouraging. More specifically, a total of 117,044 metres of drilling and a total of 666 holes were included in the drilling program from January, 2011 to November, 2011, with the following highlights of meaningful interceptions:

- TF-1280 intersected 4.57 metres of 11.932 g/t Au and 39.62 metres of 1.613 g/t Au;
- TFD-90 intersected 4.50 metres of 2.219 g/t Au;
- TFD-80 intersected 1.50 metres of 3.097 g/t Au;
- TF-1246 intersected 12.19 metres of 1.031 g/t Au;
- TF-1279 intersected several intervals including 4.57 metres of 1.036 g/t Au, 4.57 metres of 1.89 g/t Au and 6.09 metres of 2.48 g/t Au;
- TF-1377 intersected 80.77 metres of 0.822 g/t Au, 1.52 metres of 3.547 g/t Au, 9.14 metres of 3.456 g/t Au, 3.05 metres of 2.075 g/t Au, and 1.52 metres of 52.66 g/t Au; and
- TF-1379 intersected 38.1 metres of 5.129 g/t Au; 1.52 metres of 25.42 g/t Au; 15.24 metres of 8.347 g/t Au; and 1.52 metres of 77.348 g/t Au.

The Company is focused on the continued development of the Mine and has commenced an additional drilling program for 65,000 metres of reverse circulation drilling at an approximate cost of $6.5 million as of March, 2012. The results of this drill program will further define the ore body and be used in a future resource update.

Mineral reserves for the Mine, which are part of the mineral resources, are estimated to be:

In pit reserves	Tonnes (000 t)	Grade (g/t Au)	Gold ounces
Proven	42,850	0.604	831,000
Probable	21,395	0.556	383,000
Total proven and probable	**64,245**	**0.588**	**1,214,000**

The total resource of the Mine is estimated to be:

Resource classification	Tonnes (000 t)	Grade (g/t Au)	Gold ounces
Measured mineral resource	46,614	0.630	949,000
Indicated mineral resource	22,482	0.590	426,000
Total measured and indicated	**69,096**	**0.620**	**1,375,000**
Inferred mineral resource	**79,456**	**0.450**	**1,156,000**

La Chicharra open pit gold mine

The Company has also commenced a new exploration program on the La Chicharra open pit gold mine. La Chicharra is located 2 km west of the Mine. Discovered by Geomaque in the late 1990' s, it is estimated that approximately 37,000 ounces of gold were extracted and processed during Geomaque' s last year of operations.

The discovery of this deposit was the consequence of exploration programs comprised of magnetic ground surveys and soil geochemistry, using both conventional soil sampling and advanced surface exploration (Mobile Metal Ion - "MMI") techniques. In both cases, samples returned very high values for the main mineralized zone in an area of low magnetics. Trenches were excavated to conduct chip sampling, which confirmed the presence of gold mineralization in the bedrock, and drilling delineated a deposit with a resource of 60,000 to 70,000 ounces of gold. Strong gold geochemical anomalies suggest that there is the possibility of further gold mineralization at depth.

The most significant results obtained along the projection of the La Chicharra mineral trend occurred in hole TFR-16 (see press release dated May 13, 2010), located 500 metres to the south of the Mine and 1,200 metres to the southeast of La Chicharra. This hole intercepted a mineral interval of 21 metres averaging 1.11 g/t Au, which included a 3 metre interval grading 5.28 g/t Au. Four reverse circulation holes were drilled surrounding hole TFR-16 (TF-500, 501, 502 and 503). The assay results have been interpreted preliminarily as confirmation of the south-eastern continuity of the La Chicharra mineral trend for a further 1,400 metres from the existing La Chicharra open pit, or as belonging to a parallel mineral system to the San Francisco deposit.

Drilling at La Chicharra commenced in June, 2011 and a total of 57,942 metres of reverse circulation drilling (286 holes) were completed by the end of November, 2011. Drill results to date show similar grades and geological characteristics to initial results obtained from the Mine in the late 1990' s. Results to date indicate the mineralized zone at La Chicharra extends down dip from the existing open pit to a depth of 200 metres beneath the north wall, and 300 metres parallel from previously known gold mineralization.

Ongoing drilling continues to the northwest of the La Chicharra prospect with the objective of testing mineralization along a strike length of over 600 metres.

The Company is focused on the continued development of La Chicharra and has commenced a drilling program for 35,000 metres of reverse circulation drilling at an approximate cost of $3.5 million as of March, 2012. The results of this drill program will further define the ore body and be used in a future resource update.

Mineral reserves for La Chicharra, which are part of the mineral resources, are estimated to be:

In pit reserves	**Tonnes (000 t)**	**Grade (g/t Au)**	**Gold ounces**
Proven	6,180	0.447	89,000
Probable	1,966	0.439	27,000
Total proven and probable	**8,146**	**0.445**	**116,000**

The total resource of La Chicharra is estimated to be:

Resource classification	**Tonnes (000 t)**	**Grade (g/t Au)**	**Gold ounces**
Measured mineral resource	11,396	0.500	182,000
Indicated mineral resource	1,305	0.440	18,000
Total measured and indicated	**12,701**	**0.500**	**200,000**
Inferred mineral resource	**13,746**	**0.440**	**195,000**

OTHER PROPERTIES - EXPLORATION REVIEW

San Onesimo

The signing of this property and the definition of at least three specific exploration targets in the concessions owned by the Company in the vicinity of the Peñasquito gold deposit is encouraging and the Company is optimistic about the possible discovery of a new mineral deposit, which will extend the operation of the Company to this region. The property is situated 16 km to the northeast of the Camino Rojo gold deposit and 45 km southeast of the Peñasquito gold deposit.

During 2011, the Company completed preliminary exploration on the La Noria and El Valle targets, consisting of MMI soil sampling followed by magnetic and induced polarization surveys to define drill targets.

Timmins Claims

There are 5 mining concessions 100% owned by Timmins Goldcorp Mexico, all within the region of Mazapil-Concepcion del Oro. This region is located north of the state of Zacatecas, and has emerged over the last few year as one of the most active mining exploration and development regions in Mexico and all Latin America.

The objective is to demonstrate the presence of a gold mineralized zone by way of soil and rock chip sampling. The Company has commenced a systematic sampling program using MMI techniques in the southeast portion of the Timmins 4 concession, which could be a justification for geophysics and an initial drill program once a geochemical anomaly is identified.

Patricia Property

The property is located in the north-central portion of the state of Sonora, 50 km to the southwest of the Mine. The Company has undertaken trenching and systematic sampling. Results confirm the large tonnage, low gold grade deposit, in order of 1 to 2 g/t Au with potential silver and polymetallics.

Norma Property

The property is located 30 km northwest of the Mine. Three targets were chosen for initial drilling. On the north target, the Company completed 2,090 metres of reverse circulation drilling, distributed in 16 drill holes along 2,000 metres of gold anomalous outcrops. Gold and silver values hosted in veins, veinlets and breccia were intercepted by the drill holes, mainly in close contact to the sandstones and siltstones with dikes of monzonite.

El Picacho Property

The property is located in the north-central portion of the state of Sonora, 20 km southwest of the Mine. Exploration by the Company includes geological mapping, sampling and compilation of the exploration works done by previous exploration companies on the property. On this basis, a drill program commenced in February, 2012. As of the date of this MD&A, a total of 1,478 metres have been drilled.

La Mexicana Property

The La Mexicana target is located only 6.5 km north of the Mine. Mapping and sampling was done along the north portion of the metamorphic precambrian belt of the San Francisco gold deposit, which includes systematic sampling of the existing underground works on the La Mexicana target. The returned assays include gold values as high as 28.908 g/t Au, in general showing consistency along of the underground works.

In the trenches to the northeast of La Mexicana, the results of the assays were within the range to be an exploration target for drilling. The assay varies from 0.1 to 1.3 g/t Au. On this basis, a formal drill program is pending; however, 16 holes were drilled in October, 2011 and November, 2011 for a total of 2,669 metres to assist in further assessing the La Mexicana exploration potential.

La Pima Property

The La Pima target consists of an outcrop on the large La Pima claim and beyond that in a series northeast trending limestone ridges in the southwest part of the claim, 25 km northwest of the Mine and 13 km west of the Santa Ana town. The Company will decide shortly on the next stage of exploration.

El Capomo

This target is located in the south of the state of Nayarit and consists of six concessions covering more than 47,500 hectares. Prospecting work done on the property has identified favourable geology for mineral discoveries in at least five locations; the most significant is a series of quartz veins and quartz outcrops along 1,200 metres with widths varying from 0.70 metres to 3 metres with gold and silver grades varying from 0.28 to 3.45 g/t Au and 15 to 240 g/t silver.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Liquidity

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations. The Company' s strategy for managing liquidity is based on achieving positive cash flows from operations to internally fund operating and capital requirements. Material increases or decreases in the Company' s liquidity and capital resources will be substantially determined by the success or failure of the Company' s operations, exploration, development and construction programs, its ability to obtain equity or other sources of financing, and the price of gold.

Factors that can impact the Company' s liquidity are monitored regularly and include the market price of gold, production levels, cash cost per gold ounce, capital costs, exploration expenditures, and foreign currency fluctuations. The Company monitors and manages liquidity risk by preparing regular periodic cash flow forecasts, and seeking flexibility in financing arrangements. In today' s metal price environment, the Company anticipates that funding from operating cash flows should be sufficient to fund the Company' s commitments, working capital requirements and capital expenditures at its existing mining interests. This leaves the Company' s current cash balance available to pursue future growth plans. The Company had cash on hand at December 31, 2011 of $9.9 million.

During calendar 2011, the Company reinvested and will continue to reinvest funds generated from operations into the continued development, and exploration at the San Francisco Gold Project. Cash flow provided by operating activities will vary depending on the prices of gold, fluctuations in the Mexican peso value, total production and the extent of expenditure on mine development and other capital projects during the year. The Company expects to generate positive cash flow from operating activities over the next year achieved through strong production results at the San Francisco Gold Project.

A summary of non-discounted liabilities and future operating commitments are as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years
Trade payables and accrued liabilities	$ 15,884,416	$ 15,884,416	$ -	$ -	$ -
Vendor loan	1,725,000	1,725,000	-	-	-
Long-term debt	17,245,442	17,245,442	-	-	-
Other long-term liabilities (1)	1,233,392	-	1,233,392	-	-
Future operating commitments (2)	41,493,117	30,774,291	10,718,826	-	-
Provision for site reclamation and closure (3)	2,203,925	-	-	-	2,203,925
	$ 79,785,292	**$ 65,629,149**	**$11,952,218**	**$ -**	**$ 2,203,925**

(1) Other long term liabilities represents the non-discounted amount of the demobilization costs (see Note 21 of the consolidated financial statements).

(2) The future operating commitments of the Company are significantly due to the mining contract with Peal de Mexico, S.A. de C.V. ("Peal"). The Peal contract covers substantially all mining services at a cost of $1.64 (plus VAT) per tonne of material mined. As the total tonnes mined during the current period were 6.3 million, this mining service contract is the most significant component of the Company' s commitments. The Peal commitment is based on the forecasted minimum tonnage to be mined until the end of the mining contract, and would be significantly less in the event that mining activities at the Mine ceased. Another significant component of the future operating commitments of the Company is the mineral property obligations with regards to payments going to El Picacho, San Onesimo and Quila exploration properties at various dates until January, 2015.

(3) Provision for site reclamation and closure represents the non-discounted amount of the stimated cash flows required to settle the retirement obligations of the San Francisco Property (see Note 11 of the consolidated financial statements).

Management believes that the working capital at December 31, 2011, together with future cash flows from operations and available funding facilities, is sufficient to support the Company' s commitments for the next twelve months.

Cash flow

	Nine months ended December 31, 2011	Year ended March 31, 2011
Cash flow provided by operating activities ($)	**24,029,887**	42,743,992
Cash flow used in investing activities ($)	**27,365,994**	30,956,501
Cash flow provided by (used in) financing activities ($)	**7,631,460**	(9,066,318)

Cash flow from operating activities for the nine months ended December 31, 2011 was $24.0 million, compared to $42.7 million for the year ended March 31, 2011. This decrease was primarily due to the increases in trade and other receivables, inventories, advances and prepaid expenses, and trade payables by $5.2 million, $16.6 million, $2.2 million, and $1.6 million, respectively. The increase in net income before income tax expense of $32.7 million, compared to $18.6 million during the year ended March 31, 2011 was significantly offset by the decreases in finance expense and loss on warrant liability to $2.5 million and $1.0 million, respectively, during the nine months ended December 31, 2011, compared to $12.8 million and $3.6 million, respectively, during the year ended March 31, 2011. The change in cash flow from operating activities for the nine months ended December 31, 2011 was also impacted by the increase in share-based payments of $5.4 million, compared to $0.7 million during the year ended March 31, 2011. Finance expenses and income taxes were also paid for $1.3 million and $2.0 million, respectively, during the nine months ended December 31, 2011, compared to $nil and $nil, respectively, during the year ended March 31, 2011.

Cash flow used in investing activities for the nine months ended December 31, 2011 was $27.4 million, compared to $31.0 million for the year ended March 31, 2011 significantly as a result of expenditures on mineral properties, plant and equipment. Capital expenditures for the nine months ended December 31, 2011 were similar to those of the year ended March 31, 2011, and an amount of restricted cash was released to the Company in July, 2011 which reduced total cash flow used in investing activities by $1.8 million.

Cash flow from financing activities for the nine months ended December 31, 2011 was $7.6 million, compared to cash flow used of $9.1 million for the year ended March 31, 2011. This change is significantly due to the proceeds of long-term debt of $18.2 million, compared to $nil during the year ended March 31, 2011. Also, the amount of repayment towards long-term debt decreased to $12.6 million during the nine months ended December 31, 2011, compared to $15.6 million during the year ended March 31, 2011. Cash flow from shares issued for cash decreased to $2.0 million during the nine months ended December 31, 2011, compared to $6.5 million during the year ended March 31, 2011 as a result of fewer share purchase warrants and share options being exercised during the current period.

At the San Francisco Gold Project, a significant portion of the operating and capital expenditures are denominated in Mexican pesos, while a significant amount of head office costs in Canada are denominated in Canadian dollars. Fluctuations in these currencies can have an impact on the Company' s costs. During the current period, the Mexican peso averaged 13.64 Mexican pesos to $1, and C$1.02 to $1. The Company does not manage foreign currency exposure through the use of forward contracts.

Capital resources

The capital of the Company consists of the items included in the consolidated equity and long-term debt, net of cash.

	December 31, 2011	March 31, 2011	April 1, 2010
Equity	**$ 101,599,965**	$ 68,147,642	$ 54,196,535
Current portion of long-term debt	**17,245,442**	12,038,469	7,985,273
Long-term debt	**-**	-	7,475,075
	118,845,407	80,186,111	69,656,883
Less: Cash	**(9,865,007)**	(5,639,859)	(2,674,764)
	$ 108,980,400	$ 74,546,252	$ 66,982,119

At December 31, 2011, there were no externally imposed capital requirements to which the Company is subject and with which the Company has not complied.

The capital resources of the Company have increased to $109.0 million from $74.5 million at March 31, 2011 due to the increased profitability of the Company and the refinancing of long-term debt. In June, 2011, the Company restructured and replaced its previously outstanding Gold Loan with Sprott Asset Management LP with a C$18.0 million debt agreement with Sprott Resource Lending Partnership. The new debt agreement allowed the Company to repay the then existing requirement to deliver the cash equivalent of 8,335 ounces of gold and provided a further C$5.6 million in working capital. The new debt agreement provides for a lump sum payment of principal on maturity in July, 2012, with interest paid at the rate of 1% per month. The loan is secured by among other things, a first charge on the assets of Molimentales del Noroeste, SA de CV. Management is currently evaluating its financing alternatives upon maturity of the debt agreement.

As a result of the indexation of the principal repayments to the movement in the price of gold, the Company has determined that the Gold Loan with Sprott Asset Management LP contained a derivative which is embedded in the US dollar denominated debt instrument (the “Embedded Derivative”). This Embedded Derivative was originally the equivalent of a series of 12 gold forward contracts maturing on each of the principal dates. As a result, the value of the loan was revalued each period to recognize the change in value of the derivative with changes in the value being recorded as interest expense. In addition, the debt discount is amortized using the effective interest method to each of the scheduled principal payment dates.

The replacement debt agreement with Sprott Resource Lending Partnership LP does not include an embedded derivative as a result of the repayment terms not requiring a calculation associated with the price of gold.

Dividends

No dividends were declared or paid during the nine months ended December 31, 2011.

Outstanding share data

The total number of outstanding common shares and share options at March 28, 2012 are 141,731,127 and 7,435,000, respectively.

NON-GAAP MEASURES

Cash cost per gold ounce

Cash cost per gold ounce is a non-GAAP performance measure that management uses to better assess the Company’ s performance for the current period and its expected performance in the future. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this measure to evaluate the Company’ s performance and cash generating capabilities.

Cash cost per gold ounce is calculated by dividing all of the costs absorbed into inventory, excluding depletion, depreciation and amortization, by applicable ounces sold.

The following provides a reconciliation of cash cost per gold ounce to the consolidated financial statements:

	Three months ended December 31		**Nine months ended December 31**		Year ended March 31
	2011	2011	**2011**	2010	2011
Production costs	**$ 14,496,814**	$ 8,831,925	**$ 34,535,248**	$ 24,734,932	$ 33,257,616
Divided by gold sold (oz)	**21,895**	20,031	**56,777**	47,032	62,762
	$ 662	$ 441	**$ 608**	$ 526	$ 530

For further details on the calculation of production costs, refer to Note 5 of the consolidated financial statements. In the gold industry, cash cost per gold ounce is a common performance measure but does not have any standardized meaning prescribed by GAAP, and should not be considered in isolation of or as a substitute for performance measures prepared in accordance with GAAP. This measure is not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Other companies may calculate this measure differently.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has prepared its consolidated financial statements in accordance with IFRS as issued by the IASB. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRS, International Accounting Standards (“IASs”), and interpretations issued by the IFRS Interpretations committee (“IFRICs”) and the former Standing Interpretations Committee (“SICs”). The Company has restated its previously reported financial statements under Canadian GAAP to reflect the adoption of IFRS in accordance with IFRS 1 - *First-time adoptions of International Financial Reporting Standards*, effective April 1, 2011 with a transition date of April 1, 2010 and the Company’ s consolidated financial statements have been prepared in accordance with IFRS standards and interpretations effective at December 31, 2011. For further information on the Company’ s significant accounting policies under IFRS, refer to Note 3 of the consolidated financial statements.

There were no changes to the accounting policies applied by the Company to each of the unaudited condensed consolidated interim financial statements, to those applied by the Company to the consolidated financial statements for the nine months ended December 31, 2011.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company’ s consolidated financial statements in conformity with IFRS requires management to make critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates as the estimation process is inherently uncertain. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Management has made the following critical judgements and estimates:

Critical judgments in applying accounting policies

The critical judgements that the Company' s management has made in the process of applying the Company' s accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company' s consolidated financial statements are as follows:

Functional currency

The functional currency of each entity is determined after consideration of the primary economic environment of the entity, and is reviewed when primary indicators change. The Company considers the impact of changes to primary indicators such as the commencement of commercial operations and/or a significant increase in sales in a currency other than the established functional currency. Changes to a primary indicator which are considered to be both substantive and ongoing may result in applying a change in functional currency to the respective entity.

Operating levels intended by management

Prior to reaching operating levels intended by management, costs incurred are capitalized as part of the costs of related mining properties. Any proceeds generated from incidental metal sales prior to reaching the intended operating levels are offset against the costs capitalized; depletion of such capitalized costs commences upon reaching the intended operating levels. The consolidated statement of earnings and comprehensive income has been impacted by management' s determination that the San Francisco Mine reached the intended operating levels on April 1, 2010.

