CAPITAL GOLD CORP
Form SC TO-C
February 15, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule TO

Tender Offer Statement under Section 14(d)(1) or 13(e)(1)

of the Securities Exchange Act of 1934

CAPITAL GOLD CORPORATION

(Name of Subject Company (Issuer))

TIMMINS GOLD ACQUISITION CORP.

A Wholly-Owned Subsidiary of

TIMMINS GOLD CORP.

(Names of Filing Persons (Offerors))

Common Stock, par value $0.0001 per share

(Title of Class of Securities)

14018Y106

(CUSIP Number of Class of Securities)

CT Corporation System

111 Eighth Avenue, 13th Floor

New York, New York 10011

(212) 894-8700

(Name, Address and Telephone Numbers of Person Authorized

to Receive Notices and Communications on Behalf of Filing Persons)

Copies to:

Bruce Bragagnolo	**Adam M. Givertz**
Timmins Gold Corp.	**Robert M. Katz**
609 Granville Street, Suite 520	**Shearman & Sterling LLP**
Vancouver, British Columbia	**Commerce Court West**
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x Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

x third-party tender offer subject to Rule 14d-1.

¨ issuer tender offer subject to Rule 13e-4.

¨ going-private transaction subject to Rule 13e-3.

¨ amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer: ¨

The information in this prospectus/offer to exchange is not complete and may be changed. Timmins Gold Corp. may not sell these securities until the registration statement filed with the Securities and Exchange Commission becomes effective. This prospectus/offer to exchange is not an offer to sell these securities and Timmins Gold Corp. and Timmins Gold Acquisition Corp. are not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale of these securities is not permitted.

SUBJECT TO COMPLETION, DATED FEBRUARY 10, 2011

TIMMINS GOLD CORP.

Offer by Timmins Gold Acquisition Corp.,

its Wholly-Owned Subsidiary

to

Exchange Each Outstanding Share of Common Stock

of

CAPITAL GOLD CORPORATION

for

2.27 Common Shares of Timmins Gold Corp.

THE OFFER AND THE WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON [ ], 2011, UNLESS EXTENDED. SHARES TENDERED PURSUANT TO THE OFFER MAY BE WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION OF THE OFFER.

Timmins Gold Acquisition Corp., a Delaware corporation (Offeror) and a wholly-owned subsidiary of Timmins Gold Corp., a British Columbia corporation (Timmins), is offering to exchange for each outstanding share of common stock of Capital Gold Corporation (CGC), par value $0.0001 per share (the CGC Shares), validly tendered and not properly withdrawn, 2.27 common shares, without par value, of Timmins (the Timmins Shares and, such Timmins Shares as are offered in exchange for each CGC Share, the Consideration), subject to the procedures described in this prospectus/offer to exchange and the accompanying letter of transmittal (which together, as each may be amended, supplemented or otherwise modified from time to time, constitute the Offer).

The purpose of the Offer is for Timmins to acquire control of, and ultimately the entire equity interest in, CGC. The Offer is the first step in Timmins plan to acquire all of the outstanding CGC Shares. Timmins currently intends, as soon as practicable following the consummation of the Offer, to seek to effect the merger of Offeror with and into CGC, with CGC surviving the merger (the Proposed Merger). CGC after the Proposed Merger is sometimes referred to as the Surviving Corporation. The purpose of the Proposed Merger is for Timmins to acquire all CGC Shares not acquired in the Offer. After the Proposed Merger, the Surviving Corporation will be a wholly-owned subsidiary of Timmins and the former CGC stockholders will no longer have any direct ownership interest in the Surviving Corporation. Pursuant to the Proposed Merger, at the effective time of the Proposed Merger, each CGC Share then outstanding (except for CGC Shares held in CGC s treasury, CGC Shares owned by any direct or indirect wholly-owned subsidiary of CGC and CGC Shares owned by Timmins, Offeror or any of their direct or indirect wholly-owned subsidiaries, including CGC Shares acquired in the Offer) will be converted into the right to receive the Consideration. Holders who otherwise would be entitled to receive a fractional Timmins Share will instead receive cash in lieu of any fractional Timmins Share such holder may have otherwise been entitled to receive. See The Offer Fractional Shares for a detailed description of the treatment of fractional Timmins Shares.

Timmins is seeking to negotiate a merger agreement with CGC. Subject to applicable law, Offeror reserves the right to amend the Offer in all respects upon entering into a merger agreement with CGC, or to negotiate a merger agreement with CGC not involving a tender offer or exchange offer pursuant to which Offeror would terminate the Offer and the CGC Shares would, upon consummation of such proposed merger, be converted into the consideration negotiated by Timmins, Offeror and CGC.

Offeror s obligation to accept for exchange, and to exchange, CGC Shares for Timmins Shares in the Offer is subject to a number of conditions, which are more fully described in The Offer Conditions of the Offer.

Timmins Shares are listed on the TSX Venture Exchange (TSX-V) under the symbol TMM. On February 9, 2011, the last reported sale price of a Timmins Share on the TSX-V was C$2.46 per Timmins Share, which was the equivalent of US$2.47 based on the Bank of Canada s noon exchange rate on such date.

For a discussion of certain factors that CGC stockholders should consider in connection with the Offer, please carefully read Risk Factors beginning on page 30.

Neither Timmins nor Offeror has authorized any person to provide any information or to make any representation in connection with the Offer, other than the information contained or incorporated by reference in this prospectus/offer to exchange, and if any person provides any information or makes any representation of this kind, that information or representation must not be relied upon as having been authorized by Timmins or Offeror.

TIMMINS IS NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY TO TIMMINS. As described in this prospectus/offer to exchange, Timmins may solicit proxies through separate proxy solicitation materials. Any such proxy solicitation will be made only pursuant to separate proxy materials complying with the requirements of the rules and regulations of the Securities and Exchange Commission (SEC).

Neither the SEC nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus/offer to exchange. Any representation to the contrary is a criminal offense.

The date of this prospectus/offer to exchange is [ ], 2011.

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THIS PROSPECTUS/OFFER TO EXCHANGE INCORPORATES BY REFERENCE IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT CGC AND ITS SUBSIDIARIES FROM DOCUMENTS FILED WITH THE SEC THAT HAVE NOT BEEN INCLUDED IN OR DELIVERED WITH THIS PROSPECTUS/OFFER TO EXCHANGE. THIS INFORMATION IS AVAILABLE WITHOUT CHARGE AT THE SEC S WEBSITE AT WWW.SEC.GOV, AS WELL AS FROM OTHER SOURCES. SEE WHERE TO OBTAIN MORE INFORMATION.

CGC STOCKHOLDERS ALSO MAY REQUEST COPIES OF THESE PUBLICLY-FILED DOCUMENTS FROM TIMMINS, WITHOUT CHARGE, UPON WRITTEN OR ORAL REQUEST TO TIMMINS INFORMATION AGENT AT ITS ADDRESS OR TELEPHONE NUMBER SET FORTH ON THE BACK COVER OF THIS PROSPECTUS/OFFER TO EXCHANGE. IN ORDER TO RECEIVE TIMELY DELIVERY OF THE DOCUMENTS, CGC STOCKHOLDERS MUST MAKE SUCH REQUEST NO LATER THAN [ ], 2011, OR FIVE BUSINESS DAYS BEFORE THE EXPIRATION DATE OF THE OFFER, WHICHEVER IS LATER.

THIS PROSPECTUS/OFFER TO EXCHANGE DOES NOT CONSTITUTE A SOLICITATION OF PROXIES FOR ANY MEETING OF STOCKHOLDERS OF CGC. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY. ANY SOLICITATION OF PROXIES THAT TIMMINS OR CGC MIGHT MAKE WILL BE MADE ONLY PURSUANT TO SEPARATE PROXY SOLICITATION MATERIALS COMPLYING WITH THE REQUIREMENTS OF SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED (THE EXCHANGE ACT).

INFORMATION CONCERNING CGC

All the information concerning CGC, its subsidiaries, business operations, financial condition, management and affiliates contained or incorporated by reference in this prospectus/offer to exchange has been taken from or is based upon publicly available documents and records filed with the SEC and other public sources, and Timmins was not involved in the preparation of such information. This information may be examined and copies may be obtained at the places and in the manner set forth in the section entitled Where to Obtain More Information. Timmins is not affiliated with CGC and CGC has not permitted Timmins to have access to its books and records. Therefore, with the exception of a site visit to CGC s El Chanate mine by Timmins representatives in August 2010, non-public information concerning CGC was not available to Timmins for the purpose of preparing this prospectus/offer to exchange. While Timmins has no means of verifying the accuracy or completeness of any of the information contained or incorporated by reference in this prospectus/offer to exchange that is derived from publicly available documents or records or whether there has been any failure by CGC to disclose events that may have occurred or may affect the significance or accuracy of any information, Timmins has no knowledge that would indicate that any statements contained or incorporated by reference in this prospectus/offer to exchange concerning CGC are untrue or incomplete. See Risk Factors Timmins has conducted a review of CGC s publicly available information, but was not granted access to CGC s non-public information. Therefore, if Timmins acquires CGC, Timmins may be subject to unknown liabilities of CGC which may have a material adverse effect on Timmins profitability, financial condition and results of operations.

This prospectus/offer to exchange incorporates by reference financial statements of CGC and Nayarit Gold Inc. (Nayarit Gold), which was acquired by CGC on August 2, 2010.

Pursuant to Rule 409 under the Securities Act and Rule 12b-21 under the Exchange Act, Timmins is requesting that CGC provide Timmins with information required for complete disclosure regarding the businesses, operations, financial condition and management of CGC. Timmins and Offeror will amend or supplement this prospectus/offer to exchange to provide any and all information Timmins receives from CGC, if Timmins receives the information before the Offer expires and Timmins considers it to be material, reliable and appropriate.

Although audit reports were issued with respect to each of CGC and Nayarit Gold s financial statements and are included in CGC s filings with the SEC, CGC and Nayarit Gold s respective auditors have not permitted use of their reports in Timmins registration statement of which this prospectus/offer to exchange forms a part. Pursuant to Rule 439 under the Securities Act, Timmins and Offeror require the consent of each of CGC and Nayarit Gold s independent auditors to incorporate their audit reports into this prospectus/offer to exchange by reference. Timmins is requesting and has, as of the date hereof, not received such consents from CGC or Nayarit Gold s independent auditors. If Timmins receives such consents, Timmins and Offeror will promptly file them as exhibits to Timmins registration statement of which this prospectus/offer to exchange forms a part.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The historical consolidated financial data of Timmins contained in this prospectus/offer to exchange are reported in Canadian dollars and have been prepared in accordance with accounting principles generally accepted in Canada, or Canadian GAAP. Canadian GAAP differs in certain material respects from United States generally accepted accounting principles, or U.S. GAAP, and so this financial data may not be comparable to the financial data of U.S. companies. For a discussion of the differences between Canadian GAAP and U.S. GAAP as they relate to Timmins, see note 16 to Timmins audited consolidated financial statements, which are included elsewhere in this prospectus/offer to exchange.

The consolidated financial data of CGC incorporated by reference in this prospectus/offer to exchange are reported in U.S. dollars and have been prepared in accordance with U.S. GAAP. The consolidated financial data of Nayarit Gold incorporated by reference in this prospectus/offer to exchange are reported in Canadian dollars and have been prepared in accordance with Canadian GAAP.

Unless otherwise stated or the context otherwise requires, all references in this prospectus/offer to exchange to C$ are to Canadian dollars and all references to dollars, $, and US$ are to United States dollars.

NON-GAAP FINANCIAL MEASURES

Timmins has reported total cash costs per gold ounce, which is a common performance measure in the gold mining industry but does not have any standardized meaning, and is a non-GAAP measure. Timmins follows the recommendations of the Gold Institute standard. Timmins believes that, in addition to conventional measures, prepared in accordance with GAAP, certain investors use this information to evaluate Timmins performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

EXCHANGE RATE DATA

The following tables set forth certain exchange rates as reported by the Bank of Canada. On February 9, 2011 the inverse of the noon buying rate was C$1.00 equals US$1.0053.

	Years Ended March 31,					Quarter Ended June 30,	Quarter Ended September 30,
	2006	2007	2008	2009	2010	2010	2010
Average(1)	US$ 0.8417	US$ 0.8813	US$ 0.9769	US$ 0.8895	US$ 0.9237	US$ 0.9624	US$ 0.9624

(1) The average of the exchange rates on the last day of each month during the year or quarter indicated.

	Month					
	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011
High	US$ 0.9844	US$ 0.9783	US$ 0.9970	US$ 0.9987	US$ 1.0054	US$ 1.0140
Low	US$ 0.9397	US$ 0.9506	US$ 0.9690	US$ 0.9743	US$ 0.9825	US$ 0.9978

CAUTIONARY NOTE REGARDING MINERAL RESERVE ESTIMATES

Timmins is subject to the reporting requirements of the applicable Canadian securities laws, and as a result we report our mineral reserves 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 the SEC Industry Guide 7 (Guide 7). This prospectus/offer to exchange includes reserves reported in accordance with Guide 7 and also includes reserves and resources reported in accordance with NI 43-101. 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 SEC and, generally, U.S. companies are not permitted to report resources in documents filed with the SEC. As such, certain information contained in this report 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 SEC. 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. Readers are cautioned not to assume that all or any part of Measured or Indicated Resources will ever be converted into Mineral Reserves. Readers are also cautioned 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 SEC.

QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER

Below are some of the questions that you as a holder of shares of common stock of Capital Gold Corporation, par value $0.0001 per share (the CGC Shares), may have regarding the Offer and answers to those questions. You are urged to read carefully the remainder of this prospectus/offer to exchange and the accompanying letter of transmittal and the other documents to which we have referred because the information contained in this section and in the Summary is not complete. Additional important information is contained in the remainder of this prospectus/offer to exchange and the accompanying letter of transmittal. See Where To Obtain More Information.

As used in this prospectus/offer to exchange, unless otherwise indicated or the context requires, Timmins, we, our or us refers to Timmins and its consolidated subsidiaries, including Offeror, Offeror refers to Timmins Gold Acquisition Corp. alone and CGC refers to Capital Gold Corporation and its consolidated subsidiaries.

Who is offering to buy my CGC Shares?

The Offer is made by Timmins Gold Corp., a British Columbia corporation, through Offeror, Timmins wholly-owned subsidiary Timmins Gold Acquisition Corp., a Delaware corporation which was organized for the purpose of effecting the Offer.

Timmins is a resource company engaged in the acquisition, exploration and development and operation of gold properties in Mexico. Timmins was founded in 2005 and it commenced commercial production on April 1, 2010 at the San Francisco Mine in Sonora, Mexico, which we refer to as the San Francisco Mine.

What are the classes and amounts of CGC securities that Timmins is offering to acquire in the Offer?

Timmins is seeking to acquire all issued and outstanding CGC Shares. The Offer is also being made with respect to CGC Shares that may become outstanding after [ ], 2011, but prior to the expiration of the Offer, upon the exercise of any stock options, warrants or other derivative securities that are exercisable for or converted into CGC Shares.

What will I receive for my CGC Shares?

Timmins is offering to exchange for each issued and outstanding CGC Share, validly tendered pursuant to the Offer and not properly withdrawn, 2.27 common shares, without par value, of Timmins (the Timmins Shares and, such Timmins Shares as are offered in exchange for each CGC Share, the Consideration). Holders who otherwise would be entitled to receive a fractional Timmins Share will instead receive cash in lieu of any fractional Timmins Share such holder may have otherwise been entitled to receive. See The Offer Fractional Shares for a detailed description of the treatment of fractional Timmins Shares.

Solely for purposes of illustration, the following table indicates the value of the Consideration based on different assumed prices for Timmins Shares:

Assumed Timmins Share Price	Market Value of Consideration (Per CGC Share Exchanged)
$1.60	$3.632
$1.80	$4.086
$2.00	$4.540
$2.20	$4.994
$2.40	$5.448
$2.60	$5.902
$2.80	$6.356

The prices of Timmins Shares used in the above table are for purposes of illustration only. The value of the Consideration will change as the price of Timmins Shares fluctuates during the Offer period and thereafter, and may therefore be higher or lower than the prices set forth in the examples above at the expiration of the Offer and at the time you receive the Timmins Shares. CGC s stockholders are encouraged to obtain current market quotations for the Timmins Shares and the CGC Shares prior to making any decision with respect to the Offer.

On [ ], 2011, the last trading day immediately preceding the date of this Offer, the closing price of a Timmins Share on the TSX-V was $[ ], based on the Bank of Canada s noon exchange rate on such date, and the closing price of a CGC Share on the NYSE Amex was $[ ]. Consequently, the implied value of the Consideration per CGC Share was $[ ].

We intend to apply to list our common shares on the NYSE Amex under the symbol [ ] , and it is a condition to the consummation of this Offer that our common shares, including the shares issued in connection with this Offer, will be listed on the NYSE Amex upon the consummation of this Offer.

CGC stockholders should obtain current market quotations for the Timmins Shares and the CGC Shares before deciding whether to tender pursuant to the Offer. Please also see the section of this prospectus/offer to exchange entitled Risk Factors.

Will I have to pay any fee or commission to exchange CGC Shares?

If you are the record owner of your CGC Shares and you tender your CGC Shares in the Offer, you will not have to pay any brokerage fees, commissions or similar expenses. If you own your CGC Shares through a broker, dealer, commercial bank, trust company or other nominee and your broker, dealer, commercial bank, trust company or other nominee tenders your CGC Shares on your behalf, your broker or such other nominee may charge a fee for doing so. You should consult your broker, dealer, commercial bank, trust company or other nominee to determine whether any charges will apply.

Why is Offeror making the Offer?

The purpose of the Offer is for Timmins to acquire control of, and ultimately the entire equity interest in, CGC. The Offer is the first step in Timmins plan to acquire all of the outstanding CGC Shares. Timmins currently intends, as soon as practicable following the consummation of the Offer, to seek to effect the merger of Offeror with and into CGC, with CGC surviving the merger (the Proposed Merger). CGC after the Proposed Merger is sometimes referred to as the Surviving Corporation. The purpose of the Proposed Merger is for Timmins to acquire all CGC Shares not acquired in the Offer. After the Proposed Merger, the Surviving Corporation will be a wholly-owned subsidiary of Timmins and the former CGC stockholders will no longer have any direct ownership interest in the Surviving Corporation. Pursuant to the Proposed Merger, at the effective time of the Proposed Merger, each CGC Share then outstanding (except for CGC Shares held in CGC s treasury, CGC Shares owned by any direct or indirect wholly-owned subsidiary of CGC and CGC Shares owned by Timmins, Offeror or any of their direct or indirect wholly-owned subsidiaries, including CGC Shares acquired in the Offer) will be converted into the right to receive the Consideration. Holders who otherwise would be entitled to receive a fractional Timmins Share will instead receive cash in lieu of any fractional Timmins Share such holder may have otherwise been entitled to receive. See The Offer Fractional Shares for a detailed description of the treatment of fractional Timmins Shares.

Timmins is seeking to negotiate a merger agreement with CGC. Subject to applicable law, Offeror reserves the right to amend the Offer in all respects upon entering into a merger agreement with CGC, or to negotiate a merger agreement with CGC not involving a tender offer or exchange offer pursuant to which Offeror would terminate the Offer and the CGC Shares would, upon consummation of such proposed merger, be converted into the consideration negotiated by Timmins, Offeror and CGC.

Why is Offeror making the Offer now?

Timmins and CGC had discussions regarding a combination in August and September of 2010, and Timmins continued to seek to engage with CGC s board of directors to negotiate a friendly merger of Timmins and CGC. Despite repeated attempts and proposals, CGC rejected our proposals. Then, on October 1, 2010, CGC entered into an agreement and plan of merger (as amended on October 29, 2010, the Gammon Agreement) with Gammon Gold Inc. (Gammon), pursuant to which CGC would become a wholly-owned subsidiary of Gammon. Timmins subsequently attempted to engage with CGC in October and December 2010 but was rejected by CGC each time. In January 2011, CGC invited Timmins to discuss a potential transaction and requested that Timmins provide due diligence materials to CGC. Timmins provided the due diligence materials, but CGC again rejected Timmins proposal and publicly announced that it had discontinued negotiations with Timmins. It has therefore become imperative to act now to ensure that CGC stockholders have an opportunity to consider Timmins proposal prior to CGC consummating the proposed merger with Gammon. See Background and Reasons for the Offer and Proposed Merger Background of the Offer and Proposed Merger.