Key sources of estimation uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company' s assets and liabilities are as follows:

Impairments

The Company assesses its mining interest assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

Mineral reserves

Proven and probable mineral reserves are the economically mineable parts of the Company' s measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons.

The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the recovery rate, size and grade of the ore body.

Changes in the proven and probable reserves or measured, indicated and inferred mineral resource estimates may impact the carrying value of exploration and evaluation properties, plant and equipment, site reclamation and closure provisions, recognition of deferred tax amounts and depreciation, depletion and amortization.

Depreciation, depletion and amortization

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation, depletion and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual recovery rates and costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the estimation of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Deferred stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to reserves and resources that will be mined in a future period and therefore should be capitalized, the Company makes estimates of the stripping activity over the life of the mining property ("life of mine strip ratio"). Changes in estimated life of mine strip ratios can result in a change to the future capitalization of stripping costs incurred. At December 31, 2011, the carrying amount of stripping costs capitalized was $21.3 million.

Inventories

Expenditures incurred, and depreciation, depletion and amortization of assets used in mining and processing activities are accumulated as the cost of ore in stockpiles, ore in process and finished metal inventory. These amounts are carried at the lower of average cost or net realizable value ("NRV") and subject to significant measurement uncertainty.

Write-downs of ore in stockpiles, ore in process, and finished metal inventory resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

Costs are attributed to the ore in process based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations incurred up to the point of placing the ore on the leach pad. Costs are removed from ore in process based on the average cost per estimated recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates.

The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

The allocation of costs to ore in stockpiles, ore in process, and finished metal inventory and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable reserves estimates, gold prices, and the ultimate estimated recovery for ore in process. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

Provision for site reclamation and closure

Site reclamation and closure provisions are recognized in the period in which they arise and are stated as the present value of estimated future costs. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. In view of uncertainties concerning environmental rehabilitation, the ultimate costs could be materially different from the amounts estimated.

The estimates of a future site reclamation and closure provision are subject to change based on amendments to applicable laws and legislation. Future changes in site reclamation and closure provisions, if any, could have a significant impact and would be reflected prospectively, as a change in accounting estimate.

Deferred taxes

The Company' s provision for income taxes is estimated based on the expected annual effective tax rate. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company' s provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company' s control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

Share-based payments

Share-based payments are measured at fair value. Share options and share purchase warrants are measured using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award' s vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

CHANGES IN ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine months ended December 31, 2011, and have not been applied in preparing the consolidated financial statements. Those that are expected to be applicable to the consolidated financial statements of the Company are discussed below.

Accounting standards effective January 1, 2012

Financial instruments disclosure

In October, 2010, the IASB issued amendments to IFRS 7 - *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

Income taxes

In December, 2010, the IASB issued an amendment to IAS 12 - *Income Taxes* that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier adoption permitted.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

Accounting standards effective January 1, 2013

Consolidation

In May, 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements*, which supersedes SIC 12 - *Consolidation - Special Purpose Entities* and the requirements relating to consolidated financial statements in IAS 27 - *Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; and defines control as an investor' s power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor' s returns through its power over the investee.

In addition, the IASB issued IFRS 12 - *Disclosure of Interests in Other Entities*, which combines and enhances the disclosure requirements for the Company' s subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting of the nature of risks associated with the Company' s interests in other entities, and the effects of those interests on the Company' s consolidated financial statements.

The Company is currently evaluating the impact that the above standards are expected to have on its consolidated financial statements.

Joint arrangements

In May, 2011, the IASB issued IFRS 11 - *Joint Arrangements* which supersedes IAS 31 - *Interests in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement. IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

Fair value measurement

In May, 2011, as a result of the convergence project undertaken by the IASB and the US Financial Accounting Standards Board to develop common requirements for defining and measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 - *Fair Value Measurement*. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

Financial statement presentation

In June, 2011, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* that require an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

Stripping costs in the production phase of a surface mine

In October, 2011, the IASB issued IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine*. IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted and includes guidance on transition for pre-existing stripping assets.

The Company is currently evaluating the impact the new guidance is expected to have on its consolidated financial statements.

<u>Accounting standards effective January 1, 2015</u>

Financial instruments

The IASB intends to replace IAS 39 - *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 - *Financial Instruments* in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November, 2009 and October, 2010, phase one of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company' s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as fair value through profit or loss, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date of January 1, 2010. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRSs, IASs, and interpretations issued by the IFRIC or the former SIC.

The Company implemented its conversion from Canadian GAAP to IFRS through a transition plan that involved several detailed steps including: scoping and planning, detailed assessment, implementation; and post implementation. All steps were completed by June 30, 2011. The post implementation procedures involve the maintenance of sustainable IFRS compliant financial data and processes for the period from April 1, 2011 to December 31, 2011 and beyond.

Management did not encounter any significant issues during the reporting process for the Company' s 2011 quarterly and nine months ended December 31, 2011 consolidated financial statements.

The conversion from Canadian GAAP to IFRS as a primary basis for preparing the Company' s consolidated financial statements has resulted in (a) changes in the Company' s accounting policies; (b) changes to the Company' s financial reporting process and systems; (c) incremental controls relating to the conversion and the design, implementation and testing of changes to the Company' s financial reporting process and systems; and (d) additional financial expertise and training requirements. The conversion did not have any significant impact on the Company' s financial covenants, key financial performance ratios or compensation plans.

The Company' s consolidated financial statements as at and for the nine months ended December 31, 2011 have been prepared in accordance with existing IFRS standards with restatements of the comparative consolidated statements of financial position at April 1, 2010 and March 31, 2011 and consolidated statements of earnings and comprehensive income and cash flows for the year ended March 31, 2011 as previously reported and prepared in accordance with Canadian GAAP.

The following tables reconcile the Company' s consolidated statements of financial position, earnings and comprehensive income and cash flows prepared in accordance with Canadian GAAP and as previously reported, to those prepared and reported in the Company' s consolidated financial statements in accordance with IFRS:

Condensed consolidated statement of earnings and comprehensive income

		For the year ended March 31, 2011			
	Canadian Note	GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
Gross profit		43,466,198	42,887,465	-	42,887,465
Corporate and administrative expenses	e)	8,359,814	8,323,028	(561,974)	7,761,054
Profit from operations		35,106,384	34,564,437	561,974	35,126,411
Other income, net		20,036	19,498	-	19,498
Finance expense	d),f),g)	(12,604,760)	(12,362,246)	(448,184)	(12,810,430)
Loss on warrant liability	c)	-	-	(3,677,544)	(3,677,544)
Foreign exchange gain (loss)	b)	611,968	620,846	(667,336)	(46,490)
Profit before income tax		23,133,628	22,842,535	(4,231,090)	18,611,445
Income tax expense					
Current income tax		659,047	678,777	-	678,777
Deferred income tax	h)	11,010,527	10,821,947	520,231	11,342,178
		11,669,574	11,500,724	520,231	12,020,955
Earnings for the year		11,464,054	11,341,811	(4,751,321)	6,590,490
Exchange differences on translating foreign operations, net of tax	a)	-	2,868,674	(2,868,674)	-
Total comprehensive income		$ 11,464,054	$ 14,210,485	$ (7,619,995)	$ 6,590,490

Condensed consolidated statement of cash flows

		For the year ended March 31, 2011			
	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
OPERATING ACTIVITIES					
Profit before income tax		$23,133,628	$ 22,842,535	$ (4,231,090)	$ 18,611,445
Items not affecting cash:					
Depletion and depreciation		7,063,281	6,935,347	-	6,935,347
Finance expense		12,542,177	12,335,356	475,074	12,810,430
Loss on warrant liability	c)	-	-	3,677,544	3,677,544
Share-based payments	e)	1,290,473	1,249,902	(561,974)	687,928
Foreign exchange (gain) loss	b)	(560,239)	(573,215)	640,446	67,231
Asset write-down		1,338,978	1,358,403	-	1,358,403
Changes in non-cash working capital items		(1,427,882)	(1,404,336)	-	(1,404,336)
Cash flows provided by operating activities		43,380,416	42,743,992	-	42,743,992
INVESTING ACTIVITIES					
Cash flows used in investing activities		(31,396,124)	(30,956,501)	-	(30,956,501)
FINANCING ACTIVITIES					
Cash flows used in financing activities		(9,198,277)	(9,066,318)	-	(9,066,318)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	243,922	-	243,922
Increase in cash		2,786,015	2,965,095	-	2,965,095
Cash, beginning of period		2,694,825	2,674,764	-	2,674,764
Cash, end of period		$5,480,840	$ 5,639,859	$ -	$ 5,639,859

Condensed consolidated statements of financial position

		At April 1, 2010			
	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
ASSETS					
Current assets	b)	$ 16,182,922	$ 16,062,453	$ -	$ 16,062,453
Non-current assets	b),f),g)	66,096,360	65,604,327	310,223	65,914,550
Total assets		82,279,282	81,666,780	310,223	81,977,003
LIABILITIES					
Current liabilities		14,207,105	14,081,311	-	14,081,311
Non-current liabilities	b),f),h)	14,020,596	13,916,225	(217,068)	13,699,157
Total liabilities		28,227,701	27,997,536	(217,068)	27,780,468
EQUITY					
Total equity	b),c),d),e)	54,051,581	53,669,244	527,291	54,196,535
Total liabilities and equity		$ 82,279,282	$ 81,666,780	$ 310,223	$ 81,977,003

		At March 31, 2011			
	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
ASSETS					
Current assets	b)	$ 26,179,700	$ 26,939,354	$ (432,733)	$ 26,506,621
Non-current assets	b),f),g)	87,495,140	90,034,101	(2,831,066)	87,203,035
Total assets		113,674,840	116,973,455	$ (3,263,799)	113,709,656
LIABILITIES					
Current liabilities	g)	10,913,716	11,234,290	15,590,200	26,824,490
Non-current liabilities	b),f),g),h)	29,214,892	30,062,658	(11,325,134)	18,737,524
Total liabilities		40,128,608	41,296,948	4,265,066	45,562,014
EQUITY					
Total equity	b),c),d),e)	73,546,232	75,676,507	(7,528,865)	68,147,642
Total liabilities and equity		$ 113,674,840	$116,973,455	$ (3,263,799)	$113,709,656

a) Change in presentation currency

The Company has changed its presentation currency from the Canadian dollar to the US dollar. Prior to performing the required reconciliations of the impact of adoption of IFRS, the Company' s previously published consolidated financial statements (in accordance with Canadian GAAP) have been recast using methods consistent with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities have been recast to US dollars using period end exchange rates. Revenues, expenses, gains and losses have been recast into US dollars using the rate in effect on the date of the transaction or the average rate for the period. The effect of making these changes resulted in the recognition of an accumulated foreign currency translation reserve within equity of $3.8 million and $6.7 million at April 1, 2010 and March 31, 2011, respectively, and $2.9 million for the year ended March 31, 2011. The Company has elected to apply the IFRS 1 exemption and has deemed all cumulative translation differences to be $nil and reallocated the balance to deficit at the transition date.

b) Foreign currency translation

In connection with the adoption of IFRS, the Company assessed the functional currencies of each of its subsidiaries. The Company determined that under IFRS, the functional currency of the Company and each of its subsidiaries changed from Canadian dollars to US dollars effective April 1, 2010. The effect of this change resulted in changes to the measurement of non-monetary assets and liabilities for the periods subsequent to April 1, 2010. In addition, the amount of foreign exchange loss during the year ended March 31, 2011 relates to revaluation of non-US dollar monetary balances, while prior to the change in functional currency, the foreign exchange gain related to revaluation of non-Canadian dollar balances.

c) Classification and measurement of share purchase warrants

At April 1, 2010, 11,352,780 share purchase warrants were outstanding and exercisable at a weighted average exercise price of C$0.65. As the exercise price of the share purchase warrants is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the conversion option is considered a derivative liability as the Company will receive a variable amount of USD equivalent cash when the share purchase warrants are exercised. Accordingly, the share purchase warrants have been reclassified as a warrant liability subsequent to the transition date and have been measured at fair value at the end of each reporting period with changes in fair value included in profit or loss. This resulted in a reclassification of $3.6 million to warrant liability at March 31, 2011 and a loss of $3.7 million during the year ended March 31, 2011. The share purchase warrant elimination amount of $1.1 million at March 31, 2011 is the net figure resulting from exercises of the share purchase warrants during the year ended March 31, 2011. Under Canadian GAAP, these share purchase warrants were considered equity instruments and changes in fair value subsequent to initial recognition were not recognized. Note that this adjustment resulted from the change in functional currency of the Company, rather than from differences between Canadian GAAP and IFRS.

d) Recognition and amortization of transaction costs and reclassification of long-term debt

Under Canadian GAAP, the Company previously expensed all transaction costs related to the issuance of debt classified as other financial liabilities and measured at amortized cost. IFRS requires that such costs be accounted for as an adjustment to the recorded amount of the financial instrument at the time of initial recognition and amortized over the term of the instrument using the effective interest method. This resulted in $0.6 million and $0.1 million in transaction costs being reclassified to long-term debt at April 1, 2010 and March 31, 2011, respectively. The impact for the year ended March 31, 2011 was an increase in finance expense of $0.4 million.

e) Share-based payment

Certain previously issued share options had not yet fully vested at the transition date. Consequently, these equity instruments do not fall within the scope of the IFRS 1 exemption pertaining to share-based payments and must be re- measured in accordance with IFRS 2 on a retrospective basis. This resulted in a $0.6 million entry to share-based payment included in corporate and administrative expenses for the year ended March 31, 2011 and an adjustment to share-based payment reserve of $0.6 million at April 1, 2010. The $16,323 adjustment to share-based payment reserve is net of the $0.6 million effect of this IFRS at April 1, 2010.

f) Measurement of provision for site reclamation and closure

Under IAS 37, a change in the current market-based discount rate will result in a change in the measurement of this provision, whereas under Canadian GAAP, discount rates are not changed unless there is an increase in the estimated future cash flows in which case the incremental cash flows are discounted at current market-based rates. In addition, under Canadian GAAP, a credit adjusted risk-free discount rate is used whereas under IFRS, the discount rate reflects the current market assessments of the time value of money and the risks specific to the liability. This resulted in \$0.3 million and \$0.3 million adjustments to the provision and related asset at April 1, 2010 and March 31, 2011, respectively. The impact for the year ended March 31, 2011 was an increase in finance expense of \$40,189.

g) Presentation of financial statements

Certain differences exist between IFRS and Canadian GAAP with respect to how items are presented in the consolidated financial statements. A decision was made to combine equipment and resource properties as a single financial statement line item called mineral properties, plant and equipment resulting in a reclassification within long-term assets at the transition date and subsequent. In accordance with IAS 37, accretion of provision for site reclamation and closure was reclassified as finance expense as well as accretion of transaction costs now reclassified to long-term debt. Also, under Canadian GAAP, debt that was refinanced subsequent to a reporting period was allowed to be classified as non-current; IFRS does not include such considerations. As such, the Gold Loan, which was refinanced on June 1, 2011, is required to be classified as a current liability at March 31, 2011.

h) Taxation

Under IAS 12 - *Income taxes*, deferred tax has been recognized on temporary differences arising from differences between the functional currency in which an asset or liability is reported and its tax basis as determined in its local currency, translated at current exchange rates. Under Canadian GAAP, a deferred income tax asset or liability is not recognized for such temporary differences. In addition, under IFRS the re-measurement of the provision for closure and reclamation and the related asset resulted in changes to temporary differences and the deferred tax liability. The impact of this change resulted in adjustments of \$25,984 and \$0.6 million to the deferred tax liability at April 1, 2010 and March 31, 2011, respectively.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

The Company' s Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are designed to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company' s certifying officers. The Company' s CEO and CFO believe that the Company' s disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed under applicable securities regulations is recorded, processed, summarized and reported within the time periods specified. We regularly review our disclosure controls and procedures; however, they cannot provide an absolute level of assurance because of the inherent limitations in cost effective control systems to prevent or detect all misstatements due to error or fraud.

As at December 31, 2011, under the supervision and with the participation of our CEO and CFO, management conducted an evaluation of the design and operating effectiveness of the Company' s disclosure controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures are effective as of that date.

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company uses the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") internal control framework to design internal controls over financial reporting.

Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Timmins Gold Corp.;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of Timmins Gold Corp. are being made only in accordance with authorizations of management and directors of Timmins Gold Corp.; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Timmins Gold Corp.' s assets that could have a material effect on the financial statements.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of future events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

As at December 31, 2011, under the supervision and with the participation of our CEO and CFO, management conducted an evaluation of the effectiveness of the Company' s internal control over financial reporting. Based its evaluation, management concluded that our internal control over financial reporting was effective as of that date.

RISKS AND UNCERTAINTIES

Risk Factors Relating to The Company' s Business

The Company' s revenue is derived primarily from the sale of gold, and therefore decreases in the price of gold may cause the Company' s revenue to decrease substantially.

The majority of the Company' s revenue is derived from the sale of gold, and therefore fluctuations in the price of gold represent one of the most significant factors affecting the Company' s operations and profitability. To a lesser extent, the Company also generates revenue from other by-product or co-product metals, such as silver. The price of gold and other commodities has fluctuated widely in recent years and is affected by numerous factors beyond the Company' s control, including:

- levels of supply and demand;
- global or regional consumptive patterns;
- sales by government holders;
- metal stock levels maintained by producers and others;
- increased production due to new mine developments and improved mining and production methods;
- speculative activities;
- inventory carrying costs;
- availability and costs of metal substitutes;
- international economic and political conditions;
- interest rates;
- currency values; and
- inflation.

The market price of gold and other metals may decline from current levels. Declining market prices for gold or other metals could materially adversely affect the Company' s operations and profitability. Further, a decline in the market price of gold may also require the Company to write-down its mineral reserves, which would have a material adverse effect on its earnings and profitability. The Company currently does not enter into forward contracts with respect to or otherwise hedge its potential future gold sales.

The Company' s inability to access additional capital could have a negative impact on its growth strategy.

The Company currently has limited financial resources and operating income, and adequate funding may not be available to further its exploration and development projects. The Company may need to raise additional capital to fund its operations, and such capital may not be available on commercially acceptable terms, if at all.

If the Company is unable to obtain additional capital on commercially acceptable terms, the Company may be forced to reduce or curtail its operations or its anticipated exploration activities. Although the Company has been successful in the past in financing its activities through the sale of equity securities, it may not be able to obtain sufficient financing in the future. Our ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company.

The Company operates in a highly competitive industry with many large competitors, and it expects that competition may intensity in the future.

The gold mining industry is intensely competitive, and the Company competes with other companies that have greater financial and human resources and technical facilities. Competition is primarily for mineral-rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labor and equipment to operate such properties; and the capital to finance the development of such properties. Many of the Company' s competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a worldwide basis and have far greater financial and technical resources than the Company. In addition, the high price of gold is encouraging new entrants to start competing companies and established companies to expand gold mining operations significantly. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties, which could have an adverse effect on our results.

The Company has a limited operating history and therefore cannot ensure the long-term successful operation of its business or the execution of its business plan.

The Company was incorporated on March 17, 2005 and commenced commercial production on April 1, 2010. As a result, the Company has a very limited operating history upon which you may evaluate its proposed business and prospects. The Company' s existing and proposed business operations will be subject to numerous risks, uncertainties, expenses and difficulties associated with early stage extractive operations and the exploration and development of new mining properties, as more fully described elsewhere herein.

The Company is subject to particular risks associated with doing business in Mexico, any of which could result in additional costs to the Company and cause its operating results to suffer.

The Company' s only operating mine and all of its exploration properties are located in Mexico. In the past, Mexico has been subject to a number of risks and uncertainties, including:

- terrorism and hostage taking;
- expropriation or nationalization without adequate compensation;
- difficulties enforcing judgments obtained in Canadian or United States courts against assets located outside of those jurisdictions;
- labor unrest;
- high rates of inflation;
- changes to royalty and tax regimes;
- substantial fluctuations in currency exchange rates;
- volatile local political and economic developments;
- difficulty understanding and complying with the regulatory and legal framework respecting the ownership and maintenance of mineral properties, mines and mining operations; and
- difficulty obtaining key equipment and components for equipment.

Any of these factors, among others, may cause changes in the existing business or regulatory environment in Mexico with respect to mineral exploration and mining activities, which could result in additional costs to the Company and thereby cause its operating results to suffer.

In addition, the enforcement by the Company of its legal rights to exploit its properties may not be recognized by the government of Mexico or by its court system. These risks, along with any variation from the current regulatory, economic and political climate may limit or disrupt the Company' s operations, restrict the movement of funds or result in the deprivation of contractual rights.

The Company' s business is subject to various governmental regulations, and compliance with these regulations may cause the Company to incur significant expenses. If the Company fails to maintain compliance with applicable regulations, it may be forced to pay fines, be subject to civil penalties or be forced to temporarily halt or cease operations.

The Company' s business is subject to a variety of federal, state, provincial and local laws and regulations in Mexico and Canada, including:

- environmental protection;
- management and use of toxic substances and explosives;
- management of natural resources;
- exploration, development, production and post-closure reclamation of mines;
- imports and exports;
- price controls or production restrictions;
- taxation;
- mining royalties;
- labor standards and occupational health and safety, including mine safety; and
- historical and cultural preservation.

The Company' s activities relating to the Mine are subject to, among other things, regulations promulgated by SEMARNAP, Mexico' s environmental protection agency; DGM, the Mexican Department of Economy−Director General of Mines; and the regulations of CONAGUA, the Comision National del Aqua with respect to water rights. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations, changes to existing laws and regulations or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of the Company' s operations and delays in the development of its properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the Company' s past and current operations, or possibly even those actions of parties from whom the Company acquired its properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It is difficult to strictly comply with all regulations imposed on the Company, and even with the application of considerable care the Company may inadvertently fail to comply with certain laws. Such events can lead to fines, penalties, loss, reduction or expropriation of entitlements, the imposition of additional local or foreign parties as joint venture partners and other material negative impacts on the Company.

If the Company is unable to hire, train, deploy and manage qualified personnel in a timely manner, particularly in Mexico, its ability to manage and grow its business will be impaired.

Recruiting and retaining qualified personnel is critical to the Company' s success. The Company is dependent on the services of key executives including our President and Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company' s interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company' s business activity grows, the Company will require additional key financial, administrative and mining personnel as well as additional operations staff, particularly in Mexico. The Company may not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of its operations could be impaired, which could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

It may be particularly difficult to find or hire qualified personnel in the mining industry who are situated in Mexico, to obtain all of the necessary services or expertise in Mexico, or to conduct operations on the Company' s projects at reasonable rates. If qualified personnel cannot be obtained in Mexico, the Company may need to obtain those services outside of Mexico, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Company.

The Company may be unable to obtain or renew required government permits, or may only be able to do so at significant expense, which may harm its operating results.

In the ordinary course of business, the Company is required to obtain and renew governmental permits and licenses for the operation and expansion of existing operations or for the development, construction and commencement of new operations. Obtaining or renewing the necessary governmental permits and licenses is a complex and time-consuming process, often involving public hearings and costly undertakings on the Company' s part.

The duration and success of the Company' s efforts to obtain and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the permitting authority. The Company may not be able to obtain or renew permits or licenses that are necessary to its operations, or the cost to obtain or renew permits or licenses may exceed what the Company believes it can recover from a given property once in production. Any unexpected delays or costs associated with the permitting and licensing process, including challenges to the terms of such permits or licenses, whether successful or unsuccessful, could delay the development or impede the operation of a mine, which could adversely impact the Company' operations and profitability.

In order for the Company to carry out its mining activities, its exploitation licenses must be kept current. There is no guarantee that the Company' s exploitation licenses will be extended or that new exploitation licenses will be granted. In addition, such exploitation licenses could be changed and applications to renew existing licenses may not be approved. The Company may also be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties, and will also be required to obtain and comply with permits and licenses that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. The Company may not be able to comply with any such conditions.

Failure to discover new reserves, maintain or enhance existing reserves or develop new operations could negatively affect the Company' s future results and financial condition.

The long-term operation of the Company' s business and its profitability is dependent, in part, on the cost and success of its exploration and development programs. Most of the Company' s properties are in the exploration and development stages and only the San Francisco property has a mineralization considered a probable mineral reserve pursuant to CIM standards. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The Company' s mineral exploration and development programs may not result in any discoveries of bodies of commercially viable mineralization, and even if commercial quantities of mineralization are discovered, the Company may not be able to bring the mineral property into commercial production. Development of the Company' s mineral properties will follow only upon obtaining satisfactory exploration results. Discovery of mineral deposits is dependent upon a number of factors, not the least of which is the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade and proximity to infrastructure), metal prices, anticipated capital and operating costs and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Most of the above factors are beyond the Company' s control. As a result, the Company' s acquisition, exploration and development programs may not yield new reserves to replace or expand current reserves. Unsuccessful exploration or development programs could have a material adverse impact on the Company' s operations and profitability.

In addition, the Company' s ability to sustain its present levels of gold production is dependent upon the identification of additional reserves at the Mine. If the Company is unable to develop new ore bodies, it may not be able to sustain or increase present production levels. Reduced production would have a material and adverse impact on future cash flows, results of operations and financial condition.

The Company is subject to various operating risks and hazards associated with its exploration and mining operations, any of which could cause it to incur substantial expenses or affect the economic feasibility of its projects. The Company may be unable to insure against such risks, or to insure against such risks at a reasonable cost.

The ownership, operation and development of a mine or mineral property involves many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include:

- environmental hazards;
- industrial accidents, explosions and third party accidents;
- the encountering of unusual or unexpected geological formations;
- ground falls, rock bursts, cave-ins and seismic activity including earthquakes;
- fires and flooding;
- metallurgical and other processing problems, including the availability and costs of processing and refining facilities;
- availability of economic sources of power;
- variations in grade, deposit size, density and other geological problems;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- mechanical equipment performance problems;
- unavailability or significant changes in the cost of materials and equipment including fuel;
- labor force disruptions;
- title claims, including aboriginal land claims;
- unanticipated transportation costs; and
- periodic interruptions due to inclement or hazardous weather conditions.

These occurrences could result in:

- environmental damage and liabilities;
- work stoppages, delayed production and resultant losses;
- increased production costs;
- damage to, or destruction of, mineral properties or production facilities and resultant losses;
- asset write downs;
- monetary losses;
- claims for compensation of loss of life and/or damages in connection with accidents that occur on company property, and punitive awards in connection with those claims; and
- other liabilities.

These factors, among others, may cause anticipated capital and operating costs, production and economic returns, or other estimates to differ significantly from the Company' s actual capital and operating costs. It is not always possible to fully insure against such risks and the Company may decide not to insure against such risks due to high premiums or for other reasons. Should any such uninsured liabilities arise, they could adversely impact the Company' s profitability.

The Company' s operations are dependent on the accessibility and reliability of existing local infrastructure, and its exploration activities are dependent upon adequate infrastructure being available in the future.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company' s projects. If adequate infrastructure is not available in a timely manner, the exploitation or development of the Company' s projects may not be commenced or completed on a timely basis, if at all. In addition, the resulting operations may not achieve the anticipated production volume, or the construction costs and ongoing operating costs associated with the exploitation and/or development of the Company' s advanced projects will be higher than anticipated. In addition, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company' s operations and profitability.

The Company is subject to extensive environmental regulation, and any failure of compliance could result in fines or government sanctions, civil liabilities and damage to its reputation.

All phases of the Company' s operations are subject to environmental laws and regulations. These laws and regulations set certain standards regarding health and environmental quality, and provide for penalties and other liabilities for violations, as well as obligations to rehabilitate current and former properties in certain circumstances.

Furthermore, operating permits could be temporarily withdrawn where there is evidence of serious breaches of health and safety, or even permanently, in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws. In addition, environmental legislation in Mexico is generally evolving in a manner which will require stricter standards and will be subject to increased enforcement, fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Such changes in environmental regulation, if any, may adversely impact the Company' s operations and profitability.

Land reclamation requirements may be burdensome.

Land reclamation requirements are generally imposed on companies with mining operations in order to minimize the long term effects of land disturbance, and the Company is subject to such requirements at its mineral properties. Reclamation obligations include requirements to:

- control dispersion of potentially harmful effluents; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations arising from exploration and development activities, the Company must allocate financial resources that might otherwise be spent on further exploration and development programs. If the Company is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

The Company' s production and exploration depend on its ownership of, or control over, the properties on which it operates, and maintaining existing property rights or obtaining new rights is a highly competitive and costly process.

The Company' s ability to carry out successful mining activities will depend in part on its ability to obtain tenure to its properties to the satisfaction of international lending institutions. The issue of any such licenses must be in accordance with Mexican law and, in particular, relevant mining legislation. The validity of mining or exploration titles or claims or rights, which constitute most of the Company' s property holdings, can be uncertain and may be contested. The Company has used reasonable commercial efforts to investigate its title or claims to its various properties and, to its knowledge, except where it has otherwise identified, those titles or claims to material properties are in good standing. However, the Company has not conducted surveys of all the claims in which it holds direct or indirect interests and therefore, the precise area and location of such claims may be in doubt. The Company' s properties may also be subject to prior unregistered liens, agreements or transfers, native land claims or undetected title defects. The Mexican government may revoke or significantly alter the conditions of the applicable exploration and mining titles or claims, and such exploration and mining titles or claims may be challenged or impugned by third parties, which could materially impact the Company' s rights to its various properties or interests. Title insurance is generally not available for mining properties, and the Company' s ability to ensure that it has obtained secure claims to individual mineral properties or mining concessions may be severely constrained.

Mines have limited lives and, as a result, the Company continually seeks to replace and expand reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in areas where the Company would consider conducting exploration and/or production activities. Because the Company faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does, the Company may be unable to acquire attractive new mining properties on terms that it considers acceptable. Competition in the mining business for limited sources of capital could adversely impact the Company' s ability to acquire and develop suitable mines, developmental projects or properties having significant exploration potential. As a result, the Company' s acquisition and exploration programs may not yield new mineral reserves to replace or expand current mineral reserves.

The process of estimating mineral reserves and resources is subject to inherent uncertainties, and reported reserves may not accurately reflect the economic viability of the Company' s properties.

There is a degree of uncertainty attributable to the calculation of mineral reserves and mineral resources. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral and reserve grades must be considered as estimates only. Levels of metals indicated by such mineral reserves or mineral resources may not be produced, and the Company may not receive the price assumed in determining its reserves.

These estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the reserve and resource estimates included in this MD&A are well established and reflect management' s best estimates, by their nature reserve and resource estimates are imprecise and depend, to a certain extent, upon analysis of drilling results and statistical inferences that may ultimately prove unreliable.

Furthermore, fluctuations in the market price of metals, as well as increased capital or production costs or reduced recovery rates may render ore reserves uneconomic and may ultimately result in a reduction of reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of reserves or resources is always influenced by economic and technological factors, which may change over time. Resource estimates may not ultimately be reclassified as proven or probable reserves. If the Company' s reserve or resource figures are inaccurate or are reduced in the future, this could have an adverse impact on its future cash flows, earnings, results of operations and financial condition.

In estimating its reserves and resources, the Company relies on laboratory-based recovery models to project estimated recoveries by ore type at optimal crush sizes. Actual gold recoveries in a commercial heap leach operation may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work and work interruptions, among other things. Short term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. Minerals recovered in small scale laboratory tests may not be duplicated in large scale tests under on-site conditions or in production-scale operations. Material changes in proven and probable reserves or resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources the Company discloses should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering at the Mine. The Company believes these experts are competent and that they have and will carry out their work in accordance with all internationally recognized industry standards. If, however, the work conducted and to be conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

The process of estimating future mine production and related costs are subject to inherent uncertainties, and actual results may differ materially from such estimates.

The Company periodically prepares estimates of future mine production and future production costs for the Mine. There can be no assurance that the Company will achieve these production estimates. These production estimates are dependent on, among other things, the accuracy of underlying mineral reserve estimates; the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores; equipment and mechanical availability; labor availability; facilities and infrastructure; having sufficient materials and supplies on hand; and the accuracy of estimated rates and costs of mining and processing. Failure to achieve production estimates could have a material and adverse effect on any or all of the Company' s future cash flows, results of operations and financial condition.

The Company' s actual production and costs may vary from its estimates for a variety of reasons, including actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors, such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; and the risks and hazards associated with mining described above under "–The Company is subject to various operating risks and hazards associated with its exploration and mining operations, any of which could cause it to incur substantial expenses or affect the economic feasibility of its projects. The Company may be unable to insure against such risks, or to insure against such risks at a reasonable cost." In addition, metal recoveries in small scale laboratory tests may not be duplicated in larger scale tests under on-site conditions or during production, and known and experienced recoveries may not continue.

Costs of production may also be affected by changing stripping ratios, ore grade metallurgy, labor costs, costs of supplies and services (such as, for example, fuel and power), general inflationary pressures and currency exchange rates. Failure to achieve cost estimates could have a material and adverse effect on any or all of the Company' s future cash flows, results of operations and financial condition.

The expansion and development of the Company' s mining properties is uncertain and subject to risk.

The development of the Company' s properties that are found to be economically feasible will require the expansion and improvement of existing mining operations, as well as the construction and operation of additional mines, processing plants and related infrastructure. As a result, the Company is subject to all of the risks associated with establishing and expanding mining operations and business enterprises including:

- the timing and cost, which will be considerable, of the construction of additional mining and processing facilities;
- the availability and costs of skilled labor, power, water, transportation and mining equipment;
- the availability and cost of appropriate smelting and/or refining arrangements;
- the need to obtain necessary environmental and other governmental approvals, permits and licenses, and the timing of those approvals, permits and licenses; and
- the availability of funds to finance construction and development activities.

It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Accordingly, the Company may not be able to successfully develop and expand mining operations or profitably produce precious metals at its exploration or development-stage properties.

The Company' s results may be negatively affected by currency exchange rate fluctuations.

Fluctuations in currency exchange rates, particularly the weakening or strengthening of the U.S. dollar (being the currency in which the Company' s products are sold) against the Mexican peso (being the currency in which the majority of the Company' s capital and operating costs are incurred), could have a significant impact on the Company' s results of operations. The Company does not currently have a formal policy of actively managing such currency fluctuations, and therefore, such fluctuations may have a significant impact on its financial results in any given period.

Some of the Company' s directors and officers have interests that may be different than the Company' s interests.

Some of the Company' s directors and officers are engaged and will continue to be engaged in the search for additional business opportunities on behalf of other companies, and situations may arise where these directors and officers will be in direct competition with the Company. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the Business Corporations Act (British Columbia). Some of the Company' s directors and officers are or may become directors or officers of other companies engaged in other business ventures.

In order to avoid potential conflicts of interest which may arise between the directors' and officers' duties to the Company and their duties to other companies, the Company' s directors and officers have agreed to the following:

- participation in other business ventures will be allocated on the basis of prudent business judgment and the relative financial abilities and needs of the companies to participate;
- no commissions or other extraordinary consideration will be paid to such directors and officers; and
- business opportunities arising through other companies in which such directors and officers are involved will not be offered to the Company except on the same or better terms than the basis on which they are offered to third party participants.

In addition, the Company' s Corporate Governance and Nominating Committee has developed, and its board of directors has adopted, guidelines which require all directors to disclose all conflicts of interest and potential conflicts of interest to the Company.

The Company may pursue strategic transactions in the future, which could be difficult to implement, disrupt its business or change its business profile significantly.

The Company will continue to consider opportunistic strategic transactions, which could involve acquisitions or dispositions of assets. Any future strategic transaction could involve numerous risks, including:

- potential disruption of the Company' s ongoing business and distraction of management;
- difficulty integrating acquired businesses or segregating assets to be disposed of;
- exposure to unknown and/or contingent or other liabilities, including litigation arising in connection with the acquisition, disposition and/or against any businesses the Company may acquire, and
- changing the Company' s business profile in ways that could have unintended consequences.

If the Company enters into significant strategic transactions in the future, related accounting charges may affect its financial condition and results of operations, particularly in the case of any acquisitions. In addition, the financing of any significant acquisition may result in changes in its capital structure, including the incurrence of additional indebtedness. Conversely, any material disposition could reduce its indebtedness or require the amendment or refinancing of a portion of its outstanding indebtedness. The Company may not be successful in addressing these risks or any other problems encountered in connection with any strategic transactions.

Risk Factors Relating to the Company' s Common Shares

The Company does not intend to pay dividends for the foreseeable future.

The Company has never declared or paid any cash dividends on the Company' s common shares and does not intend to pay any cash dividends in the foreseeable future. The Company anticipates that it will retain all of its future earnings for use in the development of its business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of the Company' s board of directors. In addition, from time to time the Company may enter into agreements that restrict its ability to pay dividends.

The price of the Company' s common shares may be volatile.

The trading price of the Company' s common shares has been and may continue to be subject to material fluctuations and may increase or decrease in response to a number of events and factors, including:

- changes in the market price of the commodities the Company sells and purchases, particularly gold and silver;
- current events affecting the economic situation and exchange rates in Canada, the United States, Mexico and internationally;
- changes in financial estimates and recommendations by securities analysts;
- acquisitions and financings;
- quarterly variations in operating results;

- the operating and share price performance of other companies that investors may deem comparable;
- the issuance of additional equity securities by the Company or the perception that such issuance may occur; and
- purchases or sales of blocks of the Company' s common shares.

Part of this volatility may also be attributable to the current state of the stock market, in which wide price swings are common. This volatility may adversely affect the prices of the Company' s common shares regardless of the Company' s operating performance and could cause the market price of the Company' s common shares to decline.

The Company may issue additional equity securities which may reduce the Company's earnings per share.

The Company has in the past issued and may continue to issue equity securities to finance its activities, including in order to finance working capital requirements, capital expenditures and acquisitions. If the Company issues additional common shares, your percentage ownership of the Company will decrease and you may experience dilution in the Company' s earnings per share. Moreover, as the Company' s intention to issue any additional equity securities becomes publicly known, the common share price may be materially and adversely affected.

If securities analysts or industry analysts downgrade the Company's common shares, publish negative research or reports, or do not publish reports about the Company's business, the price of and trading volume of the Company's common shares could decline.

The trading market for the Company' s common shares will be influenced by the research and reports that industry or securities analysts publish about the Company, its business and its market. If one or more analysts adversely change their recommendation regarding the Company' s common shares or its competitors' securities, the price of the Company' s common shares would likely decline. If one or more analysts cease covering or fail to regularly publish reports about the Company, it could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. In addition, the Company' s common shares price could be adversely affected by negative stories written or broadcast about it.

Holders of the Company's common shares may experience dilution when outstanding options and warrants are exercised, or as a result of additional securities offerings.