What are the conditions of the Offer?

The Offer is conditioned upon the following:

- there shall have been validly tendered and not withdrawn prior to the expiration of the Offer, as it may be extended from time to time, that number of CGC Shares which, when added to CGC Shares owned by Timmins or Offeror, if any, represents a majority of the total number of outstanding CGC Shares on a fully diluted basis (assuming the conversion or exercise of all stock options, other derivative securities or other rights to acquire CGC Shares regardless of the conversion or exercise price, the vesting schedule or other terms and conditions thereof) at the time of the expiration of the Offer (the Minimum Condition);

- CGC shall have entered into a definitive merger agreement with Timmins with respect to the Proposed Merger, which terms and conditions will be reasonably satisfactory to Timmins and shall provide, among other things, that: (i) the board of directors of CGC has approved the Offer and the Proposed Merger and (ii) the board of directors of CGC has removed any legal or contractual impediment to the consummation of the Offer and the Proposed Merger (the Approval Condition);

- Timmins shall have completed, to its reasonable satisfaction, customary confirmatory due diligence with respect to CGC s business, assets and liabilities and shall have concluded, in its reasonable judgment, that there are no material adverse facts or developments concerning or affecting CGC s business, assets and liabilities that have not been publicly disclosed prior to the commencement of the Offer (the Due Diligence Condition);

- the Gammon Agreement shall have been terminated, and any break-fee owing as a result of such termination shall have been paid in full (the Termination Condition);

- Timmins shall have concluded, in its reasonable judgment, that the restrictions on Business Combinations with an Interested Stockholder set forth in Section 203 of the Delaware General Corporation Law (the DGCL) are inapplicable to the Offer and the Proposed Merger or any other business combination involving Timmins or any of its subsidiaries and CGC (the Section 203 Condition);

- there shall not have been any material adverse change to CGC at any time on or after July 31, 2010 and prior to the expiration of the Offer (see The Offer Conditions of the Offer for a definition of material adverse change);

- there shall be no pending private, regulatory or governmental inquiry, action, suit, proceeding, litigation, claim, arbitration or investigation against CGC or any of its affiliates, or any of their respective properties or assets, or any officer, director, partner, member or manager, in his or her capacity as such, of CGC or any of their affiliates, with respect to the Offer or the consummation of the Proposed Merger or the transactions contemplated thereby which could reasonably be expected to result in a material adverse change;

each of CGC and its subsidiaries shall have carried on their respective businesses in the ordinary course consistent with past practice at any time on or after the date of this prospectus/offer to exchange and prior to the expiration of the Offer;

any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act) and Mexican Law, shall have expired or been terminated, and any other requisite clearances and/or approvals under any other federal, state or foreign antitrust, competition or other regulatory law shall have been obtained;

the shareholders of Timmins shall have approved the issuance of Timmins Shares pursuant to the Offer and the Proposed Merger;

the registration statement of which this prospectus/offer to exchange is a part shall have become effective under the Securities Act of 1933, as amended (the Securities Act), and no stop order or proceeding seeking a stop order shall have been issued and no other proceeding shall have been instituted or threatened by the SEC; and

the Timmins Shares to be issued pursuant to the Offer shall have been approved for listing on the TSX-V and the NYSE Amex, subject to official notice of issuance.

CGC s board of directors has the ability to satisfy certain of the principal conditions of the Offer, including the Section 203 Condition, the Approval Condition, the Termination Condition and the Due Diligence Condition. Timmins and Offeror believe that CGC s board of directors should take all necessary actions to facilitate the satisfaction of such conditions and the consummation of the Offer and the Proposed Merger and hereby request that they do so. Although Timmins believes that, under the circumstances of the Offer and the Proposed Merger, CGC s board of directors should do so, CGC s board of directors may not act to satisfy these conditions. If CGC does not act to facilitate these conditions Timmins will not be able to consummate the Offer and the Proposed Merger.

Is Timmins financial condition relevant to my decision to tender CGC Shares in the Offer?

Yes. Timmins financial condition is relevant to your decision to tender your CGC Shares because the Consideration you will receive if your CGC Shares are exchanged in the Offer consists of Timmins Shares. You should therefore consider Timmins financial condition as you will become one of Timmins shareholders by accepting the Offer. You also should consider the likely effect that Timmins acquisition of CGC would have on Timmins financial condition. This prospectus/offer to exchange contains financial information regarding Timmins, as well as pro forma financial information for the proposed combination of Timmins and CGC, all of which we encourage you to review.

What percentage of Timmins Shares will former holders of the CGC Shares own after the Offer and the Proposed Merger?

Timmins estimates that, if all of CGC s stock options and warrants are exercised, former CGC stockholders would own, in the aggregate, approximately 51.8% of Timmins Shares outstanding after the consummation of the Proposed Merger. For a detailed discussion of the assumptions on which this estimate is based, see The Offer Ownership of Timmins After the Offer and the Proposed Merger.

When does the Offer expire? Can the Offer be extended and, if so, under what circumstances?

The Offer is scheduled to expire at 12:00 midnight, New York City time, on [ ], 2011, which is the Initial Expiration Date, unless further extended by Offeror. CGC Shares tendered pursuant to the Offer may be withdrawn at any time prior to the expiration of the Offer. Any extension, delay, termination, waiver or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. During any such extension, all CGC Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw such stockholder s CGC Shares. Expiration Date means the Initial Expiration Date, unless and until Offeror has extended the Offer, subject to applicable laws, in which case the term Expiration Date means the latest time and date at which the Offer, as so extended by Offeror, will expire.

How long will it take to complete the Offer and the Proposed Merger?

Timmins hopes to complete the Offer promptly after its expiration at 12:00 midnight, New York City time, on [ ], 2011. However, Timmins may extend the Offer if the conditions to the Offer have not been satisfied as of the Initial Expiration Date or if Timmins is required to extend the Offer pursuant to the SEC s tender offer rules. Timmins intends to complete the Proposed Merger as soon as practicable after the successful completion of the Offer, unless a court or other circumstances prevents Timmins from doing so. If following the consummation of the Offer Timmins owns 90% or more of the CGC Shares, subject to receipt of any required regulatory approvals, Timmins will consummate a short-form merger without a vote of, or prior notice to, CGC stockholders in accordance with Section 253 of the DGCL. If Timmins does not own 90% or more of the outstanding CGC Shares following consummation of this Offer, Timmins, as CGC s majority stockholder, intends to approve the Proposed Merger in accordance with Section 251 of the DGCL. When the Proposed Merger takes place, all remaining stockholders (other than stockholders properly exercising their appraisal rights) will receive the same Consideration as was paid in the Offer, less any applicable withholding of taxes.

Will CGC s board of directors make a recommendation concerning the Offer?

We do not know whether CGC s board of directors will make a recommendation. Under SEC rules, CGC s board of directors will be required to make a recommendation or state that it is neutral or is unable to take a position with respect to the Offer, and file with the SEC a solicitation/recommendation statement on Schedule 14D 9 describing its position, if any, and related matters, no later than ten business days from the date Timmins files this prospectus/offer to exchange. CGC is also required to send to you a copy of its Schedule 14D 9 which you should review carefully upon receipt.

Has Timmins negotiated, or sought the approval of, the terms of the Offer or the Proposed Merger with CGC?

On September 1, 2010, Timmins made a non-binding proposal to the board of directors of CGC to acquire CGC. On September 3, 2010, Timmins revised its proposal by increasing the consideration from 2.02 to 2.27 Timmins Shares for each CGC Share (the Revised Proposal). Thereafter, Timmins tried to contact CGC on several occasions in order to discuss a potential acquisition of CGC by Timmins. On September 27, 2010, Timmins publicly announced that it had made the Revised Proposal. On October 1, 2010, CGC announced that its board of directors entered into the Gammon Agreement. Timmins continued to seek to negotiate a friendly merger with CGC, and sent a letter to CGC s board of directors on October 12, 2010, stating that Timmins wished to acquire all CGC Shares in exchange for 2.27 Timmins Shares. Timmins also indicated that it was willing to enter into a merger agreement with CGC on significantly more favorable terms to CGC than contained in the Gammon Agreement. On October 14, 2010, CGC rejected our proposal, stating that it was not a superior proposal. After allowing CGC s board of directors time to reflect on the Revised Proposal, we reaffirmed our commitment to the Revised Proposal in a letter to CGC s board of directors on December 2, 2010. In addition to our offer of 2.27 Timmins Shares for each CGC Share, we also offered to reduce the termination fee to 1% of the equity value of the transaction compared to approximately 3.6% in the Gammon Agreement, eliminate the five-day matching rights, eliminate the $2 million unilateral termination right afforded Gammon and to delete a number of other closing conditions that affect the certainty of closing the Gammon transaction. However, CGC again rejected our request to consider a friendly merger with Timmins. In January 2011, CGC invited Timmins to discuss a potential transaction and requested that Timmins provide due diligence materials to CGC. Timmins provided the due diligence materials, but on February 1, 2011, CGC again rejected Timmins proposal and publicly announced that it had discontinued negotiations with Timmins. Subject to applicable law, Offeror reserves the right to amend the Offer in all respects upon entering into a merger agreement with CGC, or to negotiate a merger agreement with CGC not involving a tender offer or exchange offer pursuant to which Offeror would terminate the Offer and the CGC Shares would, upon consummation of such Proposed Merger, be converted into the consideration negotiated by Timmins, Offeror and CGC. See Background and Reasons for the Offer and Proposed Merger Background of the Offer and Proposed Merger.

How do I tender my CGC Shares?

To tender CGC Shares into the Offer, you must deliver the certificates representing your CGC Shares, together with a completed letter of transmittal and any other documents required by the accompanying letter of transmittal, to Computershare Investor Services Inc., the exchange agent for the Offer, not later than the time the Offer expires. The letter of transmittal (and its instructions) is enclosed with this prospectus/offer to exchange. If your CGC Shares are held in street name (i.e., through a broker, dealer, commercial bank, trust company or other nominee), your CGC Shares can be tendered by your nominee by book-entry transfer through The Depository Trust Company.

For a complete discussion of the procedures for tendering your CGC Shares, please see the section of this prospectus/offer to exchange entitled The Offer Procedure for Tendering.

Until what time can I withdraw tendered CGC Shares?

You may withdraw previously tendered CGC Shares at any time prior to the expiration of the Offer. For a complete discussion of the procedures for withdrawing your CGC Shares, please see the section of this prospectus/offer to exchange entitled The Offer Withdrawal Rights.

How do I withdraw previously tendered CGC Shares?

To withdraw previously tendered CGC Shares, you must deliver a written or facsimile notice of withdrawal with the required information to the exchange agent while you still have the right to withdraw. If you tendered CGC Shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your CGC Shares. For a complete discussion on the procedures for withdrawing your CGC Shares, including the applicable deadlines for effecting withdrawals, please see the section of this prospectus/offer to exchange entitled The Offer Withdrawal Rights.

When and how will I receive the Consideration in exchange for my tendered CGC Shares?

Offeror will exchange all validly tendered and not properly withdrawn CGC Shares promptly after the Expiration Date, subject to the terms of the Offer and the satisfaction or waiver of the conditions to the Offer, as set forth in the section of this prospectus/offer to exchange entitled The Offer Conditions of the Offer. Offeror will deliver the Consideration for your validly tendered and not properly withdrawn CGC Shares by depositing the Timmins Shares therefore with the exchange agent, which will act as your agent for the purpose of receiving the Consideration from Offeror and transmitting such Consideration to you. In all cases, an exchange of tendered CGC Shares will be made only after timely receipt by the exchange agent of certificates for such CGC Shares (or a confirmation of a book-entry transfer of such CGC Shares as described in the section of this prospectus/offer to exchange entitled The Offer Procedure for Tendering), a properly completed and duly executed letter of transmittal and any other required documents for such CGC Shares.

Will I receive any fractional Timmins Shares in the Offer?

No. Fractional Timmins Shares will not be distributed in the Offer. Instead, CGC stockholders entitled to receive fractional Timmins Shares will receive cash in lieu of a fractional Timmins Share. The exchange agent, acting as agent for CGC stockholders otherwise entitled to receive a fractional Timmins Share, will aggregate all fractional Timmins Shares that would otherwise have been required to be distributed and cause them to be sold in the open market for the accounts of such stockholders. The stockholders will receive the proceeds, if any, less any brokerage commissions or other fees, from the sale of these fractional Timmins Shares in accordance with their fractional interest in the aggregate number of Timmins Shares sold.

Why does the cover page to this prospectus/offer to exchange state that the information in this prospectus/offer to exchange may be changed and that the registration statement filed with the SEC is not yet effective? Does this mean that the Offer may not commence?

No. Completion of this preliminary prospectus/offer to exchange and effectiveness of the registration statement of which this prospectus/offer to exchange is a part are not necessary for the Offer to commence. Following the commencement of the Offer, the information in this prospectus/offer to exchange may be changed. Timmins cannot accept for exchange any CGC Shares tendered in the Offer or exchange any CGC Shares until the registration statement of which this prospectus/offer to exchange is a part is declared effective by the SEC and the other conditions to the Offer have been satisfied or waived. The Offer will commence when we first mail this prospectus/offer to exchange and the related letter of transmittal to CGC stockholders.

What will I receive in the Proposed Merger if I do not tender my CGC Shares?

In the Proposed Merger, each CGC Share outstanding at the effective time will be converted into the right to receive the Consideration, which is 2.27 Timmins Shares for each CGC Share, and cash in lieu of fractional shares.

Are dissenters or appraisal rights available in either the Offer or the Proposed Merger?

No dissenters or appraisal rights are available in connection with the Offer. However, if the Proposed Merger is effected as a short-form merger under the DGCL, CGC stockholders who do not tender their CGC Shares in the Offer and who properly seek appraisal rights for their CGC Shares in accordance with Section 262 of the DGCL would have appraisal rights if the Proposed Merger takes place. The value you will receive if you perfect appraisal rights could be more or less than, or the same as, the price per CGC Share to be paid in the Offer and the Proposed Merger. See The Offer Purpose of the Offer; the Proposed Merger; Dissenters or Appraisal Rights.

Do shareholders of Timmins need to vote to approve the Offer or the Proposed Merger?

Yes. The TSX-V rules require Timmins to obtain the approval of its shareholders for the Offer and the Proposed Merger, and Timmins intends to seek such approval as promptly as practicable.

How will U.S. taxpayers be taxed?

The exchange of CGC Shares for Timmins Shares pursuant to the Offer and any related transactions to acquire CGC Shares, including the Proposed Merger (collectively, the Integrated Acquisition Transactions), should qualify as a tax-deferred reorganization under the provisions of Section 368(a) of the U.S. Internal Revenue Code of 1986, as amended (the Code). However, because the exchange of CGC Shares for Timmins Shares will represent an exchange of stock of a U.S. corporation for the stock of a non-U.S. corporation, the additional requirements of Section 367 of the Code and the U.S. Treasury Regulations thereunder would need to be met in order for U.S. Holders (as defined under U.S. Federal Income Tax Consequences) of CGC Shares to avoid fully recognizing gain pursuant to the Integrated Acquisition Transactions. As more fully discussed under U.S. Federal Income Tax Consequences, it is unclear whether Timmins would satisfy certain technical requirements under Section 367, and, accordingly, except as specifically noted, the U.S. federal income tax discussion in this document assumes that the Integrated Acquisition Transactions will qualify as a reorganization for U.S. federal income tax purposes, but that the additional requirements of Section 367 will not be met. In such case, a U.S. Holder will recognize gain (but not loss) equal to the difference between (i) the sum of the fair market value, as of the date of the exchange, of the Timmins Shares received in exchange for CGC Shares and any cash received in lieu of fractional Timmins Shares and (ii) the U.S. Holder s adjusted tax basis in the CGC Shares exchanged. Such gain will be long-term capital gain if the U.S. Holder s holding period with respect to its CGC Shares is more than one year as of the date of the exchange. You should review the more detailed information under The Offer U.S. Federal Income Tax Consequences and The Offer Certain Canadian Federal Income Tax Consequences.

Where can I find more information about Timmins and CGC?

You can find more information about Timmins and CGC by reading this prospectus/offer to exchange and from various sources described in the section of this prospectus/offer to exchange entitled Where To Obtain More Information.

Whom can I contact if I have questions about the Offer?

You should contact Timmins information agent at the following address and telephone numbers with any questions about the Offer or the Proposed Merger, or to request additional copies of this prospectus/offer to exchange or other documents:

The information agent for the Offer is:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders May Call Toll-Free: 877-800-5182

Banks & Brokers May Call Collect: 212-750-5833

SUMMARY

This section summarizes material information presented in greater detail elsewhere in this prospectus/offer to exchange. However, this summary does not contain all of the information that may be important to CGC stockholders. You are urged to read carefully the remainder of this prospectus/offer to exchange and the accompanying letter of transmittal and the other documents to which we have referred because the information in this section is not complete. See Where To Obtain More Information.

The Offer (see page 116)

Under the terms of the Offer, each CGC stockholder will receive, for each outstanding share of CGC common stock, par value $0.0001 per share (the CGC Shares), validly tendered and not withdrawn in the Offer, 2.27 common shares, without par value, of Timmins (the Timmins Shares and, such Timmins Shares as are offered in exchange for each CGC Share, the Consideration).

The value of the Consideration will fluctuate prior to the Expiration Date as the market price of Timmins Shares changes.

Consideration to be received by holders of the CGC Shares

Solely for purposes of illustration, the following table indicates the value of the Consideration based on different assumed prices for Timmins Shares:

Assumed Timmins Share Price	Market Value of Consideration (Per CGC Share Exchanged)
$1.60	$3.632
$1.80	$4.086
$2.00	$4.540
$2.20	$4.994
$2.40	$5.448
$2.60	$5.902
$2.80	$6.356

The prices of Timmins Shares used in the above table are for purposes of illustration only. The value of the Consideration will change as the price of Timmins Shares fluctuates during the Offer period and thereafter, and may therefore be higher or lower than the prices set forth in the examples above at the expiration of the Offer and at the time you receive the Timmins Shares. CGC s stockholders are encouraged to obtain current market quotations for the Timmins Shares and the CGC Shares prior to making any decision with respect to the Offer.

On [ ], 2011, the last trading day immediately preceding the date of this Offer, the closing price of a Timmins Share on the TSX-V was $[ ], based on the Bank of Canada s noon exchange rate on such date, and the closing price of a CGC Share on the NYSE Amex was $[ ]. Consequently, the implied value of the Consideration per CGC Share was $[ ].

We intend to apply to list our common shares on the NYSE Amex under the symbol [ ] , and it is a condition to the consummation of this Offer that our common shares, including the shares issued in connection with this Offer, will be listed on the NYSE Amex upon the consummation of this Offer.

CGC stockholders should obtain current market quotations for the Timmins Shares and the CGC Shares before deciding whether to tender pursuant to the Offer. Please also see the section of this prospectus/offer to exchange entitled Risk Factors.

Purpose of the Offer; the Proposed Merger (see page 130)

The purpose of the Offer is for Timmins to acquire control of, and ultimately the entire equity interest in, CGC. The Offer is the first step in Timmins plan to acquire all of the outstanding CGC Shares. Timmins currently intends, as soon as practicable following the consummation of the Offer, to seek to effect the merger of Offeror with and into CGC, with CGC surviving the merger (the Proposed Merger). CGC after the Proposed Merger is sometimes referred to as the Surviving Corporation. The purpose of the Proposed Merger is for Timmins to acquire all CGC Shares not acquired in the Offer. After the Proposed Merger, the Surviving Corporation will be a wholly-owned subsidiary of Timmins and the former CGC stockholders will no longer have any direct ownership interest in the Surviving Corporation. Pursuant to the Proposed Merger, at the effective time of the Proposed Merger, each CGC Share then outstanding (except for CGC Shares held in CGC s treasury, CGC Shares owned by any direct or indirect wholly-owned subsidiary of CGC and CGC Shares owned by Timmins, Offeror or any of their direct or indirect wholly-owned subsidiaries, including CGC Shares acquired in the Offer) will be converted into the right to receive the Consideration. Holders who otherwise would be entitled to receive a fractional Timmins Share will instead receive cash in lieu of any fractional Timmins Share such holder may have otherwise been entitled to receive. See The Offer Fractional Shares for a detailed description of the treatment of fractional Timmins Shares.

Timmins is seeking to negotiate a merger agreement with CGC. Subject to applicable law, Offeror reserves the right to amend the Offer in all respects upon entering into a merger agreement with CGC, or to negotiate a merger agreement with CGC not involving a tender offer or exchange offer pursuant to which Offeror would terminate the Offer and the CGC Shares would, upon consummation of such proposed merger, be converted into the consideration negotiated by Timmins, Offeror and CGC.

The Companies (see page 48)

Timmins

Timmins Gold Corp.

609 Granville Street, Suite 520

Vancouver, British Columbia

Canada V7Y 1G5

(604) 682-4002

Timmins, a British Columbia corporation, is a resource company engaged in the acquisition, exploration and development and operation of gold properties in Mexico. Timmins was founded in 2005 and it commenced commercial production on April 1, 2010 at the San Francisco Mine in Sonora, Mexico.

Timmins Gold Acquisition Corp.

c/o Timmins Gold Corp.

609 Granville Street, Suite 520

Vancouver, British Columbia

Canada V7Y 1G5

(604) 682-4002

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Offeror, a Delaware corporation, is a wholly-owned subsidiary of Timmins. Offeror is newly formed, and was organized for the purpose of making the Offer and consummating the Proposed Merger. Offeror has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incidental to its formation and those incurred in connection with the Offer and the Proposed Merger.

CGC

Capital Gold Corporation

76 Beaver Street, 14th Floor

New York, NY 10005

(212) 344-2785

CGC is engaged in the mining, exploration and development of gold properties in Mexico. CGC s primary focus is on the operation and development of the El Chanate project, and CGC also conducts gold exploration in other locations in Sonora, Mexico.

Reasons for the Offer and the Proposed Merger (see page 114)

Timmins believes that a combination of Timmins and CGC would create significant value for both CGC stockholders and Timmins shareholders. The issuance of Timmins Shares to a CGC stockholder will allow that stockholder to participate in the growth and value creation of the combined company.

Timmins believes the combination of Timmins and CGC is compelling and offers a number of strategic benefits, including the following:

Increased Production: We estimate that the combined company will have 2011 production of approximately 160,000 ounces of gold, making it a solid mid-tier producer.

Re-Rating Opportunity: We expect that the combined company will be recognized as a solid mid-tier producer, which should lead to a re-rating of the combined company s share price. We believe this re-rating opportunity offers CGC stockholders a significant potential benefit that would not be available at all or in the same degree in connection with the sale of CGC to Gammon. In fact, CGC s proxy statement in connection with the Gammon transaction states that CGC s own financial advisor noted that the long-term valuation re-rating was potentially greater under a transaction with Timmins Gold.

Low-Cost Producer: We estimate that the combined company will have a cash production cost of approximately $484 per ounce of gold.

Strong Gold Reserves: We estimate that the combined company will have approximately 2.2 million ounces of proven and probable reserves, with significant opportunities to further develop and add to such reserves.

Complementary Assets: CGC s El Chanate Mine and Timmins San Francisco Mine are located within 65 kilometres of each other in the Sonora region of Mexico, making the combination of these assets ideal from an operational and strategic perspective.

Experienced Management Team: The combination of key members of CGC s and Timmins management teams will provide excellent leadership from an operational perspective and have a strong track record raising capital.

Supportive Shareholder Base. The combined company will benefit from a supportive base of institutional shareholders that understand the combined business and want to see it succeed. Currently, stockholders representing approximately 35% of the CGC Shares have advised us of their support for the Revised Proposal, including some of CGC s largest institutional stockholders.

Timing of the Offer (see page 102)

Timmins and CGC had discussions regarding a combination in August and September of 2010, and Timmins continued to seek to engage with CGC s board of directors to negotiate a friendly merger of Timmins and CGC. Despite repeated attempts and proposals, CGC rejected our proposals. Then, on October 1, 2010, CGC entered into an agreement and plan of merger (the Gammon Agreement) with Gammon Gold Inc. (Gammon), pursuant to which CGC would become a wholly-owned subsidiary of Gammon. Timmins subsequently attempted to engage with CGC in October and December 2010 but was rejected by CGC each time. In January 2011, CGC invited Timmins to discuss a potential transaction and requested that Timmins provide due diligence materials to CGC. Timmins provided the due diligence materials, but CGC again rejected Timmins proposal and publicly announced that it had discontinued negotiations with Timmins. It has therefore become imperative to act now to ensure that CGC stockholders have an opportunity to consider Timmins proposal prior to CGC consummating the proposed merger with Gammon.

Conditions of the Offer (see page 134)

The Offer is conditioned upon the following:

there shall have been validly tendered and not withdrawn prior to the expiration of the Offer, as it may be extended from time to time, that number of CGC Shares which, when added to CGC Shares owned by Timmins or Offeror, if any, represents a majority of the total number of outstanding CGC Shares on a fully diluted basis (assuming the conversion or exercise of all stock options, other derivative securities or other rights to acquire CGC Shares regardless of the conversion or exercise price, the vesting schedule or other terms and conditions thereof) at the time of the expiration of the Offer (the Minimum Condition);

CGC shall have entered into a definitive merger agreement with Timmins with respect to the Proposed Merger, which terms and conditions will be reasonably satisfactory to Timmins and shall provide, among other things, that: (i) the board of directors of CGC has approved the Offer and the Proposed Merger and (ii) the board of directors of CGC has removed any legal or contractual impediment to the consummation of the Offer and the Proposed Merger (the Approval Condition);

Timmins shall have completed, to its reasonable satisfaction, customary confirmatory due diligence with respect to CGC s business, assets and liabilities and shall have concluded, in its reasonable judgment, that there are no material adverse facts or developments concerning or affecting CGC s business, assets and liabilities that have not been publicly disclosed prior to the commencement of the Offer (the Due Diligence Condition);

the Gammon Agreement shall have been terminated, and any break-fee owing as a result of such termination shall have been paid in full (the Termination Condition);

Timmins shall have concluded, in its reasonable judgment, that the restrictions on Business Combinations with an Interested Stockholder set forth in Section 203 of the DGCL are inapplicable to the Offer and the Proposed Merger or any other business combination involving Timmins or any of its subsidiaries and CGC (the Section 203 Condition);

there shall not have been any material adverse change to CGC at any time on or after July 31, 2010 and prior to the expiration of the Offer (see The Offer Conditions of the Offer for a definition of material adverse change);

there shall be no pending private, regulatory or governmental inquiry, action, suit, proceeding, litigation, claim, arbitration or investigation against CGC or any of its affiliates, or any of their respective properties or assets, or any officer, director, partner, member or manager, in his or her capacity as such, of CGC or any of their affiliates, with respect to the Offer or the consummation of the Proposed Merger or the transactions contemplated thereby which could reasonably be expected to result in a material adverse change;

each of CGC and its subsidiaries shall have carried on their respective businesses in the ordinary course consistent with past practice at any time on or after the date of this prospectus/offer to exchange and prior to the expiration of the Offer;

any applicable waiting period under the HSR Act and Mexican law shall have expired or been terminated, and any other requisite clearances and/or approvals under any other federal, state or foreign antitrust, competition or other regulatory law shall have been obtained;

the shareholders of Timmins shall have approved the issuance of Timmins Shares pursuant to the Offer and the Proposed Merger;

the registration statement of which this prospectus/offer to exchange is a part shall have become effective under the Securities Act, and no stop order or proceeding seeking a stop order shall have been issued and no other proceeding shall have been instituted or threatened by the SEC; and

the Timmins Shares to be issued pursuant to the Offer shall have been approved for listing on the TSX-V and the NYSE Amex, subject to official notice of issuance.

CGC s board of directors has the ability to satisfy certain of the principal conditions of the Offer, including the Section 203 Condition, the Approval Condition, the Termination Condition and the Due Diligence Condition. Timmins and Offeror believe that CGC s board of directors should take all necessary actions to facilitate the satisfaction of such conditions and the consummation of the Offer and the Proposed Merger and hereby request that they do so. Although Timmins believes that, under the circumstances of the Offer and the Proposed Merger, CGC s board of directors should do so, CGC s board of directors may not act to satisfy these conditions. If CGC does not act to facilitate these conditions Timmins will not be able to consummate the Offer and the Proposed Merger.

Comparative Market Price Data (see page 27)

Timmins Shares are listed on the TSX-V under the symbol TMM. The CGC Shares trade on the NYSE Amex and on the Toronto Stock Exchange (the TSX) under the symbol CGC. On [ ], 2011, the last full trading day before the date of this Offer, the closing sales price of a Timmins Share on the TSX-V was $[ ], based on the Bank of Canada s noon exchange rate on such date, and the closing sales price of a CGC Share on the NYSE Amex was $[ ]. CGC stockholders should obtain current market quotations for the Timmins Shares and the CGC Shares before deciding whether to tender CGC Shares in the Offer. See Comparative Market Price and Dividend Matters for a discussion of pro forma per share data.

Ownership of Timmins after the Offer and the Proposed Merger (see page 122)

Timmins estimates that, if all of CGC s stock options and warrants are exercised, former CGC stockholders would own, in the aggregate, approximately 51.8% of Timmins Shares outstanding after the consummation of the Proposed Merger. For a detailed discussion of the assumptions on which this estimate is based, see The Offer Ownership of Timmins After the Offer and the Proposed Merger.

Comparison of Shareholders Rights (see page 147)

The rights of Timmins shareholders are different in some respects from the rights of CGC stockholders. Therefore, CGC stockholders will have different rights as stockholders once they become Timmins shareholders. The differences are described in more detail under Comparison of Shareholders Rights.

Expiration of the Offer (see page 117)

The Offer is scheduled to expire at 12:00 midnight, New York City time, on [ ], 2011, which is the Initial Expiration Date, unless further extended by Offeror. CGC Shares tendered pursuant to the Offer may be withdrawn at any time prior to the expiration of the Offer. Expiration Date means the Initial Expiration Date, unless and until Offeror has extended the Offer, subject to applicable laws, in which case the term Expiration Date means the latest time and date at which the Offer, as so extended by Offeror, will expire.

Extension, Termination or Amendment (see page 117)

Timmins may extend the Offer from time to time if the conditions to the Offer have not been satisfied as of the Initial Expiration Date or any other scheduled Expiration Date or if Offeror is required to extend the Offer pursuant to the SEC s tender offer rules.

Offeror will effect any extension, termination, amendment or delay by giving oral or written notice to the exchange agent and by making a public announcement as promptly as practicable thereafter as described under The Offer Extension, Termination and Amendment. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., New York City time, on the next business day following the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(c) and 14d-6(d) under the Exchange Act, which require that any material change in the information published, sent or given to stockholders in connection with the Offer be promptly disseminated to stockholders in a manner reasonably designed to inform them of such change) and without limiting the manner in which Offeror may choose to make any public announcement, Offeror assumes no obligation to publish, advertise or otherwise communicate any such public announcement of this type other than by issuing a press release. During any extension, CGC Shares previously tendered and not properly withdrawn will remain subject to the Offer, subject to the right of each CGC stockholder to withdraw previously tendered CGC Shares.

Subject to applicable SEC rules and regulations and applicable law, Offeror also reserves the right, in its sole discretion, at any time or from time to time to waive any or all conditions to the Offer.

Timmins is seeking to negotiate a merger agreement with CGC. Subject to applicable law, Offeror reserves the right to amend the Offer in all respects upon entering into a merger agreement with CGC, or to negotiate a merger agreement with CGC not involving a tender offer or exchange offer pursuant to which Offeror would terminate the Offer and the CGC Shares would, upon consummation of such proposed merger, be converted into the consideration negotiated by Timmins, Offeror and CGC.

No subsequent offering period will be available following the expiration of the Offer.

Withdrawal Rights (see page 121)

Tendered CGC Shares may be withdrawn at any time prior to the Expiration Date and at any time after the Expiration Date until Offeror accepts the CGC Shares for exchange. Once Offeror accepts CGC Shares for exchange pursuant to the Offer, all tenders not previously withdrawn become irrevocable.

Procedure for Tendering (see page 119)

To validly tender CGC Shares pursuant to the Offer, CGC stockholders must:

- deliver a properly completed and duly executed letter of transmittal, along with any required signature guarantees and any other required documents, and certificates for tendered CGC Shares to the exchange agent at its address set forth on the back cover of this prospectus/offer to exchange, all of which must be received by the exchange agent prior to the Expiration Date;

deliver an agent s message in connection with a book-entry transfer, and any other required documents, to the exchange agent at its address set forth on the back cover of this prospectus/offer to exchange, and CGC Shares must be tendered pursuant to the procedures for book entry tender set forth in this prospectus/offer to exchange (and a confirmation of receipt of that tender received), and in each case be received by the exchange agent prior to the Expiration Date; or

comply with the guaranteed delivery procedures set forth in The Offer Guaranteed Delivery.

CGC stockholders who hold CGC Shares in street name through a bank, broker or other nominee holder, and desire to tender their CGC Shares pursuant to the Offer, should instruct the nominee holder to do so prior to the Expiration Date.

Exchange of CGC Shares; Delivery of Timmins Shares (see page 118)

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), promptly following the Expiration Date, Offeror will accept for exchange, and will exchange, all CGC Shares validly tendered and not withdrawn prior to the Expiration Date.

Fractional Shares (see page 119)

Fractional Timmins Shares will not be distributed in the Offer or the Proposed Merger. Instead, CGC stockholders entitled to receive fractional Timmins Shares will receive cash in lieu of a fractional Timmins Share. The exchange agent, acting as agent for CGC stockholders otherwise entitled to receive a fractional Timmins Share, will aggregate all fractional Timmins Shares that would otherwise have been required to be distributed and cause them to be sold in the open market for the accounts of such stockholders. The stockholders will receive the proceeds, if any, less any brokerage commissions or other fees, from the sale of these fractional Timmins Shares in accordance with their fractional interest in the aggregate number of Timmins Shares sold.

Certain Legal Matters; Regulatory Approvals (see page 136)

Antitrust

The Offer and the Proposed Merger cannot be consummated until after Timmins and CGC file the premerger Notification and Report Forms (each an HSR Form) required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and observe the corresponding waiting period. These requirements and other issues are discussed under The Offer Certain Legal Matters; Regulatory Approvals. Shortly after Timmins announced the Offer and the Proposed Merger, Timmins commenced voluntary discussions with the staff (the Staff) of the Federal Trade Commission (the FTC). Pursuant to these informal discussions, Timmins agreed to provide voluntarily information to the Staff in order to expedite its investigation. Timmins believes that the provision of this information prior to the filing of its HSR Form will shorten the time necessary for FTC review once the Forms are filed. Timmins intends to file the HSR Form once the FTC has sufficient information to allow such an expedited review.

In addition, under applicable Mexican antitrust laws, the Offer and the Proposed Merger cannot be consummated until the expiration of the 10 business day waiting period beginning on the date of filing the premerger filing with the Comisión Federal de Competencia, or the Mexican Antitrust Commission, subject to the Mexican Antitrust Commission not issuing a stop order and assuming the risk of closing the Offer and Proposed Merger before a decision is issued. If during such waiting period the Mexican Antitrust Commission issues a stop order, then the Offer and the Proposed Merger may only be consummated upon receiving clearance from the Mexican Antitrust Commission. Generally, the Mexican Antitrust Commission has up to 35 business days from the date the case file is complete to issue its decision on a transaction. In complicated cases, such period may be extended by the Mexican Antitrust Commission. Timmins will make the application and file responses as may be required in connection with questions that may be posed by the Mexican Antitrust Commission during the comment period. Under applicable Mexican antitrust laws, once the time limit has expired and no decision has been issued to the interested parties, it shall be understood that the Mexican Antitrust Commission has no objection.

State Takeover Laws

In general, Section 203 of the DGCL prevents an Interested Stockholder (including a person who owns or has the right to acquire 15% or more of a corporation s outstanding voting stock) from engaging in a Business Combination (which term includes mergers and certain other actions) with a Delaware corporation for a period of three years following the date such person became an Interested Stockholder.

The Offer is subject to the condition that the board of directors of CGC shall have approved the Offer and the Proposed Merger pursuant to the requirements of Section 203 of the DGCL, or Timmins shall have concluded, in its reasonable judgment, that Section 203 does not apply to or otherwise restrict the Offer, the Proposed Merger or any such business combination. This condition will be satisfied if (1) prior to the acceptance for exchange of CGC Shares pursuant to the Offer, CGC s board of directors (x) shall have unconditionally approved the Offer and the Proposed Merger or (y) shall have approved each of Timmins and its subsidiaries as an Interested Stockholder or (2) there are validly tendered and not withdrawn prior to the Expiration Date a number of CGC Shares that, together with the CGC Shares then owned by Timmins, would represent at least 85% of the CGC Shares outstanding on the date of this prospectus/offer to exchange (excluding CGC Shares owned by certain employee stock plans and persons who are directors and also officers of CGC).

Other Regulatory Approvals

TSX Venture Exchange. The TSX-V rules require Timmins to obtain the approval of its shareholders for the Offer and the Proposed Merger, and Timmins intends to seek such approval as promptly as practicable. The TSX-V also needs to approve the issuance of the Timmins Shares in connection with the Offer and the Proposed Merger, and Timmins intends to take such actions as are required to satisfy the listing requirements of the TSX-V.

NYSE Amex. We intend to apply to list our common shares on the NYSE Amex under the symbol [ ] , and it is a condition to the consummation of this Offer that our common shares, including the shares issued in connection with this Offer, will be listed on the NYSE Amex upon the consummation of this Offer. Timmins intends to take such actions as are required to satisfy the listing requirements of the NYSE Amex.

Antitrust. The Offer and/or the Proposed Merger may also be subject to review by antitrust authorities in jurisdictions outside the U.S. and Mexico. Timmins intends to identify such jurisdictions as soon as practicable and to file as soon as possible thereafter all notifications necessary or advisable (at Timmins sole discretion) under the competition laws of the respective identified jurisdictions for the consummation of the Offer and/or the Proposed Merger and to file all necessary or advisable (at Timmins sole discretion) post-completion notifications as soon as possible after completion has taken place.

Dissenters or Appraisal Rights (see page 130)

No dissenters or appraisal rights are available in connection with the Offer. However, if the Proposed Merger is effected as a short-form merger under the DGCL, CGC stockholders who do not tender their CGC Shares in the Offer and who properly seek appraisal rights for their CGC Shares in accordance with Section 262 of the DGCL would have appraisal rights if the Proposed Merger takes place. The value you will receive if you perfect appraisal rights could be more or less than, or the same as, the price per CGC Share to be paid in the Offer and the Proposed Merger. See The Offer Purpose of the Offer; the Proposed Merger; Dissenters or Appraisal Rights.

U.S. Federal Income Tax Consequences (see page 117)

The Integrated Acquisition Transactions should qualify as a tax-deferred reorganization under the provisions of Section 368(a) of the Code. However, because the exchange of CGC Shares for Timmins Shares will represent an exchange of stock of a U.S. corporation for the stock of a non-U.S. corporation, the additional requirements of Section 367 of the Code and the U.S. Treasury Regulations thereunder would need to be met in order for U.S. Holders (as defined under U.S. Federal Income Tax Consequences) of CGC Shares to avoid fully recognizing gain pursuant to the Integrated Acquisition Transactions. As more fully discussed under U.S. Federal Income Tax Consequences, it is unclear whether Timmins would satisfy certain technical requirements under Section 367, and, accordingly, except as specifically noted, the U.S. federal income tax discussion in this document assumes that the Integrated Acquisition Transactions will qualify as a reorganization for U.S. federal income tax purposes, but that the additional requirements of Section 367 will not be met. In such case, a U.S. Holder will recognize gain (but not loss) equal to the difference between (i) the sum of the fair market value, as of the date of the exchange, of the Timmins Shares received in exchange for CGC Shares and any cash received in lieu of fractional Timmins Shares and (ii) the U.S. Holder s adjusted tax basis in the CGC Shares exchanged. Such gain will be long-term capital gain if the U.S. Holder s holding period with respect to its CGC Shares is more than one year as of the date of the exchange. You should review the more detailed information under The Offer U.S. Federal Income Tax Consequences and The Offer Certain Canadian Federal Income Tax Consequences.