There are a number of outstanding options and warrants pursuant to which additional common shares of the Company may be issued in the future. Exercise of such options and warrants may result in dilution to the Company shareholders. In addition, if the Company raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

CAUTIONARY NOTE TO U.S. INVESTORS

The Company is subject to the reporting requirements of the applicable Canadian securities laws, and as a result it reports its mineral reserves and resources according to Canadian standards. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The definitions of NI 43-101 are adopted from those given by the Canadian Institute of Mining, Metallurgy and Petroleum. U.S. reporting requirements are governed by Industry Guide 7 ("Guide 7") of the Securities and Exchange Commission (the "Commission"). These reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody different approaches and definitions. For example, under Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. In particular, the Company reports "resources" in accordance with NI 43-101. While the terms "Mineral Resource," "Measured Mineral Resource," "Indicated Mineral Resource" and "Inferred Mineral Resource" are recognized and required by Canadian regulations, they are not defined terms under standards of the Commission and generally, U.S. companies are not permitted to report resources in documents filed with the Commission. As such, certain information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards is not comparable to similar information made public by United States companies subject to the reporting and disclosure requirements of the Commission.

In addition, an Inferred Mineral Resource has a great amount of uncertainty as to its existence and as to its economic and legal feasibility, and it cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. It cannot be assumed that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves, and it cannot be assumed that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable. In addition, the definitions of “Proven Mineral Reserves” and “Probable Mineral Reserves” under CIM standards differ in certain respects from the standards of the Commission.

U.S. GAAP

The consolidated financial statements of the Company have been prepared by management in accordance with IFRS (Note 2 of the consolidated financial statements), which differ in certain material respects from accounting principles generally accepted in the United States of America (“U.S. GAAP”). Accordingly, the financial data presented herein may not be comparable to the financial data of U.S. companies.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements and information contained in this MD&A and the documents incorporated by reference in this MD&A constitute "forward-looking statements" within the meaning of applicable U.S. securities laws and “forward-looking information” within the meaning of applicable Canadian securities laws, which we refer to collectively as "forward-looking statements". Forward-looking statements are statements and information regarding possible events, conditions or results of operations that are based upon assumptions about future economic conditions and courses of action. All statements and information other than statements of historical fact may be forward-looking statements. In some cases, forward-looking statements can be identified by the use of words such as “seek”, “expect”, “anticipate”, “budget”, “plan”, “estimate”, “continue”, “forecast”, “intend”, “believe”, “predict”, “potential”, “target”, “may”, “could”, “would”, “might”, “will” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking statements in this MD&A and the documents incorporated herein by reference include, but are not limited to statements and information regarding: the Company's future mining activities, including mining capacity, recoveries, cash costs, production and mine life; the Company's reserves and resources estimates; the Company’ s exploration and development plans, including anticipated costs and timing thereof; the Company’ s plans for growth through exploration activities, acquisitions or otherwise; and expectations regarding future maintenance and capital expenditures, working capital requirements, the availability of financing and future effective tax rates.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited to: that contracted parties provide goods and/or services in a timely manner, that no unusual geological or technical problems occur, that plant and equipment function as anticipated and that there is no material adverse change in the price of gold, costs associated with production or recoveries.

Forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements, or industry results, to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and you are cautioned not to place undue reliance on forward-looking statements contained herein. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking statements contained in this MD&A and the documents incorporated herein by reference include, but are not limited to: risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations; results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company’ s expectations; risks relating to possible variations in reserves, resources, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined; mining and development risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development; the potential for delays in exploration or development activities or the completion of feasibility studies; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; risks related to commodity price and foreign exchange rate fluctuations; the uncertainty of profitability based upon the cyclical nature of the industry in which the

Company operates; risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities; risks related to environmental regulation and liability; political and regulatory risks associated with mining and exploration; risks related to the uncertain global economic environment; and other factors contained in the section entitled "Risks and Uncertainties" in this MD&A.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in the forward-looking statements, you are cautioned that this list is not exhaustive and there may be other factors that the Company has not identified. Furthermore, the Company undertakes no obligation to update or revise any forward-looking statements included in, or incorporated by reference in, this MD&A if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

QUALIFIED PERSON

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.

Exhibit 99.3

TIMMINS GOLD CORP

CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended December 31, 2011
and year ended March 31, 2011

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Independent Auditor' s Report

To the Shareholders of Timmins Gold Corp.

We have audited the accompanying consolidated financial statements of Timmins Gold Corp., which comprise the consolidated statements of financial position as at December 31, 2011, March 31, 2011 and April 1, 2010, and the consolidated statements of earnings and comprehensive loss, changes in equity and cash flows for the nine-month period ended December 31, 2011 and year ended March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management' s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor' s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor' s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity' s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity' s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Timmins Gold Corp. as at December 31, 2011, March 31, 2011 and April 1, 2010 and its financial performance and its cash flows for the nine-month period ended December 31, 2011 and year ended March 31, 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ Deloitte & Touche LLP
Chartered Accountants
Vancouver, British Columbia
March 28, 2012

Membre de / Member of Deloitte Touche Tohmatsu

TIMMINS GOLD CORP.
CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME
(Expressed in US dollars)

	Note	**Nine months ended December 31, 2011**	Year ended March 31, 2011
			(Note 23)
Metal revenues		**$ 90,768,679**	$ 83,080,428
Cost of sales	5	**42,317,395**	40,192,963
Gross profit		**48,451,284**	42,887,465
Corporate and administrative expenses	5	**11,875,283**	7,761,054
Profit from operations		**36,576,001**	35,126,411
Other (expense) income, net		**(33,274)**	19,498
Finance expense	5	**(2,549,550)**	(12,810,430)
Loss on warrant liability	12	**(1,003,240)**	(3,677,544)
Foreign exchange loss		**(275,615)**	(46,490)
Profit before income tax		**32,714,322**	18,611,445
Income tax expense			
Current income tax	15	**5,327,395**	678,777
Deferred income tax	15	**6,513,315**	11,342,178
		11,840,710	12,020,955
Earnings and comprehensive income for the period		**$ 20,873,612**	$ 6,590,490
Weighted average shares outstanding:			
Basic		**138,591,964**	134,792,996
Diluted		**143,022,181**	139,680,868
Earnings per share:			
Basic	16	**$0.15**	$0.05
Diluted	16	**$0.15**	$0.05

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

TIMMINS GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US dollars)

	Note	**Nine months ended December 31, 2011**	Year ended March 31, 2011
			(Note 23)
OPERATING ACTIVITIES			
Profit before income tax		**$32,714,322**	$ 18,611,445
Items not affecting cash:			
Depletion and depreciation	5	**7,782,147**	6,935,347
Finance expense	5	**2,549,550**	12,810,430
Loss on warrant liability	12	**1,003,240**	3,677,544
Share-based payments	14b)	**5,361,371**	687,928
Foreign exchange loss		**275,615**	67,231
Asset write-down		**-**	1,358,403
Finance expense paid		**(1,274,384)**	-
Income tax paid		**(1,987,433)**	-
Changes in non-cash working capital items:			
Trade and other receivables		**(5,224,308)**	2,316,623
Inventories		**(16,619,291)**	(7,756,361)
Advances and prepaid expenses		**(2,165,197)**	42,027
Trade payables and accrued liabilities		**1,614,255**	3,993,375
Cash flows provided by operating activities		**24,029,887**	42,743,992
INVESTING ACTIVITIES			
Expenditures on mineral properties, plant and equipment		**(29,176,716)**	(29,184,394)
Restricted cash		**1,810,722**	(1,765,970)
Other		**-**	(6,137)
Cash flows used in investing activities		**(27,365,994)**	(30,956,501)
FINANCING ACTIVITIES			
Proceeds of long-term debt, net of transaction costs		**18,168,550**	-
Repayment of long-term debt		**(12,558,895)**	(15,613,712)
Shares issued for cash		**2,021,805**	6,547,394
Cash flows provided by (used in) financing activities		**7,631,460**	(9,066,318)
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(70,205)**	243,922
Increase in cash		**4,225,148**	2,965,095
Cash, beginning of period		**5,639,859**	2,674,764
Cash, end of period		**$9,865,007**	$ 5,639,859

Supplemental disclosure with respect to cash flows (Note 17)

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

TIMMINS GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in US dollars)

	Note	**December 31, 2011**	March 31, 2011	April 1, 2010
			(Note 23)	(Note 23)
ASSETS				
Current				
Cash		**$ 9,865,007**	$ 5,639,859	$ 2,674,764
Restricted cash	10	**-**	1,765,970	-
Trade and other receivables	6	**8,253,803**	4,184,271	6,272,539
Inventories	7	**29,182,801**	14,321,775	6,372,361
Advances and prepaid expenses		**2,759,943**	594,746	650,823
Due from related party		**-**	-	91,966
Total current assets		**50,061,554**	26,506,621	16,062,453
Mineral properties, plant and equipment	8	**107,677,591**	87,203,035	65,914,550
Non-current unprocessed ore stockpile	7	**4,480,769**	-	-
Total assets		**$ 162,219,914**	$ 113,709,656	$ 81,977,003
LIABILITIES				
Current				
Trade payables and accrued liabilities	9	**$ 15,884,416**	$ 9,509,290	$ 4,371,038
Vendor loan	10	**1,725,000**	1,725,000	1,725,000
Current portion of long-term debt	13	**17,245,442**	12,038,469	7,985,273
Warrant liability	12	**-**	3,551,731	-
Total current liabilities		**34,854,858**	26,824,490	14,081,311
Deferred tax liabilities	15	**22,562,255**	16,048,941	3,963,514
Long-term debt	13	**-**	-	7,475,075
Other long-term liabilities	21	**1,137,704**	1,081,438	1,027,881
Provision for site reclamation and closure	11	**2,065,132**	1,607,145	1,232,687
Total liabilities		**60,619,949**	45,562,014	27,780,468
EQUITY				
Issued capital	14	**82,630,432**	75,214,724	47,117,184
Convertible preference shares	14	**-**	-	13,665,620
Share-based payment reserve		**9,169,072**	4,006,069	4,085,189
Share purchase warrants	12	**-**	-	2,574,174
Retained earnings (deficit)		**9,800,461**	(11,073,151)	(13,245,632)
Total equity		**101,599,965**	68,147,642	54,196,535
Total liabilities and equity		**$ 162,219,914**	$ 113,709,656	$ 81,977,003

Commitments and contingencies (Note 21)
Subsequent events (Note 24)
Approved by the Directors

"Bruce Bragagnolo" Director ***"Eugene Hodgson"*** Director

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

TIMMINS GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in US dollars)

	Number of common shares	Issued capital	Convertible preference shares	Share-based payment reserve	Share purchase warrants	Retained earnings (deficit)	Total equity
Balance at April 1, 2011	**136,964,194**	**$ 75,214,724**	**$ -**	**$ 4,006,069**	**$ -**	**$ (11,073,151)**	**$ 68,147,642**
Earnings for the period	**-**	**-**	**-**	**-**	**-**	**20,873,612**	**20,873,612**
Share-based payments	**-**	**-**	**-**	**5,361,371**	**-**	**-**	**5,361,371**
Issue of shares on exercise of share options	**1,025,000**	**469,115**	**-**	**-**	**-**	**-**	**469,115**
Reclassification of grant date fair value on exercise of share options	**-**	**198,368**	**-**	**(198,368)**	**-**	**-**	**-**
Issue of shares on exercise of share purchase warrants	**2,000,000**	**1,552,690**	**-**	**-**	**-**	**-**	**1,552,690**
Reclassification of fair value on exercise of share purchase warrants	**-**	**4,554,971**	**-**	**-**	**-**	**-**	**4,554,971**
Shares issued for financing costs (Note 13)	**301,933**	**640,564**	**-**	**-**	**-**	**-**	**640,564**
Balance at December 31, 2011	**140,291,127**	**$ 82,630,432**	**$ -**	**$ 9,169,072**	**$ -**	**$ 9,800,461**	**$ 101,599,965**
Balance at April 1, 2010 (Note 23)	115,071,514	$ 47,117,184	$ 13,665,620	$ 4,085,189	$ 2,574,174	$ (13,245,632)	$ 54,196,535
Earnings for the year	-	-	-	-	-	6,590,490	6,590,490
Reclassification of share purchase warrants on change in functional currency	-	-	-	-	(2,574,174)	(4,418,009)	(6,992,183)
Share-based payments	-	-	-	687,928	-	-	687,928
Issue of shares on exercise of share options	1,540,000	908,252	-	-	-	-	908,252
Reclassification of grant date fair value on exercise of share options	-	767,048	-	(767,048)	-	-	-
Issue of shares on exercise of share purchase warrants	9,352,680	5,638,624	-	-	-	-	5,638,624
Reclassification of fair value on exercise of share purchase warrants	-	7,117,996	-	-	-	-	7,117,996
Conversion of preference shares to common shares	11,000,000	13,665,620	(13,665,620)	-	-	-	-
Balance at March 31, 2011 (Note 23)	136,964,194	$ 75,214,724	$ -	$ 4,006,069	$ -	$ (11,073,151)	$ 68,147,642

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

1. NATURE OF OPERATIONS

Timmins Gold Corp. ("the Company") was incorporated on March 17, 2005 under the laws of the Province of British Columbia, Canada. The Company is in the business of acquiring, exploring, developing and operating mineral resource properties in Mexico, through its wholly-owned subsidiaries, Timmins Goldcorp Mexico, S.A. de C.V and Molimentales del Noroeste, S.A. de C.V. ("MdN") (collectively "the subsidiaries"). MdN owns the San Francisco Mine which was placed into commercial production on April 1, 2010. The Company is listed for trading on the Toronto Stock Exchange under the symbol TMM and the New York Stock Exchange AMEX under the symbol TGD. The registered office of the Company is located at Suite 1900 - 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1.

2. BASIS OF PREPARATION

a) Change of year-end

In December, 2011, the Company changed its fiscal year-end from March 31 to December 31 in order to coincide with the financial reporting periods of other precious metal producing companies. As a result of this change, these audited consolidated financial statements are for the nine months ended December 31, 2011 and amounts presented are not comparable as the comparative period is the year ended March 31, 2011.

b) Statement of compliance

These audited consolidated financial statements ("consolidated financial statements") represent the Company' s first non- interim consolidated financial statements under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") with full note disclosures required for annual financial statements. IFRS represents standards and interpretations approved by the IASB and the Canadian Institute of Chartered Accountants, and are comprised of IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared in accordance with IFRS issued by the IASB. The basis of presentation of these consolidated financial statements is different to that of the Company' s most recent annual audited consolidated financial statements (year ended March 31, 2011) due to the first-time adoption of IFRS. An explanation of how the transition to IFRS, with a transition date of April 1, 2010 ("the transition date"), has affected the reported financial position and financial performance of the Company is provided in Note 23. Note 23 includes reconciliations of the Company' s comparative consolidated statements of financial position, comparative consolidated statements of earnings and comprehensive income and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and as previously reported to those prepared and reported in these consolidated financial statements in accordance to IFRS.

These consolidated financial statements were approved by the Board of Directors and authorized for issue on March 23, 2012.

c) Basis of measurement

These consolidated financial statements have been prepared using the historical cost basis specified by IFRS for each type of asset, liability, income and expense as set out in the accounting policies below, except for certain financial assets and liabilities which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

d) Functional currency and presentation currency

These consolidated financial statements are presented in United States ("US") dollars, except as otherwise noted, which is the functional currency of the Company and each of the Company' s subsidiaries. References to C$ are to Canadian dollars.

2. BASIS OF PREPARATION (Continued)

e) Judgements

The critical judgements that the Company' s management has made in the application of the accounting policies presented in Note 3, apart from the estimations presented in Note 2f), that have the most significant effect on the amounts recognized in these consolidated financial statements are as follows:

i. Functional currency

The functional currency for each of the Company' s subsidiaries is the currency of the primary economic environment in which the respective entity operates; the Company has determined the functional currency of each entity to be the US dollar. Such determination involves certain judgements to identify the primary economic environment. The Company reconsiders the functional currency of its subsidiaries if there is a change in events and/or conditions which determine the primary economic environment.

ii. Operating levels intended by management

Prior to reaching operating levels intended by management, costs incurred are capitalized as part of the costs of related mining properties. Any proceeds generated from incidental metal sales prior to reaching the intended operating levels are offset against the costs capitalized; depletion of such capitalized costs commences upon reaching the intended operating levels. The consolidated statement of earnings and comprehensive income has been impacted by management' s determination that the San Francisco Mine reached the intended operating levels on April 1, 2010.

f) Significant estimates and assumptions

The preparation of the Company' s consolidated financial statements in conformity with IFRS requires management to make estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant estimates and assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

i. Impairments

The Company assesses its mineral properties, plant and equipment assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

ii. Mineral reserves

Proven and probable mineral reserves are the economically mineable parts of the Company' s measured and indicated mineral resources demonstrated by at least a preliminary feasibility study.

2. BASIS OF PREPARATION (Continued)

The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons.

The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the recovery rate, size and grade of the ore body.

Changes in the proven and probable reserves or measured and indicated and inferred mineral resources estimates may impact the carrying value of exploration and evaluation properties, plant and equipment, site reclamation and closure provisions, recognition of deferred tax amounts and depreciation, depletion and amortization.

iii. Depreciation, depletion and amortization

Plants and other facilities used directly in mining activities are depreciated using the units-of-production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Mobile and other equipment are depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment to the extent that the useful life does not exceed the related estimated life of the mine based on proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depreciation, depletion and amortization expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual recovery rates and costs of mining and differences in gold price used in the estimation of mineral reserves.

Significant judgment is involved in the estimation of useful life and residual values for the computation of depreciation, depletion and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

iv. Deferred stripping costs

In determining whether stripping costs incurred during the production phase of a mining property relate to reserves and resources that will be mined in a future period and therefore should be capitalized, the Company makes estimates of the stripping activity over the life of the mining property ("life of mine strip ratio"). Changes in estimated life of mine strip ratios can result in a change to the future capitalization of stripping costs incurred. At December 31, 2011, the carrying amount of stripping costs capitalized was $21,268,332.

v. Inventories

Expenditures incurred, and depreciation, depletion and amortization of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, ore in process and finished metal inventory. These deferred amounts are carried at the lower of average cost or net realizable value ("NRV") and subject to significant measurement uncertainty.

Write-downs of ore in stockpiles, ore in process, and finished metal inventory resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels.

2. BASIS OF PREPARATION (Continued)

Costs are attributed to the ore in process based on current mining costs, including applicable depreciation, depletion and amortization relating to mining operations incurred up to the point of placing the ore on the leach pad. Costs are removed from ore in process based on the average cost per estimated recoverable ounce of gold on the leach pad as the gold is recovered. Estimates of recoverable gold on the leach pads are calculated from the quantities of ore placed on the pads, the grade of ore placed on the leach pads and an estimated percentage of recovery. Timing and ultimate recovery of gold contained on leach pads can vary significantly from the estimates.

The quantities of recoverable gold placed on the leach pads are reconciled to the quantities of gold actually recovered (metallurgical balancing), by comparing the grades of ore placed on the leach pads to actual ounces recovered. The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a pad will not be known until the leaching process is completed.

The allocation of costs to ore in stockpiles, ore in process, and finished metal inventory and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production level, gold prices, and the ultimate estimated recovery for ore in process. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

vi. Provision for site reclamation and closure

Site reclamation and closure provisions are recognized in the period in which they arise and are stated as the present value of estimated future costs. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices. In view of uncertainties concerning environmental rehabilitation, the ultimate costs could be materially different from the amounts estimated.