Accounting Treatment (see page 133)

The purchase price will be allocated to CGC s identifiable assets and liabilities based on their respective estimated fair values at the closing date of the Proposed Merger, and any excess of the purchase price over those fair values will be accounted for as goodwill. The valuation of CGC s assets and liabilities has not yet been commenced. The preliminary purchase price allocation is subject to change based on the completion of the final valuation analysis by Timmins management, which will be based upon relevant facts and circumstances and advice from independent third-party experts, as appropriate.

Risk Factors (see page 30)

The Offer and the Proposed Merger are, and if the Offer and the Proposed Merger are consummated, the combined company will be, subject to a number of risks which you should consider carefully prior to participating in the Offer. See Risk Factors and Forward-Looking Statements.

Recent Developments

Highlights from Timmins second quarter ended September 30, 2010 include:

positive cash flow from operations of C$4.80 million, or C$0.04 per share, compared to C$5.08 million, or C$0.04 per share, for the previous quarter;

direct operating costs per recoverable ounce of $612, compared to $857 for the previous quarter; by September this had fallen to $472 per recoverable ounce;

cash production cost of sales, net of byproduct credits, of $606 per ounce, compared to $683 for the previous quarter;

net income after tax of C$3.6 million, or C$0.03 per share, compared to a loss of C$0.83 million, or C$0.01 per share, for the previous quarter;

1,090,768 tonnes of ore placed on leach pads at an average grade of 0.817 grams per tonne, an increase of 20.5% and 13.8%, respectively, over the prior quarter; in total, 28,655 ounces of gold were placed on the leach pads, or 37.1% more than were placed on the leach pads in the previous quarter;

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gold sales totaling 15,690 ounces, representing an increase of 39% over the previous quarter; and

total direct mine operating cost per tonne of ore under leach of $11.28 per tonne, compared to $13.67 per tonne during the previous quarter, a decrease of 17.5%.

On November 16, 2010, we announced a significant increase in our reserve and resource estimates for the San Francisco Mine. Our total proven and probable mineral reserves increased by 169,000 ounces, to 780,000 ounces from 611,000 ounces, or 28% over our previous estimates of February 2009. Proven reserves and probable reserves are estimated to be 418,000 ounces and 362,000 ounces, respectively, compared to our previous estimate of no proven reserves and 611,000 ounces of probable reserves. In addition, our total measured and inferred mineral resources increased by 267,210 contained ounces of gold, to 984,000 ounces from 716,790 ounces, or 37% over our previous estimate.

On November 23, 2010, we 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 such interest we are required to make payments of up to $2 million at various dates up to January 2015.

On November 24, 2010, we entered into a property option agreement to earn an interest in the Quila mineral concession located in the State of Jalisco, Mexico. To earn such interest we are required to make payments of up to $1 million and incur exploration expenditures of up to $2 million at various dates up to November 2013.

On January 20, 2011, we announced preliminary production results for the quarter ended December 31, 2010. Average daily production during the period was over 13,200 dry metric tonnes, an increase of approximately 11% over the previous quarter. Strip ratio averaged 3.7 to 1 (with our current life of mine ratio projected at 1.73 to 1), and recoveries were on target to achieve a rate of over 70%. In addition, a total of 20,030 ounces of gold were sold during the quarter, an increase of approximately 28% over the previous quarter.

On February 8, 2011, we announced that our ongoing drill program continues to extend and expand the estimated strike length of mineralization at the San Francisco Mine. Our most recent round of drilling took place between July and December 2010 and totaled approximately 27,240 meters in 214 drill holes. Results indicate the potential for expansion of the open pit beyond its current projected limit.

Questions about the Offer and the Proposed Merger

CGC stockholders should contact Timmins information agent at the following address and telephone numbers with any questions about the Offer or the Proposed Merger, or to request additional copies of this prospectus/offer to exchange or other documents:

The information agent for the Offer is:

Innisfree M&A Incorporated

501 Madison Avenue, 20th Floor

New York, NY 10022

Shareholders May Call Toll-Free: 877-800-5182

Banks & Brokers May Call Collect: 212-750-5833

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF TIMMINS

The selected consolidated financial data of Timmins as of and for each of the years ended March 31, 2010, 2009, 2008, 2007 and 2006 has been derived from Timmins audited consolidated financial statements which are prepared in accordance with Canadian generally accepted accounting principles, or Canadian GAAP . The selected consolidated financial data of Timmins as of and for each of the six month periods ended September 30, 2010 and 2009 has been derived from Timmins s unaudited consolidated financial statements which are prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain material respects from United States generally accepted accounting principles, or U.S. GAAP . For a discussion of the differences between Canadian GAAP and U.S. GAAP as they relate to Timmins, see note 16 to Timmins audited consolidated financial statements, which are included elsewhere in this prospectus/offer to exchange. The selected consolidated financial data set forth below is presented in Canadian GAAP unless otherwise indicated, and is qualified in its entirety by reference to, and should be read in conjunction with, Timmins complete consolidated financial statements, including the notes to such financial statements and the section entitled Management s Discussion and Analysis contained elsewhere in this prospectus/offer to exchange. You should not take historical results as necessarily indicative of the results that may be expected for any future period.

(in thousands of Canadian dollars, except for shares)	Year Ended March 31, 2010	2009	2008	2007	2006	Six Month Period Ended September 30, 2010	2009
Canadian GAAP							
Statement of Operations data:							
Revenues	C$ 15	C$ 347	C$ 144	C$ 10	C$	C$ 34,655	C$
Net income (loss)	(8,616)	(3,415)	(5,334)	(854)	(238)	2,806	(1,366)
Income (loss) per share Basic	(0.08)	(0.05)	(0.10)	(0.05)	(0.03)	0.02	(0.01)
Income (loss) per share Diluted	(0.08)	(0.05)	(0.10)	(0.05)	(0.03)	0.02	(0.01)
Weighted average number of shares outstanding	112,132,651	70,519,153	51,522,946	17,519,229	8,107,697	133,156,545	91,893,133
Balance Sheet data:							
Total assets	C$ 82,279	C$ 52,845	C$ 33,363	C$ 2,989	C$ 812	C$ 97,764	C$ 63,960
Long-term debt	8,089		3,726				
Shareholders equity	54,052	41,272	22,924	2,701	540	64,286	51,838
U.S. GAAP							
Statement of Operations data:							
Net loss	C$ (10,583)	C$ (9,358)				C$ (959)	C$ (1,602)
Loss per share Basic	(0.09)	(0.13)				(0.01)	(0.02)
Loss per share Diluted	(0.09)	(0.13)				(0.01)	(0.02)
Balance Sheet data:							
Total assets	C$ 67,964	C$ 40,577				C$ 79,484	N/A
Long-term debt	8,089						N/A
Shareholders equity	39,817	29,004				46,285	N/A

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CGC

The following table sets forth the selected historical consolidated financial and operating data for CGC. The selected consolidated financial and operating data as of and for the fiscal years ended July 31, 2010, 2009, 2008, 2007 and 2006 have been derived from CGC s audited consolidated financial statements prepared in accordance with U.S. GAAP contained in CGC s Annual Report on Form 10-K for the fiscal year ended July 31, 2010, filed with the SEC on October 14, 2010 and incorporated by reference into this prospectus/offer to exchange. The selected financial and operating data for the three months ended October 31, 2010 and 2009 have been derived from CGC s unaudited consolidated financial statements prepared in accordance with U.S. GAAP contained in CGC s Quarterly Report on Form 10-Q for the three months ended October 31, 2010, filed with the SEC on December 10, 2010 and incorporated by reference into this prospectus/offer to exchange. Please see the section of this prospectus/offer to exchange entitled Where To Obtain More Information. You should not take historical results as necessarily indicative of the results that may be expected for any future period.

(in thousands of U.S. dollars, except for shares)	Fiscal Year Ended July 31,					Three Months Ended October 31,	
	2010[4]	**2009**	**2008**	**2007**	**2006**	**2010**	**2009**
Statement of Operations data:							
Revenues[1]	$ 60,645	$ 42,757	$ 33,104	$	$	$ 18,952	$ 11,727
Net Income (loss)	11,994	10,407	6,364	(7,472)	(4,805)	2,954	2,939
Income (loss) per share Basic[2]	0.25	0.22	0.15	(0.20)	(0.17)	0.05	0.06
Income (loss) per share Diluted[2][3]	0.25	0.21	0.13			0.05	0.06
Weighted average shares outstanding Basic	48,513	48,315	43,760	37,453	28,051	60,971	48,482
Weighted average shares outstanding Diluted[3]	48,703	49,883	48,867	37,453	28,051	61,158	49,997
Balance Sheet data:							
Total Assets	$ 72,495	$ 52,484	$ 48,879	$ 27,551	$ 9,546	$ 144,026	$ 59,424
Long-term Debt	800	4,400	8,375	12,500		400	3,500
Reclamation and Remediation Liability	2,373	1,594	1,666	1,249		2,665	1,652
Total debt	4,400	8,000	12,500	12,500		3,500	7,100
Total stockholders equity	50,929	35,765	28,197	11,986		104,434	41,448

(1) There were no revenues for the fiscal years ended July 31, 2007 and 2006 because CGC s first gold sale from production was in August 2007. Certain reclassifications and restatements have been made to conform to the current presentation.

(2) Amounts were adjusted for retroactive effect of a 1-for-4 reverse stock split enacted during the fiscal year ended July 31, 2010.

(3) The effect of stock options and warrants was considered anti-dilutive because CGC incurred losses for the fiscal years ended July 31, 2007 and 2006. Accordingly, CGC s presentation of diluted net loss per share is the same as that of basic net loss per share.

(4) Amounts include CGC s acquisition of Nayarit as of August 2, 2010.

SELECTED UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth selected unaudited pro forma financial information for Timmins and CGC. The unaudited pro forma amounts included in the tables below are presented in U.S. GAAP as if the Proposed Merger had been effective as of September 30, 2010 for the unaudited pro forma balance sheet and as of April 1, 2009 for the unaudited pro forma statements of operations for the year ended March 31, 2010 and the six month period ended September 30, 2010, and reflect adjustments directly related to the Proposed Merger and other pro forma events described in the section entitled Unaudited Pro Forma Consolidated Financial Statements. The pro forma adjustments are based on available information and assumptions that Timmins management believes are reasonable and in accordance with SEC requirements. You should read this information in conjunction with, and such information is qualified in its entirety by, the consolidated financial statements and accompanying notes of Timmins, included elsewhere in this prospectus/offer to exchange, and of CGC, incorporated in this prospectus/offer to exchange by reference, and the unaudited pro forma consolidated financial statements and accompanying discussions and the related notes contained in this prospectus/offer to exchange. See Where to Obtain More Information regarding how you can obtain CGC s complete financial statements and accompanying footnotes. The unaudited pro forma amounts in the tables below are presented for informational purposes. You should not rely on the unaudited pro forma amounts as being indicative of the financial position or the results of operations of the combined company that would have actually occurred had the Proposed Merger been effective during the periods presented or of the future financial position or future results of operations of the combined company.

(in thousands of U.S. dollars, except for shares)(1)	**Six Month Period Ended September 30, 2010**	**Year Ended March 31, 2010**
Pro forma revenues	$ 71,600	$ 55,266
Pro forma net income (loss)	2,115	(9,734)
Pro forma income (loss) per share Basic	0.01	(0.04)
Pro forma income (loss) per share Diluted	0.01	(0.04)
	Balance Sheet Data as at September 30, 2010	
Pro forma total assets	$ 506,232	
Pro forma long-term debt	400	
Pro forma shareholders equity	391,065	

(1) Unaudited pro forma amounts are calculated by adding together the historical amounts reported by Timmins and CGC based on each entity s most recent financial information as filed with the SEC, reconciled to U.S. GAAP as adjusted for certain items related to the Proposed Merger, including (i) estimated acquisition accounting adjustments to be recorded in connection with the Proposed Merger (consisting of fair value adjustments for assets acquired and liabilities assumed and adjustments for intangible assets established, and the resulting amortization/accretion of these adjustments over appropriate future periods) and (ii) the estimated number of Timmins Shares to be issued upon closing of the Proposed Merger.

COMPARATIVE PER SHARE DATA

The following tables present, as at the dates and for the periods indicated, selected historical and pro forma per share data for Timmins and CGC. The pro forma amounts included in the tables below are presented as if the Proposed Merger had been effective for the period presented and are based on the purchase method of accounting. All amounts shown are in U.S. dollars. Timmins historical per share amounts have been converted from Canadian dollars to U.S. dollars at a rate of C$0.920 equals US$1.000 for the year ended March 31, 2010, and at a rate of C$0.968 equals US$1.000 for the six month period ended September 30, 2010.

The CGC merger equivalent per share amounts were calculated by multiplying the CGC historical amounts by the exchange ratio of 2.27, which represents the Consideration to be paid to CGC stockholders in Timmins Shares. The pro forma amounts in the tables below do not include any potential financial benefits that may arise from the Proposed Merger, nor do these amounts include the portion of restructuring and integration costs to be incurred by Timmins.

You should read this information in conjunction with, and this information is qualified in its entirety by, the consolidated financial statements and accompanying notes of Timmins and CGC included or incorporated by reference in this prospectus/offer to exchange and Timmins unaudited pro forma condensed consolidated financial statements and accompanying notes included elsewhere in this prospectus/offer to exchange. The pro forma amounts in the table below are presented for information purposes only. You should not rely on the pro forma amounts as being indicative of the financial position or results of operations of the combined company that would have actually occurred had the Proposed Merger been effective as at or during the period presented or of the future financial position or future results of operations of the combined company. The combined financial information as at and for the period presented may have been different had the companies actually been combined as at and during those periods.

Timmins

(U.S. dollars)	**Year Ended March 31, 2010**	**Six Month Period Ended September 30, 2010**
Statement of Operations data:		
Net income (loss) from operations per share:		
Timmins historical (Canadian GAAP)	$ (0.07)	$ 0.02
Timmins historical (US GAAP)	(0.08)	(0.01)
Timmins pro forma (US GAAP)(1)	(0.04)	0.02

(U.S. dollars)	**As of March 31, 2010**	**As of September 30, 2010**
Balance Sheet data:		
Net book value per share:		
Timmins historical (Canadian GAAP)	$ 0.43	$ 0.46
Timmins historical (US GAAP)	0.32	0.33
Timmins pro forma (US GAAP)(1)	n/a	1.48

(1) Unaudited pro forma amounts are calculated by adding together the historical amounts reported by Timmins and CGC based on each entity s most recent financial information as filed with the SEC, reconciled to U.S. GAAP as adjusted for certain items related to the Proposed Merger, including (i) estimated acquisition accounting adjustments to be recorded in connection with the Proposed Merger (consisting of fair value adjustments for assets acquired and liabilities assumed and adjustments for intangible assets established, and the resulting amortization/accretion of these adjustments over appropriate future periods) and (ii) the estimated number of Timmins Shares to be issued upon closing of the Proposed Merger.

CGC

The following table presents the earnings per share, dividends per share and book value per share with respect to CGC on a historical basis and an equivalent basis. The equivalent amounts with respect to the CGC Shares are calculated by multiplying the CGC historical amount by the exchange ratio of 2.27 Timmins Gold common shares constituting the Consideration.

(U.S. dollars)	Year Ended July 31, 2010	Three Month Period Ended October 31, 2010
Statement of Operations data:		
Basic and diluted earnings per share:		
CGC historical	$ 0.25	$ 0.05
CGC merger equivalent	0.57	0.11
Dividend per share:		
CGC historical		

(U.S. dollars)	As of July 31, 2010	As of October 31, 2010
Balance Sheet data:		
Net book value per share:		
CGC historical	$ 1.04	$ 1.70
CGC merger equivalent	2.36	3.86

COMPARATIVE MARKET PRICE AND DIVIDEND MATTERS

Market Price History

The Timmins Shares are listed and traded on the TSX Venture Exchange and are quoted under the symbol TMM. The CGC Shares are listed and traded on both the NYSE Amex and on the Toronto Stock Exchange and are quoted under the symbol CGC. The following table sets forth, for the periods indicated, the per share intraday high and low sales prices of each company s common stock.

	Timmins Share (C$)		CGC Share TSX (C$)(1)		CGC Share NYSE Amex (US$)(1)	
	High	Low	High	Low	High	Low
2007						
First Quarter	0.65	0.45	2.40	1.52	1.84	1.36
Second Quarter	0.81	0.40	2.40	1.48	1.88	1.36
Third Quarter	0.65	0.40	2.24	1.20	2.16	1.36
Fourth Quarter	1.14	0.58	3.56	1.76	3.80	1.80
2008						
First Quarter	1.48	0.74	3.32	2.32	3.16	2.40
Second Quarter	1.32	0.85	3.12	2.32	2.92	2.40
Third Quarter	1.00	0.50	2.88	1.72	2.88	1.60
Fourth Quarter	0.79	0.20	2.20	1.24	1.96	0.92
2009						
First Quarter	0.60	0.34	3.84	1.88	2.96	1.52
Second Quarter	0.78	0.37	3.20	2.44	2.96	2.00
Third Quarter	0.81	0.46	2.96	2.40	2.76	2.16
Fourth Quarter	1.56	0.65	4.52	2.56	4.28	2.32
2010						
First Quarter	1.45	1.04	4.13	3.05	4.08	2.10
Second Quarter	1.53	1.18	4.40	3.21	4.25	2.30
Third Quarter	2.24	1.18	5.05	3.41	4.89	3.24
Fourth Quarter	2.74	1.79	5.19	4.27	5.43	4.18
2011						
First Quarter (through February 9, 2011)	2.69	2.16	5.45	4.51	5.50	4.50

(1) Reflects a 1:4 reverse stock split of CGC s Shares on January 25, 2010.

On [ ], 2011, the last full trading day before the date of this Offer, the closing price of a Timmins Share on the TSX-V was $[ ], based on the Bank of Canada s noon exchange rate on such date, and the closing price of a CGC Share on the NYSE Amex was $[ ]. Timmins encourages CGC stockholders to obtain current market quotations for the Timmins Shares and the CGC Shares, as the implied value of the Consideration will change as the price of the Timmins Shares fluctuates during the Offer period and thereafter. Below is the implied value of the per CGC Share consideration to be paid in the Offer as of the specified date, calculated by multiplying the closing price of the Timmins Shares on the applicable date by 2.27 per CGC Share.

	Timmins Share (TSX-V)	CGC Share (NYSE-AMEX)	Per CGC Share Implied Value of Offer
February 9, 2011	$ 2.46	$ 5.32	$ 5.58
[ ], 2011	$ [ ]	$ [ ]	$ [ ]

The implied value of the Consideration will change as the price of Timmins Shares fluctuates during the Offer period and thereafter and may therefore be higher or lower than the implied value set forth in the example above at the expiration of the Offer and at the time you receive the Timmins Shares. CGC stockholders are encouraged to obtain current market quotations prior to making any decision with respect to the Offer. See also The Offer Effect of the Offer on the Market for CGC Shares; NYSE Amex and Toronto Stock Exchange Listings; Registration Under the Exchange Act; Margin Regulations for a discussion of the possibility that CGC Shares will cease to be listed on the NYSE Amex and the TSX.

Dividends

We have not declared or paid dividends on the Timmins Shares and do not anticipate doing so in the foreseeable future. Timmins board of directors is free to change Timmins dividend practices from time to time based upon Timmins results of operations, financial condition, cash requirements and future prospects and other factors deemed relevant by Timmins board of directors.

FORWARD-LOOKING STATEMENTS

Certain statements and other information included in this prospectus/offer to exchange constitute forward-looking statements. All statements in this prospectus/offer to exchange, other than those relating to historical information or current condition, are forward-looking statements, including, but not limited to, estimates, forecasts and statements as to management s expectations with respect to, among other things, business and financial prospects, financial multiples and accretion estimates, future trends, plans, strategies, objectives and expectations, including with respect to production, exploration drilling, exploitation activities and events or future operations following consummation of the Offer and the Proposed Merger. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Timmins control, which could cause actual results to differ materially from such forward-looking statements. Forward-looking statements are generally identified by the words expects, plans, anticipates, believes, intends, estimates, projects, potential and similar expressions, or that e conditions will, would, may, could or should occur. Information inferred from the interpretation of drilling results and information concernin mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when, and if, a project is actually developed.

Events or circumstances that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, CGC s failure to accept Timmins proposal to enter into a definitive agreement to effect the transaction, Timmins Shares issued in connection with the proposed acquisition may have a market value that is lower than expected, the businesses of Timmins and CGC, or any other recent business acquisitions, may not be integrated successfully or such integration may be more difficult, time-consuming or costly than expected, the expected combination benefits and synergies and costs savings from the Timmins/CGC transaction may not be fully realized or not realized within the expected time frame, the possible delay in the completion of the steps required to be taken for the eventual combination of the two companies, including the possibility that approvals or clearances required to be obtained from regulatory and other agencies and bodies will not be obtained in a timely manner or will be obtained on conditions that may require divestiture of assets expected to be acquired, disruption from the proposed transaction making it more difficult to maintain relationships with customers, employees and suppliers, market prices, exploitation and exploration successes, cost of gold and silver production including changes in or the availability of supplies and consumables, the recovery of gold and silver from the leach pads, the continued availability of capital and financing, and general economic, market or business conditions.

Timmins disclaims any intention or obligation to update or revise any forward-looking statements in this prospectus/offer to exchange as a result of new information or future events, except as may be required under applicable laws.

These forward-looking statements are based on certain assumptions and analyses made by Timmins in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. Expected future developments are based, in part, upon assumptions respecting Timmins ability to successfully integrate the businesses of Timmins and CGC, or any other recent acquisitions.

All of the forward-looking statements contained herein are qualified by these cautionary statements and by the assumptions that are stated or inherent in such forward-looking statements. Although Timmins believes these assumptions are reasonable, undue reliance should not be placed on these assumptions and such forward-looking statements. The key assumptions that have been made in connection with the forward-looking statements include, but are not limited to, CGC s acceptance of Timmins proposal and the entering into of a definitive agreement to effect the proposed transaction, closing the proposed transaction, the market value of Timmins Shares issued in connection with the proposed acquisition, Timmins ability to successfully integrate within expected time frames and costs, and realize the expected combination benefits and synergies and costs savings from, the combination of the businesses of Timmins and CGC, or any other recent business acquisitions, and our ability to maintain relationships with customers, employees and suppliers during the course of the proposed transaction.

RISK FACTORS

In deciding whether to tender your CGC Shares pursuant to the Offer, you should read carefully this prospectus/offer to exchange, including the matters in the section entitled Forward-Looking Statements, and the documents which Timmins incorporates by reference into this prospectus/offer to exchange. The following is a summary of the material risks related to the Offer and the Proposed Merger. However, before tendering your CGC Shares you should also consider carefully other material risks relating to Timmins and CGC (See Risk Factors Risk Factors Relating to Timmins Business and Risk Factors Risk Factors Relating to CGC s Business) as well as other information contained herein and in other documents incorporated by reference in this prospectus/offer to exchange. See Where to Obtain More Information. All of the risks relating to each of Timmins and CGC s respective businesses will be applicable to the combined company upon consummation of the Offer and the Proposed Merger.

Risk Factors Relating to the Acquisition of CGC

The number of Timmins Shares that you will receive in the Offer and the Proposed Merger will be based upon a fixed exchange ratio. Consequently, the value of Timmins Shares at the time you receive them could be less than at the time you tender your CGC Shares.

In the Offer and the Proposed Merger, you will receive 2.27 Timmins Shares in exchange for each CGC Share. This is a fixed exchange ratio. Timmins will not adjust the exchange ratio as a result of any change in the market price of Timmins Shares between the date of this prospectus/offer to exchange and the date you receive Timmins Shares in exchange for your CGC Shares. The market price of Timmins Shares will likely be different on the date you receive Timmins Shares from what it is today. You are urged to obtain current market quotations for the Timmins Shares and the CGC Shares. See Risk Factors Risk Factors Relating to Timmins Shares The price of Timmins Shares may be volatile, The Offer Conditions of the Offer and Comparative Market Price and Dividend Matters.

The market price of Timmins Shares may decline as a result of Timmins merger with CGC.

The market price of Timmins Shares may decline after the Offer and the Proposed Merger are completed due to a number of factors, including if:

- the integration of CGC s business is unsuccessful, more costly, takes longer or is more disruptive than anticipated;
- Timmins does not achieve the expected synergies or other benefits of the Proposed Merger with CGC as rapidly or to the extent anticipated, if at all;
- the effect of Timmins merger with CGC on Timmins financial results does not meet the expectations of Timmins, financial analysts or investors;
- after Timmins acquires CGC, CGC s business does not perform as anticipated; or
- changes in the market price of the commodities Timmins sells and purchases are not as anticipated.

As of December 31, 2010, there were approximately 136,726,694 Timmins Shares outstanding and held of record by 23 shareholders, and no convertible preference shares were outstanding. On such date, approximately 6,037,500 million Timmins Shares were subject to outstanding options and 2,000,000 million Timmins Shares were subject to outstanding warrants. In connection with the Offer and the Proposed Merger, Timmins would issue approximately 146,911,472 million additional Timmins Shares. The increase in the number of outstanding Timmins Shares may lead to sales of such shares or the perception that such sales may occur, either of which may adversely affect the market price of Timmins Shares.

CGC stockholders will have a reduced ownership and voting interest after the Proposed Merger.

After completion of the Proposed Merger, CGC stockholders will own a significantly smaller percentage of the combined company and its voting stock than they currently own of CGC as a stand-alone company. Consequently, CGC stockholders will not be able to exercise as much influence over the management and policies of the combined company as they currently exercise over CGC.

CGC stockholders who receive Timmins Shares in the Offer will become Timmins shareholders. Timmins Shares may be affected by different factors and Timmins shareholders will have different rights from those of CGC stockholders.

Upon completion of the Offer, CGC stockholders receiving Timmins Shares will become shareholders of Timmins. Timmins business differs from that of CGC and Timmins results of operations and the trading price of Timmins Shares may be adversely affected by factors different from those that would affect CGC s results of operations and stock price.

In addition, holders of CGC Shares will have different rights as Timmins shareholders from those rights they had as CGC stockholders before the Offer or the Proposed Merger. CGC is organized under the laws of the State of Delaware and Timmins is a British Columbia corporation governed by the Business Corporations Act (British Columbia) (the BCBCA). The difference in the rights is derived from the difference between (a) the rights of CGC stockholders prior to the Offer and the Proposed Merger under the DGCL and CGC s certificate of incorporation and by-laws and (b) the rights of Timmins shareholders under the BCBCA and Timmins articles of incorporation. For a detailed comparison of the rights of Timmins shareholders compared to the rights of CGC stockholders, see Comparison of Shareholders Rights.

Timmins expects to incur costs to integrate CGC into Timmins.

Upon consummation of the Proposed Merger, integrating CGC s operations and personnel could result in significant costs, including the following:

- conversion of information systems;
- environmental management system assessment and migration and review of environmental standards and liabilities, including environmental remediation;
- combining teams and processes in various functional areas;
- employee redeployment, relocation or severance; and/or
- reorganization of facilities.

These integration costs may be higher than anticipated and may adversely affect Timmins results of operations.

Uncertainties exist in integrating the businesses and operations of Timmins and CGC.

After Timmins acquires CGC, Timmins expects to continue CGC s current operations. However, Timmins intends to integrate certain of CGC s and Timmins functions and operations. Although Timmins believes the integration will be successfully completed, Timmins may not be able to successfully integrate CGC s operations with those of Timmins. There will be inherent challenges in integrating the companies operations that could result in a delay in achieving, or the failure to achieve, some or all of the anticipated synergies and, therefore, any cost savings and potential increases in earnings. Issues that must be addressed in integrating the operations of the companies include, among other things:

- conforming standards, controls, procedures and policies, business cultures and compensation structures;

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consolidating corporate and administrative operations;

consolidating sales and marketing operations;

retaining existing customers and suppliers and attracting new customers and suppliers;

retaining key employees;

minimizing the diversion of management s attention from ongoing business concerns; and

managing tax costs or inefficiencies associated with integrating the operations of the combined company.

If Timmins is not able to address these challenges, Timmins may be unable to integrate CGC into its operations successfully, or to realize the anticipated benefits of the integration of the two companies. Actual synergies, if achieved at all, may be lower than Timmins currently expects and may take longer to achieve than Timmins currently anticipates.

Also, while Timmins proposal is not dependent upon the retention or cooperation of CGC s senior management, there may be some level of uncooperativeness on the part of CGC s senior executive management and/or its other employees which could adversely affect the integration process.

Even if the Offer is completed, full integration of CGC s operations with Timmins operations may be delayed if Offeror does not acquire at least 90% of the issued and outstanding CGC Shares pursuant to the Offer.

The Offer is subject to a condition that, prior to the Expiration Date, there shall have been validly tendered and not properly withdrawn at least a majority of the total number of outstanding CGC Shares on a fully diluted basis. If Offeror acquires at least 90% of the issued and outstanding CGC Shares, Timmins expects that the Proposed Merger will be able to be effected as a short-form merger under the DGCL so that Timmins would be able to complete the acquisition of CGC without any action on the part of the other holders of CGC Shares. If, however, Offeror does not acquire 90% of the issued and outstanding CGC Shares pursuant to the Offer, CGC will be required to hold a stockholders meeting in order to obtain the approval of CGC stockholders to consummate the Proposed Merger. Although this would not prevent the Proposed Merger from occurring, because Offeror would hold sufficient CGC Shares to approve the Proposed Merger, it would delay the completion of the Proposed Merger and could delay the realization of some or all of the anticipated benefits from integrating CGC s operations with Timmins operations, including, among others, the attainment of the synergies associated with the acquisition of CGC.

The Offer may adversely affect the liquidity and value of non-tendered CGC Shares.

In the event that not all of the CGC Shares are tendered in the Offer and Timmins accepts for exchange those CGC Shares tendered in the Offer, the number of stockholders and the number of CGC Shares held by individual holders will be greatly reduced. In these circumstances, the liquidity of and market for those remaining publicly-held CGC Shares could be adversely affected. The CGC Shares are currently listed on the NYSE Amex and the TSX. Depending upon the number of CGC Shares purchased in the Offer, the CGC Shares may no longer meet the requirements for continued listing and may be delisted from the NYSE Amex or the TSX, or both. It is possible that the CGC Shares would continue to trade in the over-the-counter market and that price quotations would be reported by other sources. The extent of the public market for the CGC Shares and the availability of these quotations would depend, however, upon the number of holders of CGC Shares remaining at that time, the interests in maintaining a market in the CGC Shares on the part of securities firms, the possible termination of registration of the CGC Shares under the Exchange Act, as described below, and other factors.

In addition, CGC s registration under the Exchange Act could be terminated upon application by CGC to the SEC if the CGC Shares are no longer listed on a securities exchange and there are fewer than 300 holders of record of the CGC Shares. The termination of the registration of the CGC Shares under the Exchange Act would substantially reduce the information required to be furnished by CGC to its stockholders and to the SEC. It would also make certain of the provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders meetings, the related requirement of an annual report to stockholders, and the requirements of SEC Rule 13e-3 with respect to going private transactions, no longer applicable. See The Offer Plans for CGC.

Timmins has not negotiated the price or terms of the Offer or the Proposed Merger with CGC s board of directors, and CGC s board of directors rejected a proposed merger on similar terms.

In evaluating the Offer, you should be aware that Timmins has not negotiated the price or terms of the Offer or the Proposed Merger with CGC, its board of directors or any special committee of its board. Timmins has requested that CGC s board of directors approve a proposed merger on similar terms as the Offer and the Proposed Merger, but it has declined to do so. CGC s board of directors will be required, under the rules of the SEC, to either make a recommendation, or state that it is neutral or is unable to take a position with respect to the Offer, and file with the SEC a solicitation/recommendation statement on Schedule 14D-9 describing its position, if any, and certain related information, no later than ten business days from the date of the distribution of this prospectus. CGC is also required to send you a copy of its Schedule 14D-9, which you should review carefully upon receipt.

Timmins acquisition of CGC could trigger certain provisions contained in CGC s agreements with third parties that could permit such parties to terminate those agreements and could result in the payment of significant amounts to such third parties.

CGC may be a party to agreements that permit a counter-party to terminate an agreement or receive significant payments because the Offer or the Proposed Merger would cause a default or violate an anti-assignment, change of control or similar clause in such agreements. If this happens, Timmins may be required to pay significant amounts to such counter-party and may have to seek to replace that agreement with a new agreement or make additional payments under such agreements. However, Timmins may be unable to replace a terminated agreement on comparable terms or at all. Depending on the importance of such agreement to CGC s business, the failure to replace a terminated agreement on similar terms or at all, and requirements to pay additional amounts, may increase the costs to Timmins of operating CGC s business or prevent Timmins from operating CGC s business as currently conducted.

Certain of CGC s employee benefit plans or agreements contain change of control clauses providing for compensation to be granted to certain members of CGC senior management either upon a change of control, or if, following a change of control, CGC terminates the employment relationship between CGC and these employees, or if these employees terminate the employment relationship because their respective positions with CGC have materially changed. If successful, the Offer would constitute a change of control of CGC, thereby giving rise to potential change of control payments.

Timmins has conducted a review of CGC s publicly available information, but was not granted access to CGC s non-public information. Therefore, if Timmins acquires CGC, Timmins may be subject to unknown liabilities of CGC which may have a material adverse effect on Timmins profitability, financial condition and results of operations.

To date, Timmins has conducted a due diligence review of CGC s publicly available information, and its representatives conducted a site visit to CGC s El Chanate mine in August 2010. CGC has not permitted Timmins to have access to its books and records. See Background and Reasons for the Offer and Proposed Merger Background of the Offer and Proposed Merger. Although Timmins believes that it has been prudent in its investigation to date, Timmins investigation is limited by its nature and Timmins may face an unavoidable level of risk regarding any undisclosed or unknown liabilities of, or issues concerning, CGC. The consummation of the Offer may constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, or result in the termination, cancellation, acceleration or other change of any right or obligation (including, without limitation, any payment obligation) under agreements of CGC that are not publicly available and to which we have not been granted access. As a result, after the consummation of the Proposed Merger, Timmins may discover that it has acquired substantial undisclosed liabilities of CGC, which may have a material adverse effect on Timmins profitability, financial condition and results of operations.

In respect of all information relating to CGC presented in, incorporated by reference into or omitted from, this prospectus/offer to exchange, Timmins has relied upon publicly available information, including information publicly filed with the SEC. Although Timmins has no knowledge that would indicate that any statements contained in this prospectus/offer to exchange regarding CGC s condition, including its financial or operating condition, based upon such publicly filed reports and documents are inaccurate, incomplete or untrue, Timmins was not involved in the preparation of such information and statements. Any financial, operating or other information regarding CGC that may be detrimental to Timmins following Timmins acquisition of CGC that has not been publicly disclosed by CGC, or errors in Timmins estimates due to the lack of cooperation from CGC, may have an adverse effect on Timmins financial condition or the benefits Timmins expects to achieve through the consummation of the Offer.

Future results of the combined company may differ materially from the Unaudited Pro Forma Consolidated Financial Statements of Timmins and CGC presented in this prospectus/offer to exchange.

The future results of Timmins, as the combined company following the consummation of the Proposed Merger, may be materially different from those shown in the Unaudited Pro Forma Consolidated Financial Statements presented in this prospectus/offer to exchange, which show only a combination of Timmins and CGC s historical results after giving effect to the acquisition by CGC of Nayarit Gold and to the Proposed Merger. Timmins has estimated that it will record approximately $5 million in transaction expenses, as described in the notes to the Unaudited Pro Forma Consolidated Financial Statements included in this prospectus/offer to exchange. In addition, the final amount of any charges relating to acquisition accounting adjustments that Timmins may be required to record will not be known until following the closing of the Proposed Merger. These and other expenses and charges may be higher or lower than estimated.

Whether or not the Offer and the Proposed Merger are consummated, the announcement and pendency of the Proposed Merger could impact or cause disruptions in CGC s business, which could have an adverse effect on CGC s business and results of operations.

Whether or not the Offer and the Proposed Merger are consummated, the announcement and pendency of the Offer and the Proposed Merger could cause disruptions in or otherwise negatively impact CGC s business and results of operations. Possible impacts include:

- CGC s employees may experience uncertainty about their future roles with the combined company, which might adversely affect CGC s ability to retain and hire key personnel and other employees;

- the attention of CGC s management may be directed toward the completion of the Proposed Merger and transaction-related considerations and may be diverted from the day-to-day operations and pursuit of other opportunities that could be beneficial to CGC s business; and

- business partners may seek to modify or terminate their business relationships with CGC.

These disruptions could be exacerbated by a delay in the consummation of the Offer and the Proposed Merger and could have an adverse effect on CGC s business, results of operations or prospects if the Offer and the Proposed Merger are not consummated.

Timmins must obtain governmental and regulatory consents to consummate the Offer, which, if delayed, not granted or granted with unacceptable conditions, may jeopardize or delay the Offer, result in additional expenditures of money and resources and/or reduce the anticipated benefits of the combination contemplated by the Offer.

The Offer is conditioned on the receipt of all necessary or advisable (at Timmins sole discretion) governmental and regulatory authorizations, consents, orders and approvals or the termination of any necessary or advisable (at Timmins sole discretion) waiting periods, including the expiration or termination of the applicable waiting periods under the HSR Act, the approval of the Mexican Antitrust Commission and any other requisite clearances and/or approvals under any other federal, state or foreign antitrust, competition or other regulatory law having been obtained. If Timmins does not receive these approvals, or does not receive them on terms that satisfy the conditions set forth in this prospectus/offer to exchange, then Timmins will not be obligated to accept the CGC Shares for exchange in the Offer.

The governmental agencies from which Timmins will seek these clearances and/or approvals or waiting period terminations have broad discretion in administering the governing regulations. As a condition to their approval of the transactions or termination of the waiting periods contemplated by this prospectus/offer to exchange, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the combined company s business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the Offer or may reduce the anticipated benefits of the combination contemplated by the Offer. Further, the required clearances and/or approvals and waiting period terminations may not be obtained or the required conditions to the Offer may not be satisfied and, even if all required clearances and/or waiting period terminations are obtained and the conditions to the consummation of the Offer are satisfied, Timmins cannot predict the terms, conditions and timing of the approvals. If Timmins agrees to any material requirements, limitations, costs, divestitures or restrictions in order to obtain any approvals or waiting period terminations required to consummate the Offer, these requirements, limitations, additional costs or restrictions could adversely affect the two companies ability to integrate their operations or reduce the anticipated benefits of the combination contemplated by the Offer. This could result in a failure to complete the Offer and the Proposed Merger or have a material adverse effect on the business and results of operations of the combined company. Please see the section entitled The Offer Conditions of the Offer for a discussion of the conditions of the Offer and the section entitled The Offer Certain Legal Matters; Regulatory Approvals for a description of the regulatory approvals necessary in connection with the Offer and the Proposed Merger.

Because Timmins is a Canadian company, certain civil liabilities and judgments may not be enforceable against it.

Timmins is incorporated under the laws of British Columbia, Canada. Most of Timmins officers and directors and most of the experts named elsewhere in this prospectus/offer to exchange are residents of Canada. A portion of Timmins assets and the assets of these persons are located outside of the United States. As a result, it may be difficult for a shareholder to initiate a lawsuit within the United States against these non-U.S. residents, or to enforce in the United States judgments that are obtained in a U.S. court against Timmins or these persons. It may also be difficult for shareholders to enforce a U.S. judgment in Canada, or to succeed in a lawsuit in Canada, based solely on violations of U.S. securities laws.

As a foreign private issuer, Timmins will be subject to reporting obligations that are not as frequent and, in some respects, not as rigorous as those of U.S. companies.

Timmins is a foreign private issuer, and upon the completion of this offering will be exempt from the U.S. rules under Section 14 of the Exchange Act, prescribing the furnishing and content of proxy statements, and its officers, directors and principal shareholders will be exempt from the reporting and short-swing profit disclosure and recovery provisions contained in Section 16 of the Exchange Act. In addition, as a foreign private issuer we will not be required to file Exchange Act quarterly reports on Form 10-Q or to file Form 8-K current reports. Instead, we will furnish reports regarding quarterly information and current events to the SEC on Form 40-F and Form 6-K. In addition, Timmins is not subject to Section 404 of the Sarbanes-Oxley Act of 2002, and therefore our internal control requirements are governed by Canadian law and our auditors are not required to provide the annual attestation report on internal control over financial reporting provided by most U.S. public companies.

You may be unable to assert a claim against CGC s or Nayarit Gold s independent public accountants under Section 11 of the Securities Act.