The estimates of future site reclamation and closure provisions are subject to change based on amendments to applicable laws and legislation. Future changes in site reclamation and closure provisions, if any, could have a material impact and would be reflected prospectively, as a change in accounting estimate.

vii. Deferred taxes

The Company' s provision for income taxes is estimated based on the expected annual effective tax rate. The current and deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company' s provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on life of mine projections internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company' s control, and are feasible and implementable without significant obstacles.

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

2. BASIS OF PREPARATION (Continued)

Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

viii. Share-based payments

Share-based payments are measured at fair value. Options and warrants are measured using the Black-Scholes option pricing model and are measured at fair value at the date of grant and is expensed to profit or loss over each award' s vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries disclosed in Note 1. All inter-company balances and transactions have been eliminated on consolidation.

Control exists where the parent entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases.

b) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (“foreign currencies”) are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Exchange gains and losses are recognized on a net basis in profit or loss for the period.

All entities maintain their financial records in currencies other than the functional currency. To translate the financial records to the functional currency, non-monetary assets and liabilities that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction. Monetary balances are translated at the rates of exchange at the period end date. The translation difference resulting from translating the foreign currencies to the functional currency is recorded as a component of foreign exchange gain and loss.

As of April 1, 2010, the Company and the subsidiaries changed their functional currency from the Canadian dollar to the US dollar due to the commencement of commercial operations and the significant increase in the amount of US dollar revenue and production costs. Previously, the Mexican-based subsidiaries were primarily funded by the Company and had the Canadian dollar as their functional currency. The change in accounting for the Company and the subsidiaries was implemented prospectively from April 1, 2010, with a translation of all balances to US dollars at that date and re- establishment of historical cost for non-monetary assets.

c) Cash equivalents

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of three months or less at acquisition, that are readily convertible to contracted amounts of cash.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Revenue recognition

Metal revenues are earned from the sale of refined metal and ore in process. Revenue from finished metal and ore in process sales is recognized when significant risks and rewards of ownership have passed to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company, the sale price can be measured reliably, the Company has no significant continuing involvement, and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Metal revenues from sales are subject to adjustment upon final settlement based upon metal prices, weights and assays. These adjustments are netted within revenue.

e) Inventories

The Company predominantly produces gold and silver. Inventories consist primarily of unprocessed ore stockpile, ore in process, finished metal inventory (doré inventory), and mining supplies. Doré represents a bar containing predominantly gold by value which must be refined offsite to return saleable metals. These inventories are valued at the lower of cost and NRV after consideration of additional processing, refining and transportation costs. NRV represents the estimated future sales price of the product based on prevailing and long-term metals prices or as determined in long-term sales contracts, less the estimated costs to complete production and bring the product to saleable form.

Write-downs of inventory are recognized in profit or loss as incurred. The Company reverses write-downs in the event that there is a subsequent increase in NRV.

i. Unprocessed ore stockpile

This represents ore that has been mined and is available for further processing. The unprocessed ore stockpile is measured by estimating the number of tonnes added and removed from the stockpile, the number of contained ounces (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to the stockpile based on the current mining cost per tonne incurred up to the point of stockpiling the ore, including applicable overhead, depletion, depreciation and amortization relating to mining operations, and are removed at the average cost per ounce. As the unprocessed ore stockpile will not be further processed within one year of the date of these consolidated financial statements, the net carrying amount related to the stockpile has been classified as non-current unprocessed ore stockpile (Note 7).

ii. Ore in process

The recovery of gold and silver is achieved through heap leaching processes. Costs are added to ore on leach pads based on current mining and processing costs, including applicable overhead, depletion, depreciation and amortization relating to mining operations. Costs are removed from ore on leach pads as ounces are recovered, based on the average cost per ounce of gold in ore in process inventory.

iii. Finished metal inventory

Finished metal inventory consists of gold, silver and doré bars.

iv. Supplies

Supplies include consumables used in operations such as fuel, grinding material, chemicals, and spare parts. NRV is estimated as replacement cost.

Major spare parts and standby equipment are included in plant and equipment when they are expected to be used during more than one period and if they can only be used in connection with an item of plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Mineral properties, plant and equipment

i. Exploration and evaluation costs

Acquisition costs for exploration and evaluation stage properties are capitalized. Exploration and evaluation expenditures incurred on a mineral property are capitalized where management determines there is sufficient evidence that the expenditure will result in a future economic benefit to the Company. All other exploration and evaluation expenditures are expensed as incurred.

Exploration and evaluation expenditures comprise costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Subsequent to completion of a positive economic analysis on a mineral property, capitalized acquisition costs and exploration and evaluation expenditures are reclassified to mineral properties. The Company is in the process of exploring and developing many of its exploration and evaluation properties and has not yet determined the amount of reserves available.

Management reviews the carrying value of mineral properties at each reporting date and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property, or from the sale of the property. Amounts shown for properties represent costs incurred net of write-offs and recoveries.

ii. Mineral property and development costs

Mineral property development costs, including reclassified mineral property acquisition costs and capitalized exploration and evaluation costs, are stated at cost less accumulated amortization and accumulated impairment losses. Costs associated with the commission of new assets, net of incidental revenues, are capitalized as mineral property costs in the period before they are operating in the way intended by management.

The Company capitalizes the cost of acquiring, maintaining, exploring, and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties are amortized using the UOP method based on estimated proven and probable reserves and the costs of abandoned properties are written off in the period in which that decision is made by management.

The Company capitalizes the costs of developing mineral properties that are currently in production until such time that management can conclude the existence of additional proven and probable reserves resulting from the development activities. Upon determination of the additional proven and probable ounces, the development costs are amortized using the UOP method based on the total proven and probable reserves (previous remaining reserves plus new reserves).

Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in profit or loss as incurred. Write-offs due to impairment in value are charged to profit or loss as incurred.

iii. Stripping costs

In open pit mining operations, it is necessary to remove overburden and other waste in order to access the ore body. Stripping costs incurred prior to commercial production are capitalized and deferred as part of the cost of constructing the mine.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mining costs associated with stripping activities during the production phase of a mine are variable production costs that are included in the costs of the inventory during the period that the stripping costs are incurred, unless the stripping activity can be shown to represent a future benefit to the mineral property, in which case stripping costs are capitalized.

A future benefit to the mineral property is demonstrated when access is gained to sources of reserves that will be produced in future periods that would otherwise not have been accessible. The amount capitalized is calculated by multiplying the stripping tonnes mined during the period by the current mining cost per tonne in the open pit.

The Company includes stripping costs in its production costs on an average life of mine stripping ratio basis based on tonnes of material mined. Periods where the ratio of waste material to ore exceeds the average life of mine stripping ratio result in deferral of the excess costs as an asset recorded within mineral properties (Note 8). Periods where the ratio of waste material to ore is lower than the average life of mine stripping ratio result in an inclusion in production costs of an amount of the previously deferred stripping costs.

iv. *Plant and equipment*

Plant and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated site reclamation and closure costs associated with removing the asset, and, where applicable, borrowing costs.

Upon sale or abandonment of any plant and equipment, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in profit or loss for the period. When the parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The cost of replacing or overhauling a component of an item of plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Maintenance and repairs of a routine nature are charged to profit or loss as incurred.

v. *Depletion, depreciation and amortization*

Mineral property costs, excluding stripping costs capitalized during the production phase of a mine, are amortized when commercial production begins using the UOP method based on estimated proven and probable reserves.

Plant and equipment, including major components, are depreciated using the following depreciation methods:

Computer equipment	30% straight line method
Leasehold improvements	20% straight line method
Office furniture and equipment	10% straight line method
Vehicles	25% straight line method
Mine equipment and buildings	UOP method
Plant and equipment	UOP method

Depreciation commences on the date the asset is available for use.

On April 1, 2010, the Company concluded that the San Francisco Mine had achieved a rate of production sufficient for it to be classified as being in commercial production. At December 31, 2011, the estimated remaining life of the mine is six years. This estimate is based on the life of mine plan prepared by the Company, which, in turn, is based on the estimate of the reserves and updated, as necessary, for subsequent revisions and updates to the estimate made based on the results of actual production.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.
Constructive obligations are obligations that derive from the Company' s actions where:

- by an established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and
- as a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Provisions are reviewed at the end of each reporting period and adjusted to reflect management' s current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The accretion of the discount is charged to profit or loss as finance expense.

i. Provision for site reclamation and closure

The Company' s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company records the fair value of a provision for site reclamation and closure as a liability in the period in which it incurred a legal or constructive obligation associated with the reclamation of the mine site and the retirement of tangible long-lived assets that result from the acquisition, construction, development, and/or normal use of the assets.

The obligation is measured initially at fair value based on estimated future cash flows derived using internal information and third party reports. The estimated cost is capitalized and included in the carrying value of the related mineral properties and is amortized using either the straight-line method or UOP method, as appropriate.

The provision is initially discounted using a current market-based pre-tax discount rate and subsequently increased for the unwinding of the discount. The unwinding of the discount is charged to profit or loss as finance expense.

At each reporting date, the Company reviews its provision for site reclamation and closure to reflect the current best estimate. The provision for site reclamation and closure is adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or the market-based pre-tax discount rate, with the offsetting amount recorded to the site reclamation and closure asset included in mineral properties which arises at the time of establishing the provision. The site reclamation and closure asset is amortized on the same basis as the related asset.

It is possible that the Company' s estimate of the site reclamation and closure liability could change as a result of change in regulations, the extent of environmental remediation required, the means and technology of reclamation activities or cost estimates. Any such changes could materially impact the estimated provision for site reclamation and closure. Changes in estimates are accounted for prospectively from the period the estimate is revised.

h) Share-based payments

Certain employees and directors of the Company receive a portion of their remuneration in the form of share options. The fair value of the share options at the date of the grant is charged to profit or loss, with an offsetting credit to share-based payment reserve, over the vesting period. If and when the share options are exercised, the applicable original amounts of share-based payment reserve are transferred to issued capital.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fair value of a share-based payment is determined at the date of the grant. The estimated fair value of share options is measured using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and share price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of the Company.

These estimates involve inherent uncertainties and the application of management' s judgment. The costs of share-based payments are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management' s best estimate of the share options that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in profit or loss with a corresponding charge to share-based payment reserve.

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

No expense is recognized for share options that do not ultimately vest. Charges for share options that are forfeited before vesting are reversed from share-based payment reserve and expensed. For those share options that expire unexercised after vesting, the recorded value remains in share-based payment reserve.

i) Warrant liability

Upon adoption of the US dollar as the Company' s functional currency on April 1, 2010, the Company recorded an adjustment as a result of accounting for share purchase warrants issued using the principles of IAS 39 - *Financial Instruments: Recognition and Measurement* (Note 23). As the exercise price of the share purchase warrants is fixed in Canadian dollars (C$) and the functional currency of the Company is the US dollar, the share purchase warrants are considered a derivative liability in accordance with IAS 32 - *Financial Instruments: Presentation* as a variable amount of cash in the Company' s functional currency will be received on exercise. On April 1, 2010, the fair value of the share purchase warrants was $6,992,183.

These types of share purchase warrants are recognized at fair value using the Black-Scholes option pricing model at the date of issue. Share purchase warrants are initially recorded as a liability at fair value with any subsequent changes in fair value recognized in profit or loss as finance expense.

Upon exercise of share purchase warrants with exercise prices in a currency other than the Company' s functional currency, the share purchase warrants are revalued at the date of exercise and the total fair value of the exercised share purchase warrants is reallocated to equity. The proceeds generated from the payment of the exercise price are also allocated to equity. At December 31, 2011, all share purchase warrants with exercise prices in a currency other than the functional currency had been exercised.

j) Issued capital

Common shares are classified as issued capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from issued capital, net of any tax effects.

k) Financial assets

Financial assets, other than derivatives, are classified as held for trading, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets classified as available-for-sale are measured initially at fair value plus transaction costs and subsequently at fair value with unrealized gains and losses recognized in other comprehensive income except for financial assets that are considered to be impaired, in which case the loss is recognized in profit or loss. The Company has not classified any assets as available for sale for any period presented.

Financial assets classified as loans and receivables are measured initially at fair value plus transaction costs and subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial asset, or, where appropriate, a shorter period. The Company' s cash, restricted cash, trade and other receivables, and due from related party are classified as loans and receivables.

Financial assets classified as FVTPL are measured on initial recognition and subsequently at fair value with unrealized gains and losses recognized in profit or loss. Transaction costs are expensed for assets classified as FVTPL. The Company has not classified any assets as FVTPL for any period presented.

l) Financial liabilities

Financial liabilities, which are trade payables, vendor loan, long-term debt, and other long-term liabilities, are initially recognized at fair value less directly attributable transaction costs. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon recognition as FVTPL. Fair value changes on these liabilities are recognized in profit or loss. The Company' s previously outstanding embedded gold derivative and share purchase warrants with foreign currency exercise prices are classified as FVTPL.

m) Impairment

i. Impairment of financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets, other than financial assets classified as FVTPL, is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence that the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted, and the impact can be reliably measured. Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset' s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against trade and other receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the impaired financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In respect to available-for-sale equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

ii. Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists such as decreases in metal prices, an increase in operating costs, a decrease in mineable reserves or a change in foreign exchange rate, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. In determining the recoverable amount, the Company also considers the net carrying amount of the asset, the ongoing costs required to maintain and operate the asset, and the use, value and condition of the asset.

Where the asset does not generate cash inflows that are independent with other assets, the Company estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. This generally results in the Company evaluating its non-financial assets on a property by property basis.

The recoverable amount is determined as the higher of fair value less costs to sell and the asset’ s value in use. Fair value is determined with reference to discounted estimated future cash flow analysis or on recent transactions involving dispositions of similar properties. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated future production, recoverability of reserves, estimated future commodity prices and the expected future operating and capital costs.

The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense in profit or loss. Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in profit or loss.

n) Taxes

i. Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period.

Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date, and includes adjustments to tax payable or recoverable in respect of previous periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Deferred tax

Deferred tax is accounted for using the liability method, providing for the tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax losses and tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilized, except where the deferred tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amounts of deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilized. To the extent that an asset not previously recognized fulfils the criteria for recognition, a deferred tax asset is recorded.

Deferred tax is measured on an undiscounted basis using the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates and tax laws enacted or substantially enacted at the reporting date. Current and deferred tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

iii. Mining taxes and royalties

Mining taxes and royalties are treated and disclosed as current and deferred taxes if they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is calculated by reference to revenue derived (net of any allowable deductions) after adjustment for items comprising temporary differences.

o) Earnings per share

Basic earnings per share (“EPS”) is calculated by dividing the profit of the Company by the weighted average number of common shares outstanding during the period. For purposes of calculating diluted earnings per share, the proceeds from the potential exercise of dilutive stock options and share purchase warrants with exercise prices that are below the average market price of the underlying shares are assumed to be used in purchasing the Company’ s common shares at their average market price for the period. Share options and share purchase warrants are included in the calculation of dilutive EPS only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such conversion would be anti-dilutive.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets include the cost of developing mineral properties and constructing new facilities.

Borrowing costs are capitalized at the rate of interest applicable to the specific borrowings financing the assets under construction, or, where financed through general borrowings, at a capitalization rate representing the average interest rate on such borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4. CHANGES IN ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the nine months ended December 31, 2011, and have not been applied in preparing these consolidated financial statements. Those that are expected to be applicable to the consolidated financial statements of the Company are discussed below.

Accounting standards effective January 1, 2012

i. Financial instruments disclosure

In October, 2010, the IASB issued amendments to IFRS 7 - *Financial Instruments: Disclosures* that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

ii. Income taxes

In December, 2010, the IASB issued an amendment to IAS 12 - *Income Taxes* that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after January 1, 2012, with earlier adoption permitted.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

Accounting standards effective January 1, 2013

i. Consolidation

In May, 2011, the IASB issued IFRS 10 - *Consolidated Financial Statements*, which supersedes SIC 12 - C*onsolidation - Special Purpose Entities* and the requirements relating to consolidated financial statements in IAS 27 - *Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted under certain circumstances. IFRS 10 establishes control as the basis for an investor to consolidate its investees; and defines control as an investor' s power over an investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor' s returns through its power over the investee.

In addition, the IASB issued IFRS 12 - *Disclosure of Interests in Other Entities,* which combines and enhances the disclosure requirements for the Company' s subsidiaries, joint arrangements, associates and unconsolidated structured entities. The requirements of IFRS 12 include reporting of the nature of risks associated with the Company' s interests in other entities, and the effects of those interests on the Company' s consolidated financial statements.

The Company is currently evaluating the impact that the above standards are expected to have on its consolidated financial statements.

ii. Joint arrangements

In May, 2011, the IASB issued IFRS 11 - *Joint Arrangements* which supersedes IAS 31 - *Interests in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-Monetary Contributions by Venturers.* IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted under certain circumstances. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement.

4. CHANGES IN ACCOUNTING STANDARDS (Continued)

IFRS 11 requires that a joint operator recognize its portion of assets, liabilities, revenues and expenses of a joint arrangement, while a joint venturer recognizes its investment in a joint arrangement using the equity method.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

iii. Fair value measurement

In May, 2011, as a result of the convergence project undertaken by the IASB and the US Financial Accounting Standards Board to develop common requirements for defining and measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 - *Fair Value Measurement*. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements.

IFRS 13 requires that when using a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

iv. Financial statement presentation

In June, 2011, the IASB issued amendments to IAS 1 - *Presentation of Financial Statements* that require an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted.

The Company does not anticipate this amendment to have a material impact on its consolidated financial statements.

v. Stripping costs in the production phase of a surface mine

In October, 2011, the IASB issued IFRIC 20 - *Stripping Costs in the Production Phase of a Surface Mine*. IFRIC 20 clarifies the requirements for accounting for the costs of stripping activity in the production phase when two benefits accrue: (i) usable ore that can be used to produce inventory; and (ii) improved access to further quantities of material that will be mined in future periods. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted and includes guidance on transition for pre-existing stripping assets.

The Company is currently evaluating the impact the new guidance is expected to have on its consolidated financial statements.

Accounting standards effective January 1, 2015

i. Financial instruments

The IASB intends to replace IAS 39 - *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9 - *Financial Instruments* in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November, 2009 and October, 2010, phase one of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company' s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions.

(Expressed in US dollars)

4. CHANGES IN ACCOUNTING STANDARDS (Continued)

In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

5. EXPENSES

Cost of sales for the nine months ended December 31, 2011 and year ended March 31, 2011 are as follows:

	Nine months ended December 31, 2011	Year ended March 31, 2011
Costs of mining	**$ 33,602,000**	$ 39,873,973
Crushing and gold recovery costs	**15,880,957**	11,379,148
Mine site administration costs	**2,923,385**	3,837,892
Deferred stripping	**(6,031,222)**	(15,237,109)
Transport and refining	**245,492**	285,934
Depreciation and depletion	**7,782,147**	6,935,347
Net change in inventories	**(12,085,364)**	(6,882,222)
Cost of sales	**$ 42,317,395**	$ 40,192,963

Corporate and administrative expenses for the nine months ended December 31, 2011 and year ended March 31, 2011 are as follows:

	Note	**Nine months ended December 31, 2011**	Year ended March 31, 2011
Salaries		**$ 2,260,754**	$ 907,004
Consulting and professional fees		**2,217,958**	1,765,405
Investor relations		**498,646**	648,050
Share-based payments	14b)	**5,361,371**	687,928
Travel		**526,516**	328,232
Insurance		**208,270**	74,240
Rent		**273,914**	91,043
Other		**527,854**	263,004
Asset write-down	8	**-**	1,358,403
Acquisition costs		**-**	1,637,745
Corporate and administrative expenses		**$ 11,875,283**	$ 7,761,054

During the year ended March 31, 2011, $1,637,745 was incurred in legal and professional fees relating to the attempted acquisition of a gold company. The acquisition was not completed and as a result these costs have been expensed.