Section 11(a) of the Securities Act provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, any accountant or expert who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement. Although audit reports were issued on CGC s and Nayarit Gold s respective financial statements and are included in CGC s filings with the SEC, neither CGC s nor Nayarit Gold s auditors have permitted the use of their reports in Timmins registration statement of which this prospectus/offer to exchange forms a part. Timmins is requesting and has, as of the date hereof, not received the consent of such independent public accountants. In reliance on Rule 437 under the Securities Act, the registration statement has been filed without including a written consent from CGC s and Nayarit Gold s auditors with respect to CGC s and Nayarit Gold s respective audited financial statements. Accordingly, you may not be able to assert a claim against CGC s or Nayarit Gold s independent public accountants under Section 11 of the Securities Act.

Risk Factors Relating to Timmins Shares

Timmins does not intend to pay dividends for the foreseeable future.

Timmins has never declared or paid any cash dividends on the Timmins Shares and does not intend to pay any cash dividends in the foreseeable future. Timmins 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 Timmins board of directors. In addition, from time to time Timmins may enter into agreements that restrict its ability to pay dividends. Accordingly, investors must rely on sales of their Timmins Shares after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

The price of Timmins Shares may be volatile.

The trading price of Timmins 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 Timmins 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 Timmins or the perception that such issuance may occur; and

purchases or sales of blocks of the Timmins 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 Timmins Shares regardless of Timmins operating performance and could cause the market price of Timmins Shares to decline.

Timmins Shares may not be listed on a national stock exchange in the United States and may only be listed in Canadian dollars.

We intend to apply to list our common shares on the NYSE Amex, and it is a condition to the consummation of this Offer that our common shares, including the shares issued in connection with this Offer, will be listed on the NYSE Amex upon the consummation of this Offer. We intend to take such actions as are required to satisfy the listing requirements of the NYSE Amex, but the listing of our common shares may not be approved. In the event that our listing application is not approved and we elect to waive the condition that the Timmins Shares be listed on the NYSE Amex in connection with this Offer, our common shares will not be listed on a national stock exchange in the United States. Currently, Timmins Shares are listed on the TSX Venture Exchange, which could result in a less liquid trading market than might be available if the Timmins Shares were listed on a U.S. national securities exchange, thereby increasing the costs associated with trading the Timmins Shares. In addition, Timmins Shares trade in Canadian dollars, and holders of Timmins Shares, including those obtaining such shares in connection with the Offer, will receive Canadian dollars upon a disposition of their Timmins Shares. The rate at which such holders can exchange Canadian dollar proceeds for U.S. dollars, should they choose to do so, is subject to change based on market factors that are beyond Timmins control.

Timmins may issue additional equity securities which may reduce Timmins earnings per share.

Timmins 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 Timmins issues additional Timmins Shares, your percentage ownership of Timmins will decrease and you may experience dilution in Timmins earnings per share. Moreover, as Timmins intention to issue any additional equity securities becomes publicly known, the Timmins Share price may be materially and adversely affected.

If securities analysts or industry analysts downgrade Timmins Shares, publish negative research or reports, or do not publish reports about Timmins business, the price of and trading volume of Timmins Shares could decline.

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

Holders of Timmins 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 Timmins Shares may be issued in the future. Exercise of such options and warrants may result in dilution to Timmins shareholders. In addition, if Timmins raises additional funds through the sale of equity securities, shareholders may have their investment further diluted.

Risk Factors Relating to Timmins Business

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

The majority of Timmins revenue is derived from the sale of gold, and therefore fluctuations in the price of gold represent one of the most significant factors affecting Timmins operations and profitability. To a lesser extent, Timmins 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 Timmins 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 Timmins operations and profitability. Further, a decline in the market price of gold may also require Timmins to write-down its mineral reserves, which would have a material adverse effect on its earnings and profitability. Timmins currently does not enter into forward contracts with respect to or otherwise hedge its potential future gold sales.

Timmins inability to access additional capital could have a negative impact on its growth strategy.

Timmins currently has limited financial resources and operating income, and adequate funding may not be available to further its exploration and development projects. Timmins 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 Timmins is unable to obtain additional capital on commercially acceptable terms, Timmins may be forced to reduce or curtail its operations or its anticipated exploration activities. Although Timmins 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 Timmins.

Timmins 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 Timmins 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 Timmins 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 Timmins. 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 Timmins 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.

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

Timmins was incorporated on March 17, 2005 and commenced commercial production on April 1, 2010. As a result, Timmins has a very limited operating history upon which you may evaluate its proposed business and prospects. Timmins 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. You should consider the Offer in light of these risks, uncertainties, expenses and difficulties.

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

Timmins 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 Timmins and thereby cause its operating results to suffer. In addition, the enforcement by Timmins 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 Timmins operations, restrict the movement of funds or result in the deprivation of contractual rights.

Timmins business is subject to various governmental regulations, and compliance with these regulations may cause Timmins to incur significant expenses. If Timmins 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.

Timmins 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.

Timmins activities relating to the San Francisco 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 Timmins 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 Timmins past and current operations, or possibly even those actions of parties from whom Timmins 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 Timmins, and even with the application of considerable care Timmins 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 Timmins.

If Timmins 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 Timmins success. Timmins 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 Timmins interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As Timmins business activity grows, Timmins will require additional key financial, administrative and mining personnel as well as additional operations staff, particularly in Mexico. Timmins may not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If Timmins 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 Timmins projects at reasonable rates. If qualified personnel cannot be obtained in Mexico, Timmins 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 Timmins.

Timmins 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, Timmins 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 Timmins part.

The duration and success of Timmins 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. Timmins 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 Timmins 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 Timmins operations and profitability.

In order for Timmins to carry out its mining activities, its exploitation licenses must be kept current. There is no guarantee that Timmins 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. Timmins 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. Timmins 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 Timmins future results and financial condition.

The long-term operation of Timmins business and its profitability is dependent, in part, on the cost and success of its exploration and development programs. Most of Timmins 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. Timmins 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, we may not be able to bring the mineral property into commercial production. Development of Timmins 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 Timmins control. As a result, Timmins 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 Timmins operations and profitability.

In addition, Timmins ability to sustain its present levels of gold production is dependent upon the identification of additional reserves at the San Francisco Property. If we are unable to develop new ore bodies, we 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.

Timmins 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. Timmins 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 Timmins actual capital and operating costs. It is not always possible to fully insure against such risks and Timmins 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 Timmins profitability.

Timmins 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 Timmins projects. If adequate infrastructure is not available in a timely manner, the exploitation or development of Timmins 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 Timmins 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 Timmins operations and profitability.

Timmins 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 Timmins 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 Timmins 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 Timmins 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 Timmins 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, Timmins must allocate financial resources that might otherwise be spent on further exploration and development programs. If Timmins is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

Timmins 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.

Timmins 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 Timmins property holdings, can be uncertain and may be contested. Timmins 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, Timmins 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. Timmins 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 Timmins rights to its various properties or interests. Title insurance is generally not available for mining properties, and Timmins 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, Timmins 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 Timmins would consider conducting exploration and/or production activities. Because Timmins faces strong competition for new properties from other mining companies, some of which have greater financial resources than it does, Timmins 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 Timmins ability to acquire and develop suitable mines, developmental projects or properties having significant exploration potential. As a result, Timmins 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 Timmins 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 Timmins 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 Timmins believes that the reserve and resource estimates included in this prospectus/offer to exchange 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 Timmins 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, Timmins 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 Timmins discloses should not be interpreted as assurances of mine life or of the profitability of future operations.

Timmins has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering at the San Francisco Mine. Timmins 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, Timmins may experience delays and increased costs.

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

Timmins periodically prepares estimates of future mine production and future production costs for the San Francisco Mine. Timmins cannot assure you that it 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 Timmins future cash flows, results of operations and financial condition.

Timmins 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 Timmins 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. Timmins 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 Timmins future cash flows, results of operations and financial condition.

The expansion and development of Timmins mining properties is uncertain and subject to risk.

The development of Timmins 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, Timmins 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, Timmins may not be able to successfully develop and expand mining operations or profitably produce precious metals at its exploration or development-stage properties.

Timmins 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 Timmins products are sold) against the Mexican peso (being the currency in which the majority Timmins capital and operating costs are incurred), or the fluctuation of either currency against the Canadian dollar (being the currency in which Timmins reports its consolidated financial results) could have a

significant impact on Timmins results of operations. Timmins 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 Timmins directors and officers have interests that may be different than Timmins interests.

Some of Timmins 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 Timmins. Conflicts, if any, will be dealt with in accordance with the relevant provisions of the BCBCA. Some of Timmins 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 Timmins and their duties to other companies, Timmins 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 Timmins except on the same or better terms than the basis on which they are offered to third party participants.

In addition, Timmins 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 Timmins.

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

Timmins 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 Timmins ongoing business and distraction of management;
- difficulty integrating acquired businesses, such as CGC, 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 Timmins may acquire, and
- changing Timmins s business profile in ways that could have unintended consequences.

If Timmins 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. Timmins may not be successful in addressing these risks or any other problems encountered in connection with any strategic transactions.

Risk Factors Relating to CGC s Business.

You should read and consider risk factors specific to CGC s business that will also affect the combined company after the Proposed Merger, described in Part I, Item 1A of CGC s Annual Report on Form 10-K for the year ended July 31, 2010, which is incorporated by reference into this prospectus/offer to exchange. See Where to Obtain More Information. As described above, Timmins has not had the opportunity to conduct comprehensive due diligence on CGC and to evaluate fully the extent to which these risk factors will affect the combined company.

ADDITIONAL FACTORS TO BE CONSIDERED BY CGC STOCKHOLDERS

In deciding whether or not to tender the CGC Shares, CGC stockholders should consider the factors set forth under Risk Factors beginning on page 30 and Forward-Looking Statements on page 29 and the other factors set forth in this prospectus/offer to exchange. While Timmins believes the Offer and the Proposed Merger should be attractive to CGC stockholders, you should also consider the following matters:

As a shareholder of Timmins, your interest in the performance and prospects of CGC would only be indirect and in proportion to your share ownership in Timmins. You therefore may not realize the same financial benefits of future appreciation in the value of CGC, if any, that you may realize were the Offer and the Proposed Merger not completed and were you to remain a CGC stockholder.

Because this is an exchange offer, Timmins controls the conditions, timing and price of the Offer and the Proposed Merger and has reserved the right, subject to applicable law (including Rule 14e-1 under the Exchange Act) to unilaterally modify any of the terms of the Offer.

THE COMPANIES

Timmins

Timmins, a British Columbia corporation, is a resource company engaged in the acquisition, exploration and development and operation of gold properties in Mexico. Timmins was founded in 2005 and it commenced commercial production on April 1, 2010 at the San Francisco Mine in Sonora, Mexico.

Timmins is a corporation governed by the BCBCA. Timmins executive offices are headquartered at 609 Granville Street, Suite 520, Vancouver, British Columbia, Canada V7Y 1G5, and its telephone number is (604) 682-4002.

The name, business address, principal occupation or employment, five-year employment history and citizenship of each director and executive officer of Timmins and Offeror and certain other information is set forth on Annex A and Annex B, respectively, to this prospectus/offer to exchange. During the last five years, neither Timmins nor Offeror, nor, as determined by Timmins and Offeror after reasonable inquiry, any of the persons listed on Annex A and Annex B of this prospectus/offer to exchange, (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to any judicial or administrative proceeding that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws.

Offeror

Offeror, a Delaware corporation, is a wholly-owned subsidiary of Timmins. Offeror is newly formed, and was organized for the purpose of making the Offer and consummating the Proposed Merger. Offeror has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incidental to its formation and those incurred in connection with the Offer and the Proposed Merger.

CGC

CGC is engaged in the mining, exploration and development of gold properties in Mexico. CGC s primary focus is on the operation and development of the El Chanate project in Sonora, Mexico, and CGC also conducts gold exploration in other locations in Mexico.

CGC s principal assets include:

- ownership of 21 mining concessions located in the State of Sonora, Mexico totaling approximately 9,665 hectares (23,873 acres or 37.3 square miles), and the El Chanate Project operating on two of these concessions; and

- control of approximately 104,000 hectares (257,000 acres) of mining concessions known as the Orion Project in the State of Nayarit, Mexico.

For the year ended July 31, 2010, CGC produced 55,746 ounces of gold and sold 54,304 ounces of gold, generating net sales of sales of $60.6 million. For the first quarter ended October 31, 2010, CGC produced 14,804 ounces of gold and sold 14,837 ounces of gold, generating net sales of $19.0 million.

CGC is a Delaware corporation with principal executive offices at 76 Beaver Street, 14th Floor, New York, NY 10005, and its telephone number is (212) 344-2785.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

The following discussion is based upon, should be read in conjunction with and is qualified by our consolidated financial statements and the accompanying notes included elsewhere in this prospectus/offer to exchange. Our financial statements have been prepared in accordance with Canadian GAAP, which differ from financial statements prepared in accordance with U.S. GAAP. For a further discussion of these differences, see note 16 to our audited financial statements included elsewhere in this prospectus/offer to exchange. Our fiscal year ends on March 31 of each year. References to fiscal 2008, mean the fiscal year ended March 31, 2008, references to fiscal 2009, mean the fiscal year ended March 31, 2009, references to fiscal 2010, mean the fiscal year ended March 31, 2010 and references to fiscal 2011, mean the current fiscal year that will end on March 31, 2011. The following discussion includes certain forward-looking statements. For a discussion of important factors, including the continuing development of our business and other factors which could cause actual results to differ materially from the results referred to in the forward-looking statements, see Risk Factors and Forward-Looking Statements.

Overview

We are a resource company engaged in the acquisition, exploration and development and operation of gold properties in Mexico. Since our inception, we have measured success through the growth in our mineral resources, in particular, our gold reserves and resources. We attained commercial production on April 1, 2010 at our gold mine, the San Francisco Mine in Sonora, Mexico. The ramp-up to full production at the San Francisco Mine is proceeding as planned.

Although we evaluate other opportunities as they are presented, our principal focus is to increase production at the San Francisco Mine to full capacity and generate positive cash flows from operations. The majority of plant and equipment necessary for operations are in place and operational. Funding to complete the commissioning of the San Francisco Mine, as well as to finance working capital, was provided in part through a $15.0 million loan from Sprott Asset Management LP, for and on behalf of certain of the Sprott funds, which we refer to as the Gold Loan. Working capital for ongoing operations at the San Francisco Mine was also supplemented by cash received from the exercise of warrants and options.

The current capital market volatility worldwide has impacted our operations. The effects encountered, particularly while we were in the process of raising the financing required to re-commission the San Francisco Mine included, but were not limited to, significant volatility in gold and other commodity prices, significant volatility in foreign exchange rates, depressed equity and costly credit markets, and increased time requirements to conclude any capital sourcing activities.

Management has prepared the consolidated financial statements on a going concern basis. However, should capital market volatility continue to erode investor and creditor confidence, should gold prices decline significantly or should the production targets not be met, our operations at the San Francisco Mine may not become or remain self-sustaining. Should this situation arise, we would have to reconsider our ability to continue as a going concern and our financial statements would be subject to material adjustments.

Revenue and Expenses

Since beginning commercial production on April 1, 2010, revenue, which will be used to fund operational expenses, will primarily reflect the metal recoveries achieved on the leach pads and the prevailing gold and silver prices. Prior to such date, revenue was solely derived from interest on our cash balances.

Substantially all of our operating expenses will be determined by the rate of mining and crushing of ore at the San Francisco Mine. General and administrative spending is typically fairly stable from month to month.

However, non-cash items, especially those relating to the expensing of stock options, the decision to write off exploration properties and the valuation of the embedded derivative in the Gold Loan may cause some fluctuations in pre-tax income on a monthly or quarterly basis.

Results of Operations

The following table summarizes our total assets, long-term debt, other long-term liabilities and shareholders equity as March 31, 2010, the end of our latest fiscal year, and as of September 30, 2010, the end of our latest quarter.

	As of March 31, 2010	As of September 30, 2010
Total Assets	C$ 82,279,282	C$ 97,764,305
Long-term Debt	C$ 8,088,563	
Other Long-term Liabilities	C$ 1,035,590	C$ 1,080,293
Shareholders Equity	C$ 54,051,581	C$ 64,285,521

Quarterly Comparison

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

	Quarter Ended							
	September 30, 2010	**June 30, 2010**	**March 31, 2010**	**December 31, 2009**	**September 30, 2009**	**June 30, 2009**	**March 31, 2009**	**December 31, 2009**
Gold Sold (ounces)	15,690	11,290	5,321	1,773	nil	nil	nil	nil
Total Revenues	C$ 20,322,817	C$ 14,332,597	C$ 11,297	C$ 2,496		C$ 820	C$ 96,601	C$ 152,193
Net Income (Loss)	C$ 3,634,855	C$ (828,651)	C$ (5,456,353)	C$ (1,793,238)	C$ (561,999)	C$ (804,330)	C$ (643,061)	C$ (577,331)
Basic Income (Loss) per Share[(1)]	C$ 0.03	C$ (0.01)	C$ (0.04)	C$ (0.02)	C$ (0.01)	C$ (0.01)	C$ (0.00)	C$ (0.01)

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

Because the quarters ended September 30 and June 30, 2010 were the first ever quarters during which we reported commercial production results, you should be cautious in comparing the results of these quarters with the reported results from the comparative quarters of the prior year.

Operating Costs

Operating costs at the San Francisco Mine in terms of costs per tonne placed on leach pads is shown in the table below. The foreign exchange rate for the six month period ended September 30, 2010 was $1.00 = C$1.0391.

	Quarter Ended September 30,		Six Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Mining costs per tonne mined	C$ 1.73	nil	C$ 1.83	nil
Mining costs per tonne leached	C$ 7.90	nil	C$ 8.07	nil
Processing and crushing costs per tonne leached	C$ 2.45	nil	C$ 2.20	nil
Administration costs per tonne leached	C$ 0.94	nil	C$ 0.94	nil
Other costs per tonne leached	C$ 0.07	nil	C$ 0.06	nil
Total costs per tonne leached	C$ 11.36	nil	C$ 11.27	nil
Total costs per tonne leached (US$)	$ 10.93	nil	$ 10.91	nil

Operating costs at the mine in terms of costs per ounce sold were as follows.

	Quarter Ended September 30, 2010	2009	Six Months Ended September 30, 2010	2009
Mining costs per ounce sold	C$ 549	nil	C$ 682	nil
Processing costs per ounce sold	C$ 170	nil	C$ 163	nil
Administration costs per ounce sold	C$ 65	nil	C$ 69	nil
Selling and other costs per ounce sold	C$ 5	nil	C$ 4	nil
Inventory adjustment	C$ (143)	nil	C$ (244)	nil
Total costs per ounce sold	C$ 646	nil	C$ 675	nil
Total costs per ounce sold (US$)	$ 622	nil	$ 653	nil

Since beginning commercial production on April 1, 2010, spending at the San Francisco Mine has been determined by the rate of mining and crushing of ore. Sales revenue, which will be used to fund such operational expenses, will reflect the metal recoveries achieved on the leach pads and the prevailing gold and silver prices. General and administrative spending is typically fairly stable from month to month. However, non-cash items, especially those relating to the expensing of stock options, the decision to write off exploration properties and the valuation of the embedded derivative in the Gold Loan may cause some fluctuations in pre-tax income on a monthly or quarterly basis. General and administrative spending during the second quarter was generally in line with management s expectations.

Summary of Mining Rates

Between December 2009 and October 31, 2010, we sold approximately 40,500 ounces of gold and 23,300 ounces of silver, realizing gross proceeds of approximately $50.2 million. The following table shows the rate of mining that has been achieved in fiscal 2010, 2009 and 2008, the quarters ended September 30, 2010 and 2009 and the six month periods ended September 30, 2010 and 2009.

	Fiscal Year Ended March 31, 2010	2009	2008	Quarter Ended September 30, 2010	2009	Six Months Ended September 30, 2010	2009
Total material mined (mt)	2,206,000	nil	nil	4,969,000	nil	9,952,000	nil
Ore to leach pads (mt)	284,776	nil	nil	1,090,768	nil	1,996,064	nil
Au ore grade (g/t)	0.687	nil	nil	0.817	nil	0.772	nil
Au sold (ozs)	1,770	nil	nil	15,690	nil	26,980	nil

The table below shows the performance of the San Francisco Mine on a stand-alone basis. This presentation is not in accordance with U.S. or Canadian generally accepted accounting principles and will not necessarily conform to the presentation of our results elsewhere in this MD&A. We have provided this disclosure because management believes it provides investors with additional information regarding the San Francisco Mine s performance.

(000s of Canadian dollars)	Quarter Ended September 30, 2010	Six Months Ended September 30, 2010
Metal Sales	C$ 20,323	C$ 34,655
Cost of sales	10,132	18,211
Gross Profit (non-GAAP)	C$ 10,191	C$ 16,444

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Comparison of Quarter Ended September 30, 2010 to Quarter Ended September 30, 2009

The following is a summary of our financial results for the second quarter ended September 30, 2010 and 2009.

	Quarter Ended September 30,			
		2010		2009
Metal Revenues	C$	20,322,817	C$	
Expenses				
Cost of sales		10,132,057		
Amortization and depreciation		2,374,001		15,144
Asset write down				
Corporate and administrative		1,138,247		926,839
Accretion of reclamation liability		31,448		3,146
Stock-based compensation		555,615		55,014
Income (loss) from operations		6,091,449		(1,000,143)
Other income/(expenses)		4,625		
Interest expense, net		(2,039,677)		(60,320)
Foreign exchange gain/(loss)		(239,512)		498,464
Loss on embedded derivatives		(335,889)		
Net income (loss) before taxes	C$	3,480,996	C$	(561,999)
Income tax (recovery) future		(153,859)		
Net income (loss) and comprehensive income (loss) for the period	C$	3,634,855	C$	(561,999)
Net income (loss) per share basic and diluted	C$	0.03	C$	(0.01)
Weighted average number of shares outstanding basic and diluted		135,097,052		114,623,449

We recorded net income of C$3.63 million for the quarter ended September 30, 2010, compared with a net loss for the same period in 2009 of C$561,999. Other important differences between the quarter ended September 30, 2010 and the quarter ended September 30, 2009 were:

Revenue: During the quarter, we produced and sold 15,690 ounces of gold and 8,500 ounces of silver and recognized revenue of C$20.32 million. During the current quarter Timmins realized an average gold price of $1,239 per ounce and an average price for silver of $19.60 per ounce compared to London Bullion Exchange average prices of $1,227 per ounce and $18.96 per ounce for gold and silver, respectively. There were no metal sales in the second quarter of 2009.

Cost of Sales: During the quarter, cost of sales was C$10.132 million or C$9.29 per tonne placed on leach pads. This equates to a cost of sales of $622 (C$646) per ounce of gold sold compared to $697 (C$716) per ounce of gold sold in the prior quarter. The quarter on quarter reduction in selling costs was due largely to the increase in gold recoveries and hence sales, with operating costs remaining relatively stable. There was no gold production for the quarter ended September 30, 2009. Direct mine operating costs per tonne of ore placed on leach pads was C$11.28, compared to C$13.67 incurred during the first quarter of this fiscal year.

Depreciation and Amortization: During the quarter, depreciation and amortization was C$2.37 million, with C$1.4 million of that relating to the depreciation of mining assets and the amortization of the resource property at the San Francisco Mine. For the comparable quarter of the prior year the depreciation and amortization charge was only C$15,144. The dramatic year over year increase relates to the fact that the San Francisco Mine is now in commercial production and its assets, including all development and acquisition costs, are being amortized.

Asset write-down: There were no asset write-downs in this quarter.

General and Administration: General and administration costs in this quarter totaled C$1.1 million compared to general and administration costs of C$0.9 million last year, with increased salary and travel costs accounting for the change.

Asset Retirement Obligation: The asset retirement obligation increased from C$3,146 to C$31,448, with the increase being attributable to our increasing the estimate of closure obligations resulting from the commencement of commercial operations.

Interest Expense and Other Income: The interest expense charge of C$2,039,677 largely represents the interest imputed on the Gold Loan (using the effective interest rate method). There is no longer any interest expense relating to a vendor loan for $3,500,000 (plus 15% Mexican value added tax (IVA)), used to acquire mining equipment and buildings and due on March 11, 2010 (the Vendor Loan). The Vendor Loan affected our Interest Expense and Other Income in the comparable quarter of 2009. However, the Gold Loan was not in existence at that time.

Loss on Embedded Derivative: The loss on the embedded derivative was C$335,889. This loss represents the change in the fair value of this financial instrument and is a function of the change in the price of gold, the monthly repayments on the Gold Loan and the appreciation of the Canadian dollar against the U.S. dollar.

Net Income: For the quarter ended September 30, 2010, we reported net income of C$3,634,855 or C$0.03 per share compared to a loss of C$561,999 or C$0.01 per share for the three month period ended September 30, 2009. Also during the quarter we recognized a recovery of income taxes in Mexico in the amount of C$153,859.

Comparison of Six Months Ended September 30, 2010 to Six Months Ended September 30, 2009

The following is a summary of our financial results for the six months ended September 30, 2010 and 2009.

	Six Months Ended September 30, 2010	2009
Metal Revenues	C$ 34,655,414	C$
Expenses		
Cost of sales	18,211,024	
Amortization and depreciation	3,510,828	30,704
Asset write down	2,652	
Corporate and administrative	1,911,771	2,113,838
Accretion of reclamation liability	62,189	6,767
Stock-based compensation	1,108,628	104,037
Income (loss) from operations	9,848,322	(2,255,346)
Other income/(expenses)	10,685	652
Interest expense, net	(4,141,949)	(127,510)
Foreign exchange gain/(loss)	(232,243)	1,015,875
Loss on embedded derivatives	(2,935,634)	
Net income (loss) before taxes	C$ 2,549,181	C$ (1,366,329)
Income tax (recovery) future	(257,023)	
Net income (loss) and comprehensive income (loss) for the period	C$ 2,806,204	C$ (1,366,329)
Net income (loss) per share basic and diluted	C$ 0.02	C$ (0.01)
Weighted average number of shares outstanding basic and diluted	133,156,545	91,893,133

We recorded net income for the six month period ended September 30, 2010 of C$2.8 million or C$0.02 per share compared with a net loss of C$1.4 million or C$0.01 per share for the comparable six month period in 2009. Other important differences between the six month period ended September 30, 2010 and the six month period ending September 30, 2009 were:

Revenue: We sold 26,980 ounces of gold and 15,241 ounces of silver during the six months ended September 30, 2010 and recognized revenue of C$34.65 million. During the six month period, we realized an average gold price of $1,227 per ounce and an average price for silver of $18.88 per ounce compared to London Bullion Exchange average prices of $1,211 per ounce and $18.64 per ounce for gold and silver, respectively. There were no metals sales for the same period in 2009.

Cost of Sales: For the six month period ended September 30, 2010, cost of sales was C$18.2 million or C$9.12 per tonne placed on the leach pads. This equates to a cost of goods sold of $653 (C$675) per ounce of gold sold. There was no gold production for the same period in 2009. Direct mine operating costs per tonne of ore placed on the leach pads was C$12.36 per tonne for the six month period.

Depreciation and Amortization: Depreciation and amortization was C$3.5 million. For the comparable period in 2009, the depreciation and amortization charge was only C$30,704. The increase year over year relates to the fact that the San Francisco Mine is now in commercial production and all Mine assets and other capitalized Mine related costs are being amortized.

Asset Write-down: The asset write-down charge of C$2,652 for the six month period ended September 30, 2010 is on account of certain invoices for work on our Tequila property, which was abandoned and written off in the fourth quarter of fiscal 2010. There were no comparable abandonment charges in 2009.

General and Administration Costs: General and administration costs were C$1.9 million for the six month period ended September 30, 2010, compared to general and administration costs of C$2.1 million for the six months ended September 30, 2009. These costs were in line with management s expectations.

Asset Retirement Obligations: Our asset retirement obligation increased to C$62,189, compared to C$6,767 in the corresponding period for the six months ended September 30, 2009, with the increase being attributable to our increased estimate of closure obligations resulting from the commencement of commercial operations.

Loss on Embedded Derivative: The loss on the embedded derivative was C$2.94 million for the six month period ended September 30, 2010. This instrument did not exist in 2009.

Net Income: For the six month period ended September 30, 2010 we reported net income after tax of C$2,806,204 or C$0.02 per share, compared to a loss of C$1,366,329 or C$0.01 per share for the comparable six month period in 2009. During this six month period we recognized a recovery of income taxes in Mexico in the amount of C$257,023.

Comparison of Fiscal 2010 to Fiscal 2009 and Fiscal 2008

The following is a summary of our financial results for fiscal 2010, 2009 and 2008.

	Year Ended March 31, 2010	2009	2008
Expenses			
Accounting and audit	C$ 195,915	C$ 158,916	C$ 125,511
Accretion of asset retirement obligation and debt	43,172	99,161	
Amortization and depreciation	236,483	64,046	46,281
Corporate development and consulting[(1)]	617,970	270,191	288,230[(1)]
Directors fees	12,000		
Investor relations	564,020	678,369	384,038
Insurance	29,346	27,098	
Legal	196,055	90,440	127,985
Office and miscellaneous	332,805	148,515	131,118
Rent	49,647	46,408	43,258
Salaries and wages	1,094,463	674,747	500,727
Stock-based compensation	971,260	1,050,336	2,351,294
Telephone	31,652	42,578	38,542
Transfer and listing fees	71,459	36,895	87,592
Travel	236,422	142,262	151,093
Write off of equipment	3,343		
Write-off of non-producing mineral property and related deferred exploration expenditures	1,903,176	203,331	1,264,182
	(6,589,188)	(3,733,293)	(5,539,851)
Other Items			
Interest expense	(249,894)	(242,250)	(206,715)
Interest income	14,613	346,592	143,512
Financing expenses	(2,266,816)		
Foreign exchange gain	1,098,791	214,170	269,282
Loss on embedded derivatives	(623,426)		
Net loss and comprehensive loss	C$ (8,615,920)	C$ (3,414,781)	C$ (5,333,772)
Loss per share basic and diluted	C$ (0.08)	C$ (0.05)	C$ (0.10)
Weighted average number of shares outstanding basic and diluted	112,132,651	70,519,153	51,522,946

(1) Separated into Consulting (C$225,544) and Property investigation (C$62,686) in our Consolidated Statements of Operations and Comprehensive Loss for the Years Ended March 31, 2009 and 2008.

We did not have any operating mines during fiscal 2008, 2009 or 2010. Therefore, the total revenue figure represented interest received and the amount recognized was a direct reflection of the amount of cash we had throughout the year.

We recorded a net loss in fiscal 2010 of C$8,615,920 or C$0.08 per share, compared with a net loss in fiscal 2009 of C$3,414,781 or C$0.05 per share, an increase in fiscal 2010 of C$5,201,139. We recorded a net loss in fiscal 2008 of C$5,333,772 or C$0.10 per share, which was C$1,918,991 higher than in fiscal 2009. The net loss in fiscal 2010 was considerably higher than in fiscal 2009 because of the costs associated with securing the debt financing required to restart the San Francisco Mine and because we decided to cease work on, and abandon, the Tequila property, which necessitated the write off of C$1.9 million of exploration expenditures previously capitalized. The decrease in net loss in fiscal 2009 compared to fiscal 2008 was primarily the result of lower abandonment charges in fiscal 2009 compared to the prior year and a decrease in stock based compensation expense. The increase in total assets from 2008 to 2009 primarily relates to the acquisition of equipment and capitalized start-up costs at the San Francisco Mine. Total liabilities increased marginally between 2008 and 2009 as we re-estimated our asset retirement obligation at the San Francisco Mine and its accounts payable and accrued liabilities increased as activities and staff at the San Francisco Mine increased.

Other important differences between fiscal 2010 compared to fiscal 2009 and fiscal 2008 were as follows.

Total Revenue: Total revenue in fiscal 2010 was C$14,613 compared to C$346,592 in fiscal 2009, a decrease of C$331,979. Total revenue in both periods reflected interest income, and was therefore a direct reflection of the amount of cash we had throughout the year and prevailing interest rates.

Stock-Based Compensation: Stock-based compensation in fiscal 2010 was C$971,260 compared to C$1,050,336 in fiscal 2009, a decrease of C$79,076, primarily due to our issuing fewer options in fiscal 2010. Stock-based compensation was C$2,351,294 in fiscal 2008, or C$1,300,958 greater than in fiscal 2009, primarily due to the issuance of fewer options in fiscal 2009.

Corporate Development and Consulting Expenses: Corporate development and consulting expenses were C$617,970 in fiscal 2010 compared to C$270,191 in fiscal 2009, an increase of C$347,779, primarily due to fees paid to our mining consultant and consulting fees paid to assist in the analysis of the Gold Loan and other financing alternatives in fiscal 2010, which were not incurred in fiscal 2009.

Financing Expenses: Financing expenses were C$2,266,816 in fiscal 2010 related to both an alternative debt facility which was ultimately not finalized, as well as for fees related to closing the Gold Loan. We had no financing expenses in fiscal 2009.

Salary and Wage Expenses: Salaries and wages expense were C$1,094,463 in fiscal 2010 compared to C$674,747 in fiscal 2009, an increase of C$419,716, as a result of bonuses paid to certain of our employees in fiscal 2010 and the fact that we ceased capitalizing the salaries of certain administrative employees in Mexico who were no longer involved with re-commissioning the San Francisco Mine. Salaries and wages expense were C$500,727 in fiscal 2008, or C$174,020 less than in fiscal 2009. This increase in fiscal 2009 was partially due to C$80,000 paid to former employees, directors and officers as settlements, the addition of a staff member in our Vancouver office and an increase in the number of staff members in the Mexican offices to assist with the increased work load as we moved towards production.

Asset Write-down: In fiscal 2010, our Tequila property was written off resulting in a charge to earnings of C$1,903,176. In fiscal 2009 property write offs were C$203,331, or C$1,699,845 less.

Foreign Exchange: We recognized a foreign exchange gain of C$1,098,791 in fiscal 2010 compared to C$214,170 in fiscal 2009. The increase resulted from the appreciation in the Canadian dollar against the U.S. dollar and the Mexican peso during the year ended March 31, 2010. This primarily affected the amount owing on our Vendor Loan and our future income tax liability, which are our largest liabilities denominated in foreign currencies. The appreciation of the Canadian dollar also had an impact on our asset retirement obligations.

Legal Expenses: Legal expenses in fiscal 2010 were C$196,055 compared to C$90,440 in fiscal 2009, an increase of C$105,615, related to a corporate governance consultant retained in fiscal 2010.

Loss on Embedded Derivative: In fiscal 2010 we recognized a loss on the embedded derivative in the Gold Loan in the amount of C$623,426. This liability did not exist in fiscal 2009.

Other important differences between fiscal 2009 compared to fiscal 2008 were as follows.

Investor Relation Expenses: Investor relation expenses increased by C$294,331 to C$678,369 for the 2009 fiscal year (fiscal 2008: C$384,038), resulting from our increased exposure to the capital markets in Europe and North America as we continued to source equity and debt.

Exploration Expenses: The deferred exploration expenditures relating to the Las Coloradas property was C$203,331 in fiscal 2009 compared to C$1,264,182 in fiscal 2008, a decrease of C$1,060,851. No other properties were written off in 2009.

Asset Retirement Obligations: At March 31, 2008, we established an initial asset retirement obligation, which we refer to as an ARO, of C$1,279,000 based on the findings of an internally prepared environmental report. Accretion of C$99,161 was charged to the income statement on this ARO for the year ended March 31, 2009. During fiscal 2009 we commissioned external consultants to prepare an independent environmental report. As a result, our estimate of our ARO decreased to C$222,236. The decrease is predominantly as a result of the exclusion of the waste dumps as it has been established that our environmental obligation does not extend to these dumps.

Liquidity and Capital Resources

Our consolidated financial statements have been prepared assuming we will continue on as a going-concern. With the exception of the positive earnings reported for our most recent second quarter, we have incurred losses since inception and our ability to continue as a going-concern depends upon our ability to generate cash in the future. Our source for cash in the future is expected to come from our operation of the San Francisco Mine as well as external financing. Now that the San Francisco Mine is in operation, it is management s priority to achieve positive cash flow from our operations. This is essential for us to meet our liabilities as they come due, including repayment of our indebtedness outstanding under the Gold Loan. We may not be able to achieve positive cash flow from our operations, in which case we may be unable to meet our obligations unless additional financing can be obtained. In that case, the net realizable value of our assets may be materially less than the amounts recorded in our financial statements.

We believe that we have sufficient liquidity to support our business operations in the next 12 months. However, we may elect to seek additional funding prior to that time. Our future capital requirements will depend on many factors, including our rate of revenue growth and our successful operation of the San Francisco Mine. We believe that our sources of liquidity beyond the next 12 months will be our then current cash balances, and, provided we can establish a regular stream of cash flow from the San Francisco Mine, we expect this source of cash to finance ongoing exploration and potential development of our properties. With the San Francisco Mine just achieving commercial operating status as of April 1, 2010, operations have not yet stabilized such that management can definitively conclude that the gold production and cost targets described in the *Technical Report Updated Resources and Reserves and Mine Plan for the San Francisco Gold Mine, Sonora, Mexico* dated November 30, 2010, prepared by Micon International Limited (the Technical Report) will be achieved, although mining and crushing rates are meeting expectations. Management believes that the San Francisco Mine operations will generate positive cash flow at gold prices above C$800 per ounce. However, if current gold prices were to decline significantly, there will be a negative impact on the economics of the San Francisco Mine and our long term liquidity.

At the present time, we are not contemplating raising money from the sale of common shares. We do expect that the outstanding warrants and stock options will be exercised in the future, which will provide additional working capital. Based on our cash on hand and cash that we expect to generate from operations, we believe that we will have sufficient funds to finance all of our cash requirements over the next 12 months.

Cash Flows

As of September 30, 2010, our liquidity consisted of C$4.0 million of cash and cash equivalents, compared to C$5.4 million at June 30, 2010, C$2.7 million at March 31, 2010 and C$0.7 million at March 31, 2009. We had a working capital deficit of C$8.03 million at September 30, 2010 compared to a working capital deficit of C$2.7 million at June 30, 2010, a working capital surplus of C$1.98 million at March 31, 2010, and a deficit of C$5.0 million at March 31, 2009. Apart from funding normal operations, a major use of cash which commenced in our recently completed second fiscal quarter is our monthly obligation to retire the Gold Loan. Additionally, the re-classification of a portion of the long term portion of the Gold Loan to a current liability affected our working capital position.

Our accounts receivable increased to C$9.6 million at September 30, 2010 from C$7.5 million at June 30, 2010, C$6.3 million at March 31, 2010 and C$1.3 million at March 31, 2009. The increase during our recently completed second fiscal quarter is attributable to the increase in gold sales and a small increase in the IVA receivable. During the second quarter, in-process gold inventory increased by C$1.1 million to C$3.0 million. The increase is a function of the increase in ore placed on leach pads. Since March 31, 2010, in-process gold inventories have decreased by C$1.1 million, from C$4.1 million.

Our accounts payable and accrued liabilities have decreased by C$0.5 million from C$5.4 million at June 30, 2010 to C$4.9 million at September 30, 2010, due to the commencement of payments on the Gold Loan, the payments on which began in August 2010 and will continue monthly for an additional 11 months. At March 31, 2010, accounts payable and accrued liabilities were C$4.4 million compared to C$2.3 million at March 31, 2009. The increase was due to expenditures related to the ongoing increase in mining activities and expenditures relating to the construction of the leach pad expansion.

During the year ended March 31, 2010, we raised over C$19 million from the proceeds of equity offerings and the exercise of warrants and successfully completed the Gold Loan financing. During the same year, we also sold gold with a value in excess of C$8 million.

Cash Provided by Financing Activities

As of September 30, 2010, our total shareholders equity was C$64.3 million. Since inception, our primary source of funds has been proceeds from equity financing. During fiscal 2010 we received C$833,370 through the exercise of incentive stock options issued pursuant to our stock option plan and C$7.8 million through the exercise of share purchase warrants issued in connection with previous equity financings. Significant financing activities include:

On April 25, 2007, we closed a brokered private placement of 12,627,000 units at a price of C$0.50 per unit, for total gross proceeds of C$6.3 million. Each unit consisted of one Timmins Share and one half non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional Timmins Share at a price of C$0.70 until October 31, 2007. We paid a commission of C$362,680 in cash and issued 180,414 agents units. A total of 1,207,700 broker s warrants were issued on this private placement. Each broker s warrant entitled the holder to purchase one additional Timmins Share at a price of C$0.70 until October 31, 2007. A finder s fee of C$11,250 was paid.