(Expressed in US dollars)

5. EXPENSES (Continued)

Finance expense for the nine months ended December 31, 2011 and year ended March 31, 2011 are as follows:

	Nine months ended December 31, 2011	Year ended March 31, 2011
Loss on Embedded Derivative	**$ 814,870**	$ 4,937,219
Gain on early extinguishment of Gold Loan	**(856,408)**	-
Interest on long-term debt	**1,274,384**	-
Accretion of long-term debt	**1,184,035**	7,791,083
Accretion of provision for site reclamation and closure and other long-term liabilities	**132,669**	82,128
Finance expense	**$ 2,549,550**	$ 12,810,430

6. TRADE AND OTHER RECEIVABLES

	December 31, 2011	March 31, 2011	April 1, 2010
Trade receivable	**$ 1,651,908**	$ 644,475	$ 2,506,337
VAT receivables	**6,234,619**	3,263,059	3,432,336
Other	**367,276**	276,737	333,866
	$ 8,253,803	$ 4,184,271	$ 6,272,539

VAT receivable is value added tax payments made by the Company, which in Mexico and Canada are refundable.

7. INVENTORIES

	December 31, 2011	March 31, 2011	April 1, 2010
Ore in process	**$ 23,174,226**	$ 10,465,571	$ 4,026,130
Finished metal inventory	**-**	623,292	-
Supplies	**6,008,575**	3,232,912	2,346,231
Unprocessed ore stockpile	**4,480,769**	-	-
	33,663,570	14,321,775	6,372,361
Less: non-current unprocessed ore stockpile	**(4,480,769)**	-	-
	$ 29,182,801	$ 14,321,775	$ 6,372,361

(Expressed in US dollars)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Mineral properties	Plant and equipment	Deferred stripping	Exploration and evaluation	Total
Cost					
At April 1, 2011	**$ 47,287,665**	**$ 30,085,448**	**$ 15,237,110**	**$ 1,795,195**	**$ 94,405,418**
Expenditures	**16,212,359**	**7,812,836**	**6,031,222**	**568,242**	**30,624,659**
Disposals	**-**	**(34,389)**	**-**	**-**	**(34,389)**
Change in reclamation obligation	**381,584**	**-**	**-**	**-**	**381,584**
At December 31, 2011	**63,881,608**	**37,863,895**	**21,268,332**	**2,363,437**	**125,377,272**
Accumulated amortization					
At April 1, 2011	**4,150,283**	**3,052,100**	**-**	**-**	**7,202,383**
Amortization expense	**6,105,569**	**4,399,212**	**-**	**-**	**10,504,781**
Disposals	**-**	**(7,483)**	**-**	**-**	**(7,483)**
At December 31, 2011	**10,255,852**	**7,443,829**	**-**	**-**	**17,699,681**
Carrying amount at December 31, 2011	**$ 53,625,756**	**$ 30,420,066**	**$ 21,268,332**	**$ 2,363,437**	**$ 107,677,591**

	Mineral properties	Plant and equipment	Deferred stripping	Exploration and evaluation	Total
Cost					
At April 1, 2010	$ 40,336,932	$ 24,559,229	$ -	$ 1,361,770	$ 66,257,931
Expenditures	6,658,403	5,526,219	15,237,110	1,791,828	29,213,560
Impairments	-	-	-	(1,358,403)	(1,358,403)
Change in reclamation obligation	292,330	-	-	-	292,330
At March 31, 2011	47,287,665	30,085,448	15,237,110	1,795,195	94,405,418
Accumulated amortization					
At April 1, 2010	-	343,381	-	-	343,381
Amortization expense	4,150,283	2,708,719	-	-	6,859,002
At March 31, 2011	4,150,283	3,052,100	-	-	7,202,383
Carrying amount at March 31, 2011	43,137,382	27,033,348	15,237,110	1,795,195	87,203,035
Carrying amount at April 1, 2010	$ 40,336,932	$ 24,215,848	$ -	$ 1,361,770	$ 65,914,550

a) Mineral properties

San Francisco Property

The San Francisco Property is located in Santa Ana, Sonora, Mexico. Commercial production began April 1, 2010, although the Company continues to conduct and incur some exploration and development costs which are being capitalized. The San Francisco Property includes the titles to the Timmins and Timmins II concessions and the Timmins III fraction 1 and 2.

(Expressed in US dollars)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (Continued)

Mineral properties include properties which are under exploration and development and are non-depletable, as well as the San Francisco property, which began commercial production on April 1, 2010. The carrying amounts of these two categories of mineral properties are as follows:

	December 31, 2011	March 31, 2011	April 1, 2010
Non-depletable mineral properties	**$ 5,807,096**	$ 1,800,735	$ 40,336,932
Depletable mineral property (San Francisco Mine)	**47,818,660**	41,336,647	-
	$ 53,625,756	$ 43,137,382	$ 40,336,932

b) Exploration and evaluation

The Company is holding and exploring a number of mineral properties in Mexico which are included in exploration and evaluation.

i. El Capomo Property

The Company has acquired the mineral rights to four claim blocks by staking the Capomo Property in Nayarit, Mexico.

ii. Cocula Property

On July 18, 2007, the Company finalized an option agreement to acquire the Cocula Property in Jalisco, Mexico. The terms of the option agreement required the Company to make a final payment of $1,050,000 on or before July 18, 2011. During the year ended March 31, 2011, management determined that they would not proceed with the final option payment on this property and cumulative expenditures were written off for a total of $1,358,403 during the year ended March 31, 2011.

iii. El Picacho Property

On December 11, 2007, the Company entered into an exploration agreement with the option to acquire a 100% interest in the 11 mining properties that comprise the Picacho Project in Sonora, Mexico. The agreement requires the Company to make a final payment of $1,395,000 on March 31, 2012.

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

The Company has also staked an additional 6,500 hectares surrounding the claims and now controls over 7,200 hectares in the Picacho area.

iv. Other properties

In November 23, 2010, the Company entered into a property option agreement to earn an interest in the San Onesimo, Zindy and San Fernando mineral concessions located in the State of Zacatecas, Mexico. To earn its interest, the Company is required to make payments of up to $2,000,000 at various dates up to January, 2015.

On November 24, 2010, the Company entered into a property option agreement to earn an interest in the Quila mineral concession located in the State of Jalisco, Mexico. To earn its interest, the Company is required to make payments of up to $1,000,000 and incur exploration expenditures of up to $2,000,000 at various dates up to November, 2013.

The Company has received title to the Santa Maria del Oro claim in Jalisco, Onesimo claims in Mazapil-Conception del Oro, and the Patricia and Norma concessions in the Municipality of Trincheras, Sonora, Mexico.

(Expressed in US dollars)

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2011	March 31, 2011	April 1, 2010
Trade payables	**$ 11,631,751**	$ 7,204,741	$ 4,218,118
Income taxes payable	**3,932,113**	678,777	-
Accrued liabilities	**272,671**	1,605,170	144,762
Other	**47,881**	20,602	8,158
	$ 15,884,416	$ 9,509,290	$ 4,371,038

10. VENDOR LOAN AND RESTRICTED CASH

Restricted cash includes amounts not available for use by the Company or subsidiaries.

Under the San Francisco Property Acquisition Agreement signed in 2007 ("the Acquisition Agreement"), the Company was required to purchase certain mine equipment and buildings from the vendor for $4,025,000. Originally, payment for the mine equipment and buildings was to be made at any time prior to March 11, 2010, without interest.

As a result, the full acquisition price of the vendor loan had been discounted at an annualized rate of 6.775% to reflect the implied interest rate. The balance remained unpaid to the vendor after March 11, 2010 due to mutual deferrals and extenuating circumstances as noted below. The balance outstanding at December 31, 2011 was $1,725,000 (March 31, 2011 - $1,725,000; April 1, 2010 - $1,725,000). The balance remains unpaid due to continuing mutual deferrals between the Company and the vendor.

During the year ended March 31, 2011, an order was issued by Mexico Tax Administration Service ("SAT") requiring the Company to directly pay amounts owed under the Acquisition Agreement to SAT rather than to the vendor through a process similar to a garnishment order. This was done to cover liabilities owed by the vendor to SAT. In January, 2011, the order was overturned by a Mexican tax court, which was subsequently appealed by SAT. In May, 2011, a Mexican appellate court judgment was issued confirming that the garnishment order laid down by SAT was imposed with insufficient legal support and the Company started an administrative process to release the 21,046,932 Mexican pesos ($1,810,722) of previously restricted funds. The cash was released from restrictions on July 5, 2011.

At December 31, 2011, the restricted cash balance was $nil (March 31, 2011 - $1,765,970; April 1, 2010 - $nil).

11. PROVISION FOR SITE RECLAMATION AND CLOSURE

Balance at April 1, 2010	$ 1,232,687
Accretion of discounted cash flows	82,128
Change in estimated cash flows and assumptions	292,330
Balance at March 31, 2011	1,607,145
Accretion of discounted cash flows	76,403
Change in estimated cash flows and assumptions	381,584
Balance at December 31, 2011	**$ 2,065,132**

The provision for site reclamation and closure consists of mine closure costs, reclamation and retirement obligations for mine facilities and infrastructure.

(Expressed in US dollars)

11. PROVISION FOR SITE RECLAMATION AND CLOSURE (Continued)

During the nine months ended December 31, 2011 and the year ended March 31, 2011, the Company reassessed its provision for site reclamation and closure based on an independent technical reports and to reflect the additional liability incurred with the commencement of mining operations on April 1, 2010.

The total undiscounted amount of estimated cash flows required to settle the retirement obligations of the San Francisco Property is $2,203,925 (March 31, 2011 - $2,002,051; April 1, 2010 - $1,584,543) The cash flows have been inflated by the rate of 5% which is consistent with the rate used for the year ended March 31, 2011, and discounted using the pre-tax risk-free rate of 1.09% (March 31, 2011 and April 1, 2010 - 3.09%). The provision for site reclamation and closure is not expected to be paid for several years into the future and is intended to be funded from cash balances at the time of the mine closure.

12. WARRANT LIABILITY

At December 31, 2011, the fair value of share purchase warrants issued and outstanding with Canadian dollar exercise prices was $nil (March 31, 2011 - $3,551,731; April 1, 2010 - $6,992,183) due to the share purchase warrants being fully exercised during September, 2011. The fair value of the share purchase warrants on exercise was $4,554,971 and was reclassified to equity along with the C$1,600,000 ($1,552,690) proceeds from exercise. The change in fair value for the nine months ended December 31, 2011 was a loss of $1,003,240 (year ended March 31, 2011 - loss of $3,677,544).

At December 31, 2011, share purchase warrant transactions are summarized as follows:

	Number of share purchase warrants	Weighted average exercise price (C$)
Outstanding at April 1, 2010	11,352,780	0.65
Exercised	(9,352,680)	0.62
Expired	(100)	0.60
Outstanding at March 31, 2011	2,000,000	0.80
Exercised	(2,000,000)	0.80
Outstanding at December 31, 2011	**-**	**-**

13. LONG-TERM DEBT

On January 22, 2010, the Company issued $15,000,000 in notes to Sprott Asset Management LP (the “Gold Loan”). Gold Loan holders were also granted an aggregate of three million share purchase warrants exercisable for 24 months at a price of C$0.80. These share purchase warrants were valued at $1,732,278 using the Black-Scholes option pricing model with the following assumptions: (i) volatility - 101%, (ii) interest rate - 1.22%, (iii) term - 734 days, and (iv) dividends - $nil. The Gold Loan was to be repaid in 12 monthly instalments commencing in September, 2010. Each monthly payment would be the US dollar cash equivalent of 1,667 ounces of gold.

In addition, the Company had guaranteed that the holders of the Gold Loan would receive minimum nominal payments over the term of the loan totalling $18,375,000. The loan was secured by among other things, a first charge on the assets of MdN. After considering the separate recognition of the share purchase warrants referred to above, the debt was recorded at a discount to its face value.

(Expressed in US dollars)

13. LONG-TERM DEBT (Continued)

As a result of the indexation of the principal repayments to the movement in the price of gold, the Company had determined that the Gold Loan contained a derivative, which was embedded in the US dollar denominated debt instrument ("the Embedded Derivative"). This derivative was the equivalent of a series of 12 gold forward sales contracts which mature on each of the principal repayment dates. As a result, the value of the loan was revalued each period to recognize the change in value of the derivative with changes in the value being recorded as finance expense. The loss on revaluation the Embedded Derivative during the nine months ended was $814,870 (year ended March 31, 2011 - $4,937,219). In addition, the debt discount was amortized using the effective interest method to each of the scheduled principal payment dates.

	December 31, 2011	March 31, 2011	April 1, 2010
Accreted principal amount of Gold Loan	**$ -**	$ 9,158,243	$ 14,841,535
Gold Loan embedded derivative fair value	**-**	2,880,226	618,813
	$ -	$ 12,038,469	$ 15,460,348

In May, 2011, the Company reached agreement with Sprott Asset Management LP to renegotiate the Gold Loan and consequently stopped making any further payments.

On June 1, 2011, the Company repaid the Gold Loan for a cash total of $12,558,895, which was the sum of the accreted principal and embedded derivative.

On June 1, 2011, the Company entered into a new C$18,000,000 ($17,245,442) debt agreement ("the debt agreement") with Sprott Resource Lending Partnership, LP. ("the Lender"). The amounts advanced under the terms of the debt agreement were first used to repay the Gold Loan, with the remainder available for working capital purposes, and are repayable in full on July 29, 2012, bearing interest at 1% per month.

The effective interest rate of the debt agreement is 17.05% for the nine months ended December 31, 2011. Under the terms of the debt agreement, the Company has pledged all of its assets (including the assets of its subsidiaries) in favour of the Lender as security over the debt agreement. In addition, the subsidiaries have each provided guarantees to the Lender for the repayment of any amounts advanced to the Company under the terms of the debt agreement.

As part of the refinancing, the Company issued 301,933 common shares to the Lender as payment for a facility bonus and standby facility break fee associated with the new debt agreement. The $640,564 fair value of this share issuance was considered to represent additional transaction costs and have been included as an adjustment to the initial fair value of long-term debt and will be amortized over the term of the loan using the effective interest method.

The current portion of each debt agreement at December 31, 2011, March 31, 2011 and April 1, 2010 is as follows:

	December 31, 2011	March 31, 2011	April 1, 2010
Gold Loan - current portion	**$ -**	$ 12,038,469	$ 7,985,273
Debt agreement - current portion	**17,245,442**	-	-
Total current portion	**$ 17,245,442**	$ 12,038,469	$ 7,985,273

At December 31, 2011, no accrued interest on long-term debt was included in trade payables and accrued liabilities.

(Expressed in US dollars)

14. EQUITY

a) Authorized share capital

- Unlimited number of common shares without par value. These shares have voting rights and their holders are entitled to receive dividend payments.
- Unlimited number of convertible preference shares without par value, with the same rights as the common shares on dissolution and similar events. These shares have no voting rights and are not entitled to dividend payments.

At December 31, 2011, there were 140,291,127 issued and outstanding shares (March 31, 2011 - 136,964,194; April 1, 2010 - 115,071,514).

On July 14, 2008, the Company closed a private placement which consisted of 11,000,000 special warrants at a price of C$1.30 per special warrant, which was exercisable without payment of any additional consideration into a unit consisting of one convertible preference share and a 0.318 convertible share purchase warrant for a total of 3,500,000 share purchase warrants. On September 30, 2008, all 11,000,000 units were exercised into 11,000,000 convertible preference shares and 3,500,000 share purchase warrants, the latter of which all expired October 1, 2008. These convertible preference shares were considered common share equivalents for EPS purposes. On September 13, 2010, all 11,000,000 convertible preference shares were exercised and converted to 11,000,000 common shares.

b) Share options

The Company has an incentive share option plan in place under which it is authorized to grant share options to executive officers, directors, employees and consultants. The Company at no time may have more than 10% of the outstanding issued common shares reserved for incentive share options granted to any one individual.

Share options granted under the plan will have a term not to exceed five years, have an exercise price not less than the Discounted Market Price as defined by the TSX Corporate Finance Manual and vest over periods up to two years.

Share option transactions and the number of share options outstanding are summarized as follows:

	Number of share options	Weighted average exercise price (C$)
Outstanding, April 1, 2010	7,950,000	0.77
Exercised	(1,540,000)	0.67
Expired	(375,000)	0.96
Cancelled	(160,000)	0.54
Outstanding, March 31, 2011	5,875,000	0.78
Granted	4,000,000	2.50
Exercised	(1,025,000)	0.44
Outstanding at December 31, 2011	**8,850,000**	**1.60**
Exercisable at December 31, 2011	**6,800,000**	**1.33**

(Expressed in US dollars)

14. EQUITY (Continued)

Share options outstanding and exercisable at December 31, 2011 are as follows:

Exercise price range (C$)	Number of options outstanding	Weighted average exercise price (C$)	Weighted average remaining life of options (years)	Number of options exercisable	Weighted average exercise price (C$)	Weighted average remaining life of options (years)
0.70 - 1.00	4,850,000	0.86	1.70	4,850,000	0.86	1.70
2.35 - 2.75	4,000,000	2.49	4.30	1,950,000	2.49	4.30
	8,850,000	**1.60**	**2.88**	**6,800,000**	**1.33**	**2.45**

The weighted average share price at the date of exercise for share options exercised during the nine months ended December 31, 2011 was C$2.39 (year ended March 31, 2011 - C$2.03) . The fair value of share options recognized as an expense during the nine months ended December 31, 2011 was $5,361,371 (year ended March 31, 2011 - $687,928). For the 4,000,000 share options granted during the nine months ended December 31, 2011, the weighted average grant date fair value per option was $1.48 (C$1.43) (no share options were granted in the year ended March 31, 2011).

The following are the weighted average assumptions used for the Black-Scholes option pricing model valuation of share options granted during the nine months ended December 31, 2011 (no share options were granted in the year ended March 31, 2011):

Nine months ended December 31, 2011	
Risk-free interest rate	2.12%
Expected life of options	3.2 years
Annualized volatility	88%
Dividend rate	0%

The fair value of each share option payment is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the table above.

Expected volatilities are based on historical volatility of the Company' s shares. The Company uses historical data to estimate share option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behaviour are considered separately for valuation purposes. The expected life of share options granted represents the period of time that share options granted are expected to be outstanding. The risk-free rate of periods within the expected life of the share option is based on the Canadian government bond rate. The expected forfeiture rate represents the cumulative historical rate of forfeitures occurring within the vesting period.

15. INCOME TAXES

For the nine months ended December 31, 2011, the Company incurred $5,327,395 of current income tax (year ended March 31, 2011 - $678,777). During the year ended March 31, 2011, the current tax provision was reduced by utilizing previously unrecognized loss carry forwards. By the end of the current fiscal year, the Company has fully utilized the non- capital loss carry forward balances of MdN.

For the nine months ended December 31, 2011, the Company incurred $6,513,315 of deferred income tax (year ended March 31, 2011 - $11,342,178). The amounts in all periods related primarily to the recognizing the tax effects on changes in timing differences from mineral property and equipment balances.