During fiscal 2008, 6,394,407 warrants (including 90,207 warrants issued on agents units) and 1,207,000 broker s warrants were exercised for the total proceeds of C$5.3 million. During this time, 10,000 warrants expired. C$50,000 of share issue costs were incurred on the exercised warrants.

During fiscal 2008, 400,000 stock options were exercised at C$0.35 per share and 37,500 stock options were exercised at C$0.50 per share.

During fiscal 2008, 8,513,000 share purchase warrants (including 75,000 warrants issued on corporate finance units) were exercised for total proceeds of C$4.3 million and 1,080,000 agent s warrants were exercised for total proceeds of C$378,000. C$120,000 of share issue costs were incurred on exercised warrants.

During fiscal 2008, we issued 10,000,000 Timmins Shares for the acquisition of the San Francisco property, valued at C$0.70 per share, and 500,000 Timmins Shares on acquisition of the Las Coloradas property valued at C$0.69 per share.

During fiscal 2009, we closed a private placement financing with Pacific Road Resources Fund (PRRF) totaling C$19.3 million. The financing occurred in two stages. The first stage closed on June 10, 2008 and consisted of 4,000,000 Timmins Shares at a price of C$1.25 per share for gross proceeds of C$5 million. The second stage closed on July 14, 2008 and consisted of 11,000,000 special warrants at a price of C$1.30 per special warrant for total proceeds of C$14.3 million. Each special warrant 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 warrants. Each whole convertible share purchase warrant was exercisable into one Convertible Preference Share at a price of C$1.50 per share, on or before October 1, 2008. On September 30, 2008, all 11,000,000 units were exercised into 11,000,000 Convertible Preference Shares and 3,500,000 warrants. On October 1, 2008, all the warrants expired. On September 14, 2010, the Convertible Preference Shares were converted into 11,000,000 Timmins Shares without payment of any additional consideration, in accordance with their terms. The Convertible Preference Shares were created at the request of PRRF and approved by the shareholders of Timmins at our Annual General Meeting on September 10, 2008. A total C$871,239 of share issue costs were incurred in connection with this private placement.

On January 13, 2009, we cancelled 75,000 escrow shares at a price of C$0.15 per share. The stock value of C$11,250 was transferred to contributed surplus.

On March 16, 2009, we closed the first tranche of a non-brokered private placement, which consisted of 6,250,000 units at a price of C$0.40 per unit for total gross proceeds of C$2.5 million. Each unit consists of one Timmins Share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one Timmins Share at an exercise price of C$0.60 until March 16, 2010. We paid C$200,000 of finder s fees and C$16,047 in related expenses in connection with this private placement.

On April 21, 2009, we closed the second tranche of the non-brokered private placement. This tranche consisted of 5,989,500 units at a price of C$0.40 per unit, for gross proceeds of C$2.4 million. Each unit consisted of one Timmins Share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional Timmins Share at an exercise price of C$0.60 per share until April 21, 2010. Our expenses related to this offering were C$207,514.

On June 17, 2009, we closed the third tranche of the non-brokered private placement. This tranche consisted of 25,873,060 units at a price of C$0.40 per unit, for gross proceeds of C$10.3 million. Each unit consisted of one Timmins Share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase an additional Timmins Share at an exercise price of C$0.60 per share until June 17, 2010. Our expenses related to this offering were C$737,174.

During the year ended March 31, 2010, 775,000 options were exercised at prices ranging from C$0.55 to C$0.70. A fair value of C$377,120 was transferred from contributed surplus.

During the year ended March 31, 2010, 10,703,500 warrants were exercised at a price of C$0.60. A fair value of C$1.3 million was transferred to share capital.

During the quarter ended June 30, 2010, 200,000 options were exercised at prices ranging from C$0.55 to C$1.00. A fair value of C$145,868 was transferred from contributed surplus.

During the quarter ended June 30, 2010, 8,352,680 warrants were exercised at a price of C$0.60. A fair value of C$1.1 million was transferred to share capital.

During the quarter ended September 30, 2010, 562,500 options were exercised at prices ranging from C$0.35 to C$1.00. A fair value of C$306,572 was transferred from contributed surplus.

During the quarter ended September 30, 2010, 1,000,000 warrant were exercised at a price of $C0.80. A fair value of C$581,825 was transferred to share capital.

During the quarter ended December 31, 2010, 540,000 options were exercised at prices ranging from C$0.35 to C$1.00. A fair value of C$166,740 was transferred from contributed surplus.

In January 2010, we completed the Gold Loan, which provided a portion of the funding required to complete the commissioning of the San Francisco Mine. The Gold Loan was also used to pay down C$2.3 million in existing debt. The Gold Loan is repayable in 12 monthly payments commencing at the end of August 2010. Each monthly payment must be made in cash at an amount equal to 1,667 ounces of gold (20,004 ounces in total) multiplied by the month-end gold price. In addition, the lenders are guaranteed a minimum 15% return on the amount borrowed, or $18.375 million in total. This loan was secured by a first charge on the assets of the San Francisco Mine. In addition, the holders of the Gold Loan have been granted an aggregate of 3 million share purchase warrants exercisable for a period of 24 months at a strike price of C$0.80 per share. On August 30, 2010, 990,467 of the warrants were exercised and on September 1, 2010, 9,533 of the warrants were exercised, leaving 2,000,000 warrants outstanding. A cash finder s fee of 2% of the proceeds has been paid to an arm s length party, and a closing fee of $179,000 and expenses of C$157,211 has been paid to the CPM Group under a Financial Services Agreement dated February 3, 2009, between CPM Group and Timmins. The Gold Loan provided us with the financial and operational flexibility to attain commercial production without resorting to hedging and other restrictive covenants and restrictions on operations usually associated with more traditional debt facilities. Additional funds necessary for the commissioning of the San Francisco Mine were provided from general working capital and the exercise of warrants and options between January and June of 2010.

Capital Expenditures and Commitments

On April 1, 2010, we concluded that the San Francisco Mine had attained commercial production. To attain commercial production, we spent approximately $37.7 million on capital expenditures and commissioning costs, excluding IVA of over $5 million and net of pre-production revenue. Costs exceeded estimates contained in our pre-feasibility study on the San Francisco Mine entitled *NI 43-101 F1 Technical Report on the Preliminary Feasibility Study for the San Francisco Gold Project, Sonora, Mexico*, which we refer to as the Pre-Feasibility Study. Specific costs that were not anticipated in the Pre-Feasibility Study included: (i) $1.1 million for additional land purchases and payments; (ii) $0.9 million for crusher expansion; (iii) $1.2 million for exploration drilling; and (iv) other costs related to land tenure, mine vehicles and miscellaneous spending items.

Mine operating facilities require on-going sustaining capital expenditures. During the first three quarters of fiscal 2011, which were the first three quarters of operations at the San Francisco Mine, we had capital expenditures of C$4.8 million, which includes $3.4 million of leach pads expansion. The majority was expended on expanding the capacity of the leach pads at the mine. In addition, during the quarter ended June 30, 2010, we capitalized approximately C$1.5 million of exploration and condemnation drilling at the San Francisco Mine. In addition, during the quarter ended September 30, 2010, we spent approximately C$1.6 million on exploration at and around the San Francisco Mine. The objective of this work was both to follow-up on known areas of mineralization and to condemn land required for waste dumps. In November 2010, we announced a significant increase in our reserve and resource estimates for the San Francisco Mine, which was the result of such drilling and the increase in the gold price. For a discussion of our updated reserve and resource estimates, see Business below.

Over the next 12 months, we have planned exploration expenditures of C$21 million, capital expenditures of C$5 million for plant and equipment at the San Francisco Mine and expenditures of C$5 million for general and administrative expenses. These amounts exclude any waste mining costs which may be deferred.

As of December 31, 2010, we had the following option payments due within the next 12 months on our properties. These are required to keep the option agreements in good standing:

Cocula $1.1 million is due in July, 2011; and

El Picacho $1.4 million is due on December 11, 2011.

Onesimo, Zindy and San Fernando $50,000 is due on January 31, 2011

In August 2010, we began making payments equal to 1,667 ounces of gold multiplied by the then existing month-end gold price to repay the Gold Loan. These payments will continue for the following 11 months. All payments due to date have been made, with a cumulative total of $13,427,352 million for the first six regularly scheduled payments.

Contractual Obligations

The following table provides information regarding our contractual obligations as of March 31, 2010:

		Payment Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**After 5 Years**
Debt Obligations[1]	C$ 16,519,046	C$ 8,430,483	C$ 8,088,563	C$	C$
Capital Commitment Obligations[2]	72,834,221	25,842,597	46,130,095	861,529	
Asset Retirement Obligations[3]	1,057,745				1,057,745
Operating Leases	94,625	81,105	13,520		
Total	90,505,637	34,354,185	54,232,178	861,529	1,057,745

(1) Represents vendor loans to purchase mine equipment and buildings as well as the principal portion of the Gold Loan.

(2) Amounts represent option agreements in acquiring the Cocula and El Picacho properties, consulting services by Grandich Publications, LLC, the demobilization costs for the mining services contract with Peal de Mexico, S.A. de C.V., excluding IVA and any interest accretion, and the 35 estimated monthly payments for the Peal contract remaining as of March 31, 2010. Actual payments under the Peal contract vary based on monthly production.

(3) Mining operations are subject to extensive environmental regulation in the jurisdiction in which they operate. Pursuant to environmental regulations, we are required to close our operations and reclaim and remediate the lands that operations have disturbed. Amounts reflect the estimated undiscounted cash outflows of such asset retirement obligations.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Qualitative and Quantitative Disclosure about Market Risk

Market Risk is the risk of loss in our future earnings due to adverse changes in financial markets. We are exposed to market risk from changes in foreign exchange rates, primarily the U.S. dollar and the Mexican peso, and the market price of commodities including gold, silver and oil.

Commodity Price Risks

We are exposed to price risks associated with the volatility in the market prices of commodities, particularly gold, silver, and other commodities such as oil. The prices of gold, silver and other commodities are subject to volatile price fluctuations and have a direct impact on the commercial viability of our exploration properties and the future profitability of the San Francisco Mine. Commodity price volatility results from a variety of factors, including global consumption and demand for metals, international economic and political trends, fluctuations in the U.S. dollar and other currencies, interest rates, and inflation. We have not hedged any of our potential future gold sales, and do not actively manage our exposure to commodity price risk through the use of derivative financial instruments. We closely monitor gold prices to determine the appropriate course of action to be taken.

Under the terms of our Gold Loan, our payment obligations are referenced to the spot price of gold. Accordingly, any increase in the price of gold will increase our cost of borrowing related to this financing. For example, as of March 31, 2010, for each $100/ounce increase in the price of gold, the cost of repaying our obligations under the Gold Loan will increase by $2,000,400 over its 18 month term to maturity.

The sensitivity of our net income for the six months ended September 30, 2010 due to changes in the price of gold is as follows:

a $50/ounce increase in the price of gold would have resulted in a C$453,932 increase in net income for the six months ended September 30, 2010. A $50/ounce decrease in the price of gold would have resulted in a similar decrease in our net income over such period.

Foreign Currency Exchange Rate Risks

We are exposed to currency rate fluctuations related primarily to our net loss and other comprehensive loss in Canadian dollars, U.S. dollars and Mexican pesos. We use the Canadian dollar as our measurement and reporting currency, and therefore fluctuations in exchange rates between the Canadian dollar and the U.S. dollar and Mexican pesos may affect our results of operations and financial position. Our foreign currency exposures comprise cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, the Gold Loan and future income tax liabilities, denominated in Mexican pesos and U.S. dollars. We raise the majority of our equity financings in Canadian dollars, while foreign operations are predominately conducted in Mexican pesos and U.S. dollars. The San Francisco Mine has operating costs that may be denominated in, or reference to, either the Mexican peso or the U.S. dollar. In addition, several of our agreements to acquire properties in Mexico may result in option payments denominated in Mexican pesos or in U.S. dollars. Appreciation in the Mexican peso and the U.S. dollar against the Canadian dollar will increase the cost of operations in Mexico. A decrease in the U.S. dollar against the Canadian dollar will result in a loss to the extent that funds are held in U.S. dollars. We partially offset our exposure to foreign exchange risk, principally with respect to the Mexican peso, by maintaining currency balances in Mexican pesos to offset operating costs, amounts payable and tax liabilities that are denominated in pesos. Some balance sheet and income statement exposure remains as it is not possible to fully forecast the peso currency requirements and peso receipts in future periods. We do not currently have any foreign currency or commercial risk hedges in place.

The sensitivity to our net loss and other comprehensive loss for the year ended March 31, 2010 due to changes in the exchange rate for the Mexican peso in relation to the Canadian dollar is as follows:

a 10% appreciation in the Mexican peso against the Canadian dollar would have resulted in a C$0.3 million increase in our net loss and comprehensive loss for the year ended March 31, 2010. A 10% depreciation of the Canadian dollar against the Mexican peso would have resulted in a similar decrease in net loss.

A 10% appreciation in the U.S. dollar against the Canadian dollar would have resulted in C$0.3 million increase in our net loss and comprehensive loss for the year ended March 31, 2010. A 10% depreciation of the U.S. dollar against the Canadian dollar would have resulted in a similar decrease in net loss.

Disclosure Controls and Procedures

Management is responsible for the design, establishment and maintenance of disclosure controls and procedures over the public disclosure of financial and non-financial information, and internal control over financial reporting to provide reasonable assurance regarding the integrity of our financial information and the reliability of our financial reporting. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

Management designed the disclosure controls and procedures to provide reasonable assurance that material information relating to Timmins, including its consolidated subsidiaries, is made known to them on a timely basis, and designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of our financial reporting. Management believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Due to the inherent limitations in all controls systems, management cannot provide absolute assurance that all control issues and instances of fraud, if any, within Timmins have been prevented or detected. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Management believes appropriate segregation of duties within the finance department have been maintained. Where segregation of duty deficiencies exist, we rely on certain compensating and detection controls, including dual signatories on all check disbursements, review and approvals of all bank reconciliations by persons other than the preparer, quarterly and annual review of financial statements, and other information by our Audit Committee. Our day-to-day accounting in our Vancouver office and initial preparation of the financial statements is outsourced to independent accountants.

Management believes that our disclosure controls and procedures were effective in providing reasonable assurance that the material information relating to Timmins was made known to them on a timely basis and was processed and disclosed within the appropriate reports and time periods. Management also believes that our internal controls over financial reporting were effective.

Critical Accounting Estimates

The preparation of our financial statements in accordance with Canadian GAAP requires us to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. Our accounting policies and estimates used in the preparation of the financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Critical accounting estimates used in the preparation of the financial statements include our valuation of financial instruments, estimate of the recoverable value of our mineral properties and related deferred expenditures, valuation and amortization of the Gold Loan and property, valuation of inventories, plants and equipment, valuation of asset retirement obligations, valuation of future income tax assets, revenue recognition, as well as the value of stock-based compensation. All of these estimates involve considerable judgment and are, or could be, affected by significant factors that are beyond our control.

Financial Instruments

Our financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities and the Gold Loan, some of which are denominated in U.S. dollars and Mexican pesos. Amounts denominated in non-Canadian dollars are translated into Canadian dollars at the rates applicable to the period end date. We incur financial gains or losses as a result of foreign exchange movements against the Canadian dollar. We manage our foreign exchange risk by adjusting balances in currencies other than the Canadian dollar from time to time. We have certain commitments to acquire assets in foreign currencies, settlement of the Gold Loan is denominated in U.S. dollars and we incur the majority of our exploration and operating costs in foreign currencies, either the U.S. dollar or Mexican peso. Significant expenditures in the operation of the San Francisco Mine were and continue to be denominated in these foreign currencies. We may acquire foreign currencies to fix such costs in Canadian funds, if management considers it advantageous.

The carrying value of financial instruments, which include cash, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and advances to related parties, approximate fair value because of the short-term maturity of those instruments. The Gold Loan is classified as Other Liabilities and it is amortized using the effective interest rate method, with its embedded derivative fair valued at each reporting period. We may be exposed to significant commodity and currency risks arising from some of these financial instruments.

Exploration and Development Expenditures

We capitalize exploration and development expenditures directly related to our properties until such time that the properties are placed into production, sold, abandoned, or management determines impairment in the realizable value of the property/properties has occurred. Our policy to capitalize exploration costs on a project by project basis is consistent with Canadian GAAP, and that of other exploration companies. If and when a mineral property is placed into production, the associated deferred costs will be amortized on a systematic basis. The depletion of the mining property is determined by the units-of-production basis using estimated reserves and resources expected to be converted to reserves as the depletion basis. Mining plant and equipment and related capital assets are depreciated, following the commencement of commercial production, over their expected economic lives using the unit-of-production method.

Reserves are determined based on a professional third party evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study of geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change, based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production. A change in the original estimate of reserves would result in a change in the rate of depletion and depreciation of the related mining assets or could result in impairment resulting in a write-down of the assets.

If and when impairment in value of a property is determined, the property value will be written-down to its realizable value at that time, and the write-down charged to operations. The recoverability of the recorded value of our mineral properties and associated deferred expenses is based on market conditions for minerals, the underlying mineral resources associated with the properties, and future costs that may be required for ultimate realization through mining operations or by sale. The impairment review is made annually by management, or earlier if warranted. A write-down may also be required when a property is sold or abandoned, if exploration activity ceases on a property due to unsatisfactory results, or if there is insufficient funding to continue exploration on a property.

Commercial Production

We determined that effective April 1, 2010, mining and crushing activities had attained the point of sustained production of gold ore consistent with mining and delivering ore to the heap leach pads at a rate sufficient to achieve the threshold that was necessary to be considered commercial production. It is at this point that the depletion of the mining property commenced and we determined that we will no longer capitalize operating costs, net of revenue realized from the sale of gold and silver produced during the development and commissioning period.

Inventories

We have adopted CICA Section 3031- *Inventories*, which requires inventories to be measured at the lower of cost and net realizable value and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. In certain circumstances this section also requires that previous write-downs be reversed. Previously, we only had minimal parts and supplies inventories which were reported at the lower of cost or net realizable value and a write-up of inventory was not permitted.

Asset Retirement Obligations

We recognize contractual, statutory and legal obligations associated with the retirement of mining properties when those obligations result from the acquisition, construction, development or normal operation of the assets. The initial liability for the asset retirement obligation has been recognized at its fair value in the period incurred, so the corresponding asset retirement cost was added to the carrying amount of that asset. This cost will be amortized as an expense over the economic life of the related asset, once production of that asset commences. The carrying amount of the liability could be increased for the passage of time and is adjusted for changes to the amount or timing of the underlying cash flows to settle the obligation. All asset retirement obligations are not expected to be paid for several years in the future and are intended to be funded from cash flow just prior to the cessation of production from the San Francisco Mine.

Income Taxes

Future income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantially enacted income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry-forwards and other deductions. The valuation of future income tax assets is currently reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. The determination of our ability of to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make assumptions about our future performance. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses.

Effective January 1, 2008, the Mexican government introduced an alternative minimum tax known as the IETU, as a method to limit certain companies from avoiding paying taxes on their cash earnings in Mexico. Management reviewed its IETU obligations and its consolidated tax position at March 31, 2010.

Revenue recognition

Revenue is earned primarily from the sale of refined metal or doré containing gold and silver. Revenue is recognized when the ore or refined metal is delivered to the purchaser pursuant to a purchase agreement that fixes the quantity and price of the metal sold and title has transferred. During the commissioning period, proceeds from the sale of gold and silver were applied as a reduction to the construction and commissioning costs.

Stock-Based Compensation

We follow accounting guidelines in determining the value of stock option compensation, as disclosed in Notes 2 and 8 to our annual financial statements. This is a calculated amount not based on historical cost, but on subjective assumptions introduced to an option pricing model, in particular: (1) an estimate for the average expected hold period of issued stock options before exercise, expiry or cancellation, and (2) expected volatility of our share price in the expected hold period, using historical volatility or comparables as a reference. As there is no market for the options and they are not transferable, the resulting calculated value is not necessarily the value which the holder of the option could receive in an arm s length transaction.

New Accounting Pronouncements

The Canadian Institute of Chartered Accountants (the CICA) has issued new standards which may affect our financial disclosures and results of operations. We will adopt the requirements on the date specified in each respective