(Expressed in US dollars)

15. INCOME TAXES (Continued)

a) Rate changes

In late 2009, the Mexican government enacted tax reform that included a 2% increase in corporate taxes that increased the rate from 28% to 30%. The tax rate in Mexico is scheduled to reduce to 28% in 2014. Also, included in this tax reform was the introduction of a minimum flat tax levied at the rate of 17.5% on cash flows of Mexican corporations. A company doing business in Mexico must pay the greater of the general corporate income tax or the flat tax.

b) Rate reconciliation

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to profit before income taxes. Substantially all of the Company' s taxable income is generated in Mexico and is subject to Mexico' s 30% tax rate. The impact of being subject to this higher tax rate, as well as other differences, is included in the following items:

	Nine months ended December 31, 2011	Year ended March 31, 2011
Profit before income tax expense	**$ 32,714,322**	$ 18,611,445
Canadian federal and provincial income tax rates	**26.50%**	28.00%
Expected income tax expense	**8,669,295**	5,211,205
Items that cause an increase (decrease):		
Effect of different tax rates in foreign jurisdiction	**1,450,205**	806,271
Non-deductible expenses	**1,477,490**	4,738,521
Benefit of recognizing previously unrecognized loss carry forwards	**-**	(916,230)
Impact of difference in functional and tax currencies	**(821,261)**	(702,665)
Difference in future and current tax rates	**(403,243)**	(251,851)
Losses and temporary differences for which an income tax asset has not been recognized	**1,468,224**	3,135,704
Income tax expense	**$ 11,840,710**	$ 12,020,955

c) Deferred tax assets and liabilities

The composition of the Company's deferred tax assets and liabilities at December 31, 2011, March 31, 2011, and April 1, 2010 are as follows:

	December 31, 2011	March 31, 2011	April 1, 2010
Deferred income tax assets:			
Non-capital losses	**$ -**	$ -	$ 4,534,829
Deferred income tax liabilities:			
Mineral properties book value in excess of tax value	**$ (22,562,255)**	$ (16,048,941)	$ (8,498,343)
Deferred income tax liabilities, net:	**$ (22,562,255)**	$ (16,048,941)	$ (3,963,514)

(Expressed in US dollars)

15. INCOME TAXES (Continued)

The Company's unrecognized deferred tax assets at December 31, 2011, March 31, 2011, and April 1, 2010 are as follows:

	December 31, 2011	March 31, 2011	April 1, 2010
Deferred income tax assets:			
Non-capital losses	**$ 7,341,869**	$ 5,430,506	$ 3,781,669
Other credits and tax assets	**189,554**	614,881	-
Share issuance costs	**382,956**	400,768	283,403
Deferred income tax assets	**7,914,379**	6,446,155	4,065,072

The non-capital losses have expiry dates while the remainder of the unrecognized deferred tax assets have no expiry dates.

d) Non-capital losses

At December 31, 2011, the Company has losses for income tax purposes in Canada and Mexico which may be used to reduce future taxable income. The income tax benefit, if any, of these losses have not been recorded in these consolidated financial statements because of the uncertainty of their recovery.

The future expiration of unrecognized tax losses at December 31, 2011 are as follows:

Operating losses for tax purposes	**Canada**	**Mexico**	**Total**
Expire in:			
2015	$ -	$ 7,458	$ 7,458
2016	-	68,668	68,668
2017	-	132,295	132,295
2018	-	976,914	976,914
2019	-	902,255	902,255
2020	-	219,514	219,514
2021	-	3,009,756	3,009,756
2022 - 2025	-	-	-
2026	117,781	-	117,781
2027	735,988	-	735,988
2028	2,115,900	-	2,115,900
2029	1,849,201	-	1,849,201
2030	4,124,695	-	4,124,695
2031	14,469,026		14,469,026
	$ 23,412,591	$ 5,316,860	$ 28,729,451

(Expressed in US dollars)

16. EARNINGS PER SHARE

	Nine months ended December 31, 2011			Year ended March 31, 2011		
	Profit after tax	Weighted average shares outstanding	Per share amount	Profit after tax	Weighted average shares outstanding	Per share amount
Basic EPS	**$ 20,873,612**	**138,591,964**	**0.15**	$ 6,590,490	134,792,996	$ 0.05
Effect of dilutive securities:						
Share options	**-**	**3,562,041**	**-**	-	4,043,491	-
Warrants	**-**	**868,176**	**-**	-	844,381	-
Diluted EPS	**$ 20,873,612**	**143,022,181**	**0.15**	$ 6,590,490	139,680,868	$ 0.05

For the nine months ended December 31, 2011 and year ended March 31, 2011, no outstanding share options were excluded from the calculation of the diluted earnings per share.

17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions were as follows:

	Note	**Nine months ended December 31, 2011**	Year ended March 31, 2011
Shares issued for debt issuance costs	13	**$ 640,564**	$ **-**

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair value measurement of financial assets and liabilities

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

At December 31, 2011 and March 31, 2011, the following table sets forth the levels in the fair value hierarchy into which the Company' s financial assets and liabilities are measured and recognized in the consolidated statement of financial position at fair value. Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

(Expressed in US dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

	December 31, 2011		March 31, 2011	
	Level 1	**Level 2**	Level 1	Level 2
Warrant liability (Note 12)	**$ -**	**$ -**	$ -	$ 3,551,731
Embedded Derivative (Note 13)	**$ -**	**$ -**	$ -	$ 2,880,226

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At December 31, 2011, there were no financial assets or liabilities measured and recognized in the consolidated statement of financial position at fair value that would be categorized as Level 3 in the fair value hierarchy above (March 31, 2011 - $nil; April 1, 2010 - $nil). The Gold Loan was recognized in two components with the debt host instrument measured at its accreted principal amount. The Embedded Derivative, which was classified as FVTPL, was recorded in addition to the principal and was measured at fair value. The fair value of share purchase warrants is based on a Black-Scholes option pricing model which incorporates market prices of the underlying shares.

b) Derivative financial instruments

The Company may utilize financial instruments to manage the risks associated with fluctuations in the market prices of gold and silver and foreign exchange rates. At December 31, 2011, the Company had not entered into any such derivative contracts.

c) Risk management

The Company' s primary business activities consist of the acquisition, exploration, development and operation of mineral resource properties in Mexico. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, commodity price risk, equity price risk, currency risk, liquidity risk, and interest rate risk. The Company' s risk management program strives to evaluate the unpredictability of financial and commodity markets and its objective is to minimize the potential adverse effects of such risks on the Company' s financial performance, where financially feasible to do so. When deemed material, these risks may be monitored by the Company' s corporate finance group and they are regularly discussed with the Board of Directors or one of its committees.

i. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the consolidated financial statements. The Company' s credit risk is predominantly limited to cash balances held in financial institutions, the recovery of VAT receivable from the Mexican tax authorities and for any gold and silver sales and related receivables. The maximum exposure to the credit risk is equal to the carrying value of such financial assets. At December 31, 2011, the Company expects to recover the full amount of such assets.

The objective of managing counterparty credit risk is to minimize potential losses in financial assets. The Company assesses the quality of its counterparties, taking into account their credit worthiness and reputation, past performance and other factors.

Cash and short-term investments are only deposited with or held by major financial institutions where the Company conducts its business. In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of three months or less. Limits are also established based on the type of investment, the counterparty and the credit rating.

(Expressed in US dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Gold and silver sales are made to a limited number of large international organizations specializing in the precious metals markets. The Company believes them to be of sound credit worthiness, and to date, all receivables have been settled in accordance with agreed upon terms and conditions.

ii. Commodity price risks

Beginning with the commissioning of the San Francisco Mine, the Company is exposed to price risk associated with the volatility of the market price of commodities, in particular gold and silver, and also to many consumables that are used in the production of gold and silver. Similarly, the Embedded Derivative (Note 13) was also sensitive to the price of gold. The prices of most commodities are determined in international markets and as such the Company has limited or no ability to control or predict the future level of most commodity prices. In some instances, the Company may have the ability to enter into derivative financial instruments to manage the Company' s exposure to changes in the price of commodities such as gold, silver, oil and electricity. At this time, the Company has elected not to actively manage its exposure to commodity price risk through the use of derivative financial instruments.

iii. Currency risk

The Company' s functional currency is the US dollar and therefore the Company' s earnings and other comprehensive income are impacted by fluctuations in the value of foreign currencies in relation to the US dollar.

The table below summarizes the net monetary liabilities held in foreign currencies:

	December 31, 2011	March 31, 2011
Canadian dollar	**$ 17,542,749**	$ 16,850,329
Mexican peso	**2,814,395**	3,044,929
	$ 20,357,144	$ 19,895,258

The effect on profit before taxes at December 31, 2011 of a 10% appreciation or depreciation in the foreign currencies against the US dollar on the above mentioned financial and non-financial assets and liabilities of the Company is estimated to be $2,035,714 (March 31, 2011 - $1,989,526) assuming that all other variables remained constant. This calculation is based on the Company' s statement of financial position exposure at December 31, 2011.

iv. Liquidity risk

The Company has a planning and budgeting process in place to help determine the funds required to support the Company' s normal operating requirements and its exploration and production plans. The Company' s overall liquidity risk has decreased since the San Francisco Mine was placed into commercial production on April 1, 2010 due to the metal revenues and positive net cash flows from operations generated since that time. Although the Company has transitioned to the operating stage and has generated metal revenues and net cash flow from operations during the nine months ended December 31, 2011, no assurance may be given that external financing will be available should the Company' s Board of Directors determine that such additional financing will be necessary. The Company' s long-term debt matures on July 29, 2012 (Note 13), until which time the Company must only pay interest.

(Expressed in US dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

A summary of future operating commitments is presented in Note 21 and a summary of non-discounted liabilities is as follows:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years
Trade payables and accrued liabilities	$ 15,884,416	$ 15,884,416	$ -	$ -	$ -
Vendor loan	1,725,000	1,725,000	-	-	-
Long-term debt	17,245,442	17,245,442	-	-	-
Other long-term liabilities	1,233,392	-	1,233,392	-	-
Provision for site reclamation and closure	2,203,925	-	-	-	2,203,925
	$ 38,292,175	**$ 34,854,858**	**$ 1,233,392**	**$ -**	**$2,203,925**

v. *Interest rate risk*

The Company' s interest revenue earned on cash and cash equivalents and interest expense incurred on long-term borrowings are exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk, and the Company' s exposure to interest rate risk is very low as the Company has limited short-term investments and the debt agreement entered into during the current period has a fixed interest rate throughout its term that ends on July 29, 2012 (Note 13).

At December 31, 2011, a 1% increase of the effective interest rate on the new debt agreement would decrease its fair value by $97,304. Additionally, a 1% decrease of the effective interest rate on the debt agreement would increase its fair value by $97,939. The Company has elected not to enter into interest rate swaps or other instruments to actively manage such risks.

vi. *Fair value disclosures*

The carrying values of cash, restricted cash, trade and other receivables, and trade payables and accrued liabilities approximate their fair value based on their short-term nature.

The carrying value of the loan obtained under the terms of the vendor loan agreement (Note 10) approximates fair value given its short-term and as it has been amortized using the effective interest method. The carrying value of the long- term liability related to the mining contract (Note 21) approximates its fair value as it has been discounted at an interest rate reflecting the implied interest rate. At December 31, 2011, the fair value of the new debt agreement is $17,493,987 as determined by discounting the future cash flows by a discount factor based on an interest rate of 17.05%, which reflects the Company' s effective interest rate on the loan.

19. RELATED PARTY TRANSACTIONS

The Company' s related parties include key management personnel and any transactions with such parties for goods and/or services are made on regular commercial terms and are considered to be at arm' s length. During the nine months ended December 31, 2011 and year ended March 31, 2011, the Company entered into the following transactions with related parties:

- The Company incurred $219,891 (year ended March 31, 2011 - $424,233) of geological and consulting fees to directors and officers. At December 31, 2011, $97,162 (March 31, 2011 - $24,304; April 1, 2010 - $(2,666)) was due to (from) these directors and officers.

(Expressed in US dollars)

19. RELATED PARTY TRANSACTIONS (Continued)

Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include the President, the Chief Executive Officer, the Chairman, the Chief Financial Officer, the Chief Operations Officer, directors, and the General Manager of the San Francisco Mine.

Key management compensation includes:

	Nine months ended December 31, 2011	Year ended March 31, 2011
Salaries and benefits	**$ 1,159,996**	$ 834,311
Bonuses	**500,596**	50,748
Share-based payments	**3,542,528**	338,209
	$ 5,203,120	$ 1,223,268

Salaries, benefits and bonuses are included in corporate and administrative expenses.

20. MANAGEMENT OF CAPITAL

The Company' s objectives of capital management are intended to safeguard the Company' s normal operating requirements on an ongoing basis and the continued development and exploration of its mineral properties. The capital of the Company consists of the items included in the consolidated equity and long-term debt, net of cash.

	December 31, 2011	March 31, 2011	April 1, 2010
Equity	**$ 101,599,965**	$ 68,147,642	$ 54,196,535
Current portion of long-term debt	**17,245,442**	12,038,469	7,985,273
Long-term debt	**-**	-	7,475,075
	118,845,407	80,186,111	69,656,883
Less: Cash	**(9,865,007)**	(5,639,859)	(2,674,764)
	$ 108,980,400	$ 74,546,252	$ 66,982,119

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company also has in place a rigorous planning, budgeting and forecasting process which is used to identify the amount of funds required to ensure the Company has appropriate liquidity to meet short and long-term operating objectives. In order to maintain or adjust its capital structure, the Company may issue new shares or debt.

At December 31, 2011, the Company anticipates its capital resources and projected future cash flows from operation of the San Francisco Mine to support its normal operating requirements on an ongoing basis as well as the planned development and exploration of its mineral and exploration properties. At December 31, 2011, the Company is not subject to any externally imposed capital requirements.

(Expressed in US dollars)

21. COMMITMENTS AND CONTINGENCIES

The Company has certain operating commitments which require future minimum payments over the following time periods:

	Total	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years
Future operating commitments	**$ 41,493,117**	**$ 30,774,291**	**$10,718,826**	**$ -**	**$ -**

Operating commitments include a guarantee provided by the Company for the office premises at its corporate office.

The Company has entered into a mining contract with Peal de Mexico, S.A. de C.V. (“Peal”). The contract is for 42 months (December 31, 2011 - 15 months remaining), and is at a contracted price of $1.64 per tonne of material mined (plus value added tax). Under the Peal contract, the Company is responsible for demobilization costs of $900,000 (plus value added tax) payable one month prior to the end of the mining contract. These obligations have been recorded at an annualized discount rate of 6.775%, reflecting the implied interest rate, and calculated according to the formula stipulated in the contract. The carrying value of this obligation is $1,137,704 (March 31, 2011 - $1,081,438; April 1, 2010 - $1,027,881).

The Company will also have commitments with regards to payments going to El Picacho, San Onesimo and Quila exploration properties at various dates until January, 2015.

On June 17, 2011, the Company entered into an exclusive contract with Metalurgica Laczano for the purchase of 1,200,000 kilograms (“kg”) of sodium cyanide over the period August, 2011 and August, 2012. More specifically, 100,000kg of cyanide would be provided monthly at a price of $4.00/kg (plus value added tax) with the Company being invoiced on a monthly basis.

22. SEGMENTED INFORMATION

The Company has determined that it operates through one reportable operating segment, being the acquisition, exploration, and development of mineral properties located in two geographical areas, Canada and Mexico. Reporting is prepared on a geographic and consolidated basis as determined by the requirements of the Chief Executive Officer as the chief operating decision maker for the Company. The Company does not treat the production of gold and silver, the primary two minerals, as separate reportable segments as they are the output of the same production process and only become separately identifiable as finished goods and are not reported separately from a management perspective.

At December 31, 2011, all of the Company’ s operating and capital assets are located in Mexico except for $1,070,143 (March 31, 2011 - $772,562; April 1, 2010 - $1,003,147) of cash and other current assets which are held in Canada.

On April 1, 2010, the Company began commercial production and began recording metal revenues. During the nine months ended December 31, 2011, the Company had sales agreements with two major customers based in the United States which constitute 100% of metal revenues; 97% to customer A and 3% to customer B (year ended March 31, 2011 - 98% to customer A and 2% to customer B). However, due to the nature of the gold market, the Company is not dependent on any customers to sell the finished goods.

23. TRANSITION TO IFRS

The Company' s IFRS accounting policies presented in Note 3 have been applied in preparing these consolidated financial statements, the comparative information and the opening consolidated statement of financial position at the transition date.

The Company has applied IFRS 1 - *First-time Adoption of International Financial Reporting Standards* in preparing these consolidated financial statements. The effects of the transition to IFRS on equity, earnings and comprehensive income and cash flows are presented in this section and are further explained in the notes that accompany the tables presented below.

First-time adoption of IFRS and exemptions applied

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transition date with all adjustments to assets and liabilities recognized in deficit unless certain exemptions are applied. The Company has applied the following exemptions to its opening consolidated statement of financial position at the transition date:

Business combinations

IFRS 1 permits the first-time adopter to not apply IFRS 3 - *Business Combinations* retrospectively to business combinations that occurred before the transition date. The use of this IFRS 1 exemption does not preclude a review of the terms of past acquisitions to identify any assets or liabilities that would need to be recognized or derecognized had the acquiree been applying IFRS. The exemption also applies to transactions which were accounted for as asset acquisitions under Canadian GAAP but which meet the definition of a business under IFRS. The Company elected to apply this exemption at the transition date and has not restated business combinations that occurred prior to April 1, 2010.

Share-based payment

This exemption permits the first-time adopter to not apply IFRS 2 - *Share-based Payment* to equity instruments that vested before the transition date or any unvested equity instruments that were granted prior to November 7, 2002. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010.

Cumulative foreign currency translation differences

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 - *The Effects of Changes in Foreign Exchange Rates* for cumulative foreign currency translation differences that existed at the transition date. Due to the Company' s change in presentation currency, $3,817,495 has been recorded for cumulative foreign currency translation reserve for the periods prior to April 1, 2010. The Company has chosen to apply this election and has eliminated the cumulative foreign currency translation reserve and adjusted deficit by the same amount at the transition date. As a result of this election, if, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal.

Decommissioning liabilities included in the cost of mineral properties, plant and equipment

Under IFRIC 1 - *Changes in Existing Decommissioning, Restoration and Similar Liabilities* certain changes in a decommissioning, restoration or similar liability are added to or deducted from the cost of the asset to which the liability relates. This exemption provides the option to not apply these requirements to changes in such liabilities that occurred before the transition date and instead re-measure them in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets* and adjust the historical cost and accumulated depreciation of the related assets to reflect the adoption of IFRIC 1 at the transition date. The Company has elected to apply this exemption.

23. TRANSITION TO IFRS (Continued)

Borrowing costs

IAS 23 - *Borrowing Costs* requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. For example, certain items of plant and equipment that take a substantial time to complete would represent a qualifying asset. IFRS 1 provides an exemption whereby the Company may apply requirements of IAS 23 prospectively from the transition date. The Company has taken this exemption and elected to commence capitalization of borrowing costs for qualifying assets prospectively from the transition date. Borrowing costs expensed prior to April 1, 2010 under Canadian GAAP were not capitalized.

(Expressed in US dollars)

23. TRANSITION TO IFRS (Continued)

Consolidated Statements of Earnings and Comprehensive Income

		For the year ended March 31, 2011			
	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
Metal revenues		$ 84,351,172	$ 83,080,428	$ -	$83,080,428
Cost of sales		40,884,974	40,192,963	-	40,192,963
Gross profit		43,466,198	42,887,465	-	42,887,465
Corporate and administrative expenses	e)	8,359,814	8,323,028	(561,974)	7,761,054
Profit from operations		35,106,384	34,564,437	561,974	35,126,411
Other income, net		20,036	19,498	-	19,498
Finance expense	d),f),g)	(12,604,760)	(12,362,246)	(448,184)	(12,810,430)
Loss on warrant liability	c)	-	-	(3,677,544)	(3,677,544)
Foreign exchange gain (loss)	b)	611,968	620,846	(667,336)	(46,490)
Profit before income tax		23,133,628	22,842,535	(4,231,090)	18,611,445
Income tax expense					
Current income tax		659,047	678,777	-	678,777
Deferred income tax	h)	11,010,527	10,821,947	520,231	11,342,178
		11,669,574	11,500,724	520,231	12,020,955
Earnings for the year		11,464,054	11,341,811	(4,751,321)	6,590,490
Exchange differences on translating foreign operations, net of tax	a)	-	2,868,674	(2,868,674)	-
Total comprehensive income		$ 11,464,054	$ 14,210,485	$ (7,619,995)	$ 6,590,490
Weighted average shares outstanding:					
Basic		134,792,996	134,792,996	134,792,996	134,792,996
Diluted		139,680,868	139,680,868	139,680,868	139,680,868
Earnings per share:					
Basic		$ 0.09	$ 0.11	$ (0.06)	$ 0.05
Diluted		$ 0.08	$ 0.10	$ (0.05)	$ 0.05

(Expressed in US dollars)

23. TRANSITION TO IFRS (Continued)

Consolidated Statements of Cash Flows

	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
		For the year ended March 31, 2011			
OPERATING ACTIVITIES					
Profit before income tax		$ 23,133,628	$ 22,842,535	$ (4,231,090)	$ 18,611,445
Items not affecting cash:					
Depletion and depreciation		7,063,281	6,935,347	-	6,935,347
Finance expense	d)	12,542,177	12,335,356	475,074	12,810,430
Loss on warrant liability	c)	-	-	3,677,544	3,677,544
Share-based payment	e)	1,290,473	1,249,902	(561,974)	687,928
Unrealized foreign exchange (gain) loss	b)	(560,239)	(573,215)	640,446	67,231
Asset write-down		1,338,978	1,358,403	-	1,358,403
Changes in non-cash working capital items:					
Trade and other receivables		2,355,464	2,316,623	-	2,316,623
Inventories		(7,886,408)	(7,756,361)	-	(7,756,361)
Advances and prepaid expenses		42,732	42,027	-	42,027
Trade payables and accrued liabilities		4,060,330	3,993,375	-	3,993,375
Cash flows provided by operating activities		43,380,416	42,743,992	-	42,743,992
INVESTING ACTIVITIES					
Expenditures on mineral properties, plant and equipment		(29,673,714)	(29,184,394)	-	(29,184,394)
Restricted cash		(1,716,170)	(1,765,970)	-	(1,765,970)
Other		(6,240)	(6,137)	-	(6,137)
Cash flows used in investing activities		(31,396,124)	(30,956,501)	-	(30,956,501)
FINANCING ACTIVITIES					
Repayment of long-term debt		(15,875,499)	(15,613,712)	-	(15,613,712)
Shares issued for cash		6,677,222	6,547,394	-	6,547,394
Cash flows used in financing activities		(9,198,277)	(9,066,318)	-	(9,066,318)
Effects of exchange rate changes on the balance of cash held in foreign currencies		-	243,922	-	243,922
Increase in cash		2,786,015	2,965,095	-	2,965,095
Cash, beginning of period		2,694,825	2,674,764	-	2,674,764
Cash, end of period		$5,480,840	$ 5,639,859	$ -	$ 5,639,859

(Expressed in US dollars)

23. TRANSITION TO IFRS (Continued)

Consolidated Statements of Financial Position

		At April 1, 2010			
	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
ASSETS					
Current					
Cash		$2,694,825	$ 2,674,764	$ -	$ 2,674,764
Trade and other receivables		6,319,583	6,272,539	-	6,272,539
Inventories	b)	6,420,154	6,372,361	-	6,372,361
Advances and prepaid expenses	b)	655,704	650,823	-	650,823
Due from related party		92,656	91,966	-	91,966
Total current assets		16,182,922	16,062,453	-	16,062,453
Equipment	b),g)	24,397,467	24,215,848	(24,215,848)	-
Resource properties	b),g)	41,698,893	41,388,479	(41,388,479)	-
Mineral properties, plant and equipment	f),g)	-	-	65,914,550	65,914,550
Total assets		$82,279,282	$ 81,666,780	$ 310,223	$ 81,977,003
LIABILITIES					
Current					
Trade payables and accrued liabilities		$4,403,822	$ 4,371,038	$ -	$ 4,371,038
Vendor loan		1,758,120	1,725,000	-	1,725,000
Current portion of long-term debt		8,045,163	7,985,273	-	7,985,273
Total current liabilities		14,207,105	14,081,311	-	14,081,311
Deferred tax liabilities	h)	3,967,061	3,937,530	25,984	3,963,514
Long-term debt	d)	8,088,563	8,028,350	(553,275)	7,475,075
Other long-term liabilities	b)	1,035,590	1,027,881	-	1,027,881
Provision for site reclamation and closure	b),f)	929,382	922,464	310,223	1,232,687
Total liabilities		28,227,701	27,997,536	(217,068)	27,780,468
EQUITY					
Issued capital		52,271,066	47,117,184	-	47,117,184
Convertible preference shares		13,586,780	13,665,620	-	13,665,620
Share-based payment reserve	e)	3,773,765	3,539,538	545,651	4,085,189
Share purchase warrants	c)	2,876,305	2,574,174	-	2,574,174
Foreign currency translation reserve	a)	-	3,817,495	(3,817,495)	-
Deficit	b),c),d),e)	(18,456,335)	(17,044,767)	3,799,135	(13,245,632)
		54,051,581	53,669,244	527,291	54,196,535
Total liabilities and equity		$82,279,282	$ 81,666,780	$ 310,223	$ 81,977,003

(Expressed in US dollars)

23. TRANSITION TO IFRS (Continued)

Consolidated Statements of Financial Position

		At March 31, 2011			
	Note	Canadian GAAP in C$	Translated to US dollar	IFRS adjustment	IFRS
ASSETS					
Current					
Cash		$ 5,480,840	$ 5,639,859	$ -	$ 5,639,859
Restricted cash		1,716,170	1,765,970	-	1,765,970
Trade and other receivables		4,066,285	4,184,271	-	4,184,271
Inventories	b)	14,306,562	14,721,714	(399,939)	14,321,775
Advances and prepaid expenses	b)	609,843	627,540	(32,794)	594,746
Total current assets		26,179,700	26,939,354	(432,733)	26,506,621
Equipment	b),g)	27,293,120	28,085,120	(28,085,120)	-
Resource properties	b),g)	60,202,020	61,948,981	(61,948,981)	-
Mineral properties, plant and equipment	f),g)	-	-	87,203,035	87,203,035
Total assets		$113,674,840	$116,973,455	$ (3,263,799)	$113,709,656
LIABILITIES					
Current					
Trade payables and accrued liabilities		$ 9,241,156	$ 9,509,290	$ -	$ 9,509,290
Vendor loan		1,672,560	1,725,000	-	1,725,000
Current portion of long-term debt	g)	-	-	12,038,469	12,038,469
Warrant liability	c)	-	-	3,551,731	3,551,731
Total current liabilities		10,913,716	11,234,290	15,590,200	26,824,490
Deferred tax liabilities	h)	15,065,549	15,502,726	546,215	16,048,941
Long-term debt	d),g)	11,840,168	12,183,749	(12,183,749)	-
Other long-term liabilities	b)	1,050,942	1,081,438	-	1,081,438
Provision for site reclamation and closure	b),f)	1,258,233	1,294,745	312,400	1,607,145
Total liabilities		40,128,608	41,296,948	4,265,066	45,562,014
EQUITY					
Issued capital		75,158,311	69,571,173	5,643,551	75,214,724
Share-based payment reserve	e)	4,216,577	4,022,392	(16,323)	4,006,069
Share purchase warrants	c)	1,163,625	1,099,729	(1,099,729)	-
Foreign currency translation reserve	a)	-	6,686,169	(6,686,169)	-
Deficit	b),c),d),e)	(6,992,281)	(5,702,956)	(5,370,195)	(11,073,151)
		73,546,232	75,676,507	(7,528,865)	68,147,642
Total liabilities and equity		$113,674,840	$116,973,455	$ (3,263,799)	$113,709,656

23. TRANSITION TO IFRS (Continued)

a) Change in presentation currency

The Company has changed its presentation currency from the Canadian dollar to the US dollar. Prior to performing the required reconciliations of the impact of adoption of IFRS, the Company' s previously published consolidated financial statements (in accordance with Canadian GAAP) have been recast using methods consistent with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*. Assets and liabilities have been recast to US dollars using period end exchange rates. Revenues, expenses, gains and losses have been recast into US dollars using the rate in effect on the date of the transaction or the average rate for the period. The effect of making these changes resulted in the recognition of an accumulated foreign currency translation reserve within equity of $3,817,495 and $6,686,169 at April 1, 2010 and March 31, 2011, respectively, and $2,868,674 for the year ended March 31, 2011. The Company has elected to apply the IFRS 1 exemption and has deemed all cumulative translation differences to be $nil and reallocated the balance to deficit at the transition date.

b) Foreign currency translation

In connection with the adoption of IFRS, the Company assessed the functional currencies of each of its subsidiaries. The Company determined that under IFRS, the functional currency of the Company and each of its subsidiaries changed from Canadian dollars to US dollars effective April 1, 2010. The effect of this change resulted in changes to the measurement of non-monetary assets and liabilities for the periods subsequent to April 1, 2010. In addition, the amount of foreign exchange loss during the year ended March 31, 2011 relates to revaluation of non-US dollar monetary balances, while prior to the change in functional currency, the foreign exchange gain related to revaluation of non-Canadian dollar balances.

c) Classification and measurement of share purchase warrants

On April 1, 2010, 11,352,780 share purchase warrants were outstanding and exercisable at a weighted average exercise price of C$0.65. As the exercise price of the share purchase warrants is fixed in Canadian dollars and the functional currency of the Company is the US dollar, the conversion option is considered a derivative liability as the Company will receive a variable amount of US dollar equivalent cash when the share purchase warrants are exercised. Accordingly, the share purchase warrants have been reclassified as a warrant liability subsequent to the transition date and have been measured at fair value at the end of each reporting period with changes in fair value included in profit or loss. This resulted in a reclassification of $3,551,731 to warrant liability at March 31, 2011 and a loss of $3,677,544 during the year ended March 31, 2011. The share purchase warrant elimination amount of $1,099,729 at March 31, 2011 is the net figure resulting from exercises of the share purchase warrants during the year ended March 31, 2011. Under Canadian GAAP, these share purchase warrants were considered equity instruments and changes in fair value subsequent to initial recognition were not recognized. Note that this adjustment resulted from the change in functional currency of the Company, rather than from differences between Canadian GAAP and IFRS.

d) Recognition and amortization of transaction costs and reclassification of long-term debt

Under Canadian GAAP, the Company previously expensed all transaction costs related to the issuance of debt classified as other financial liabilities and measured at amortized cost. IFRS requires that such costs be accounted for as an adjustment to the recorded amount of the financial instrument at the time of initial recognition and amortized over the term of the instrument using the effective interest method. This resulted in $553,275 and $145,280 in transaction costs being reclassified to long-term debt at April 1, 2010 and March 31, 2011, respectively. The impact for the year ended March 31, 2011 was an increase in finance expense of $407,995.

e) Share-based payment

Certain previously issued share options had not yet fully vested at the transition date. Consequently, these equity instruments do not fall within the scope of the IFRS 1 exemption pertaining to share-based payments and must be re- measured in accordance with IFRS 2 on a retrospective basis.

23. TRANSITION TO IFRS (Continued)

This resulted in a $561,974 entry to share-based payments included in corporate and administrative expenses for the year ended March 31, 2011. The $16,323 adjustment to share-based payment reserve is net of the $545,651 effect of this IFRS at April 1, 2010.

f) Measurement of provision for site reclamation and closure

Under IAS 37, a change in the current market-based discount rate will result in a change in the measurement of this provision, whereas under Canadian GAAP, discount rates are not changed unless there is an increase in the estimated future cash flows in which case the incremental cash flows are discounted at current market-based rates. In addition, under Canadian GAAP, a credit adjusted risk-free discount rate is used whereas under IFRS, the discount rate reflects the current market assessments of the time value of money and the risks specific to the liability. This resulted in $310,223 and $312,400 adjustments to the provision and related asset at April 1, 2010 and March 31, 2011, respectively. The impact for the year ended March 31, 2011 was an increase in finance expense of $40,189.

g) Presentation of financial statements

Certain differences exist between IFRS and Canadian GAAP with respect to how items are presented in the consolidated financial statements. A decision was made to combine equipment and resource properties as a single financial statement line item called mineral properties, plant and equipment resulting in a reclassification within long-term assets at the transition date and for subsequent periods. In accordance with IAS 37, accretion of provision for site reclamation and closure was reclassified as finance expense. Also, under Canadian GAAP, debt that was refinanced subsequent to a reporting period was allowed to be classified as non-current, IFRS does not include such considerations. As such, the Gold Loan, which was refinanced on June 1, 2011, is required to be classified as a current liability at March 31, 2011.

h) Taxation

Under IAS 12 - *Income taxes*, deferred tax has been recognized on temporary differences arising from differences between the functional currency in which an asset or liability is reported and its tax basis as determined in its local currency, translated at current exchange rates. Under Canadian GAAP, a deferred income tax asset or liability is not recognized for such temporary differences. In addition, under IFRS the re-measurement of the provision for closure and reclamation and the related asset resulted in changes to temporary differences and the deferred tax liability. The impact of this change resulted in adjustments of $25,984 and $546,215 to the deferred tax liability at April 1, 2010 and March 31, 2011, respectively.

24. SUBSEQUENT EVENTS

On January 26, 2012, 3,500,000 share options were granted to directors and officers of the Company, which carry an exercise price of C$2.56 and expire on January 26, 2017.

Subsequent to December 31, 2011, a total of 1,440,000 share options with exercise prices ranging between C$0.70 and C$2.50 have been exercised. The total proceeds received from these share option exercises were $1,561,750.

Exhibit 99.4

CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a), PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Bruce Bragagnolo, certify that:

1. I have reviewed this annual report on Form 40-F of Timmins Gold Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer' s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) evaluated the effectiveness of the issuer' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) disclosed in this report any change in the issuer' s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer' s internal control over financial reporting; and

5. The issuer' s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer' s auditors and the audit committee of the issuer' s board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer' s ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer' s internal control over financial reporting.

Date: March 29, 2012

By: /s/ Bruce Bragagnolo
Name: Bruce Bragagnolo
Title: Chief Executive Officer and Secretary

Exhibit 99.5

CERTIFICATION REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a), PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Colin Sutherland, certify that:

1. I have reviewed this annual report on Form 40-F of Timmins Gold Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer’ s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the issuer and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) evaluated the effectiveness of the issuer’ s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (c) disclosed in this report any change in the issuer’ s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer’ s internal control over financial reporting; and
5. The issuer’ s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer’ s auditors and the audit committee of the issuer’ s board of directors (or persons performing the equivalent functions):
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer’ s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer’ s internal control over financial reporting.

Date: March 29, 2012

By: /s/ Colin Sutherland
Name: Colin Sutherland
Title: Chief Financial Officer

Exhibit 99.6

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

Timmins Gold Corp. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the nine months ended December 31, 2011 (the "Report").

I, Bruce Bragagnolo, Chief Executive Officer and Secretary of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Bruce Bragagnolo
Name: Bruce Bragagnolo
Title: Chief Executive Officer and Secretary
Date: March 29, 2012

Exhibit 99.7

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

Timmins Gold Corp. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the nine months ended December 31, 2011 (the "Report").

I, Colin Sutherland, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Colin Sutherland
Name: Colin Sutherland
Title: Chief Financial Officer

Date: March 29, 2012

Exhibit 99.8

CONSENT OF INDEPENDENT AUDITOR

We consent to the use of our report dated March 28, 2012, relating to the consolidated financial statements of Timmins Gold Corp as at December 31, 2011, March 31, 2011, and April 1, 2010, and for the nine-month period ended December 31, 2011, and year ended March 31, 2011, appearing in this Annual Report on Form 40-F.

/s/ Deloitte & Touche LLP
Chartered Accountants
Vancouver, Canada
March 28, 2012

Exhibit 99.9

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F (the "Form 40-F") of Timmins Gold Corp., I, Alan J. San Martin, Mineral Resource Modeller of Micon International Limited ("Micon"), hereby consent to the use of my name and Micon' s name in connection with the references to the mineral reserve and resource estimates for the San Francisco Project (the "Estimates") and to the incorporation by reference of references to, and summaries of, the Estimates in the Form 40-F.

MICON INTERNATIONAL LIMITED.

By: /s/ Alan J. San Martin

Name: Alan J. San Martin, MAusIMM (CP)

Title: Mineral Resource Modeller

March 29, 2012

Exhibit 99.10

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F (the "Form 40-F") of Timmins Gold Corp., I, Mani M. Verma, M.Eng., P.Eng., an Associate Mining Engineer with Micon International Limited in Toronto, Canada, hereby consent to the use of my name in connection with the references to the mineral reserve and resource estimates for the San Francisco Mine in Sonora, Mexico (the "Estimates") and to the incorporation by reference of references to, and summaries of, the Estimates in the Form 40-F.

MICON INTERNATIONAL LIMITED.

By: /s/ Mani M. Verma

Name: Mani M. Verma, M. Eng., P.Eng.

Title: Associate Mining Engineer

March 29, 2012

Exhibit 99.11

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F (the “Form 40-F”) of Timmins Gold Corp., I, Richard M. Gowans, President of Micon International Limited. (“Micon”), hereby consent to the use of my name and Micon’ s name in connection with the references to the mineral reserve and resource estimates for the San Francisco Project (the “Estimates”) and to the incorporation by reference of references to, and summaries of, the Estimates in the Form 40-F.

MICON INTERNATIONAL LIMITED.

By: /s/ Richard M Gowans

Name: Richard M Gowans

Title: President

March 29, 2012

Exhibit 99.12

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F (the "Form 40-F") of Timmins Gold Corp., I, William James Lewis, B.Sc., P.Geo., a Senior Geologist with Micon International Limited in Toronto, Canada, hereby consent to the use of my name and Micon' s name in connection with the references to the mineral reserve and resource estimates for the San Francisco Mine in Sonora, Mexico (the "Estimates") and to the incorporation by reference of references to, and summaries of, the Estimates in the Form 40-F.

MICON INTERNATIONAL LIMITED.

By: /s/ William James Lewis

Name: William James Lewis, B.Sc., P.Geo.

Title: Senior Geologist

March 29, 2012

Exhibit 99.13

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F (the “Form 40-F”) of Timmins Gold Corp., I, Christopher R. Lattanzi, Associate Mining Engineer of Micon International Limited. (“Micon”), hereby consent to the use of my name and Micon’ s name in connection with the references to the mineral reserve and resource estimates for the San Francisco Mine Project (the “Estimates”) and to the incorporation by reference of references to, and summaries of, the Estimates in the Form 40-F.

MICON INTERNATIONAL LIMITED.

By: /s/ Christopher R. Lattanzi

Name: Christopher R. Lattanzi, BP.Eng.

March 29, 2012

Exhibit 99.14

CONSENT OF EXPERT

In connection with the Annual Report on Form 40-F (the "Form 40-F") of Timmins Gold Corp., I, Lawrence A. Dick, Phd, P.Geo, hereby consent to the use of my name in connection with the references to the mineral reserve and resource estimates for the San Francisco Project (the "Estimates") and to the incorporation by reference of references to, and summaries of, the Estimates in the Form 40-F.

By: /s/ Lawrence A. Dick

Name: Lawrence A. Dick, Phd, P.Geo

March 29, 2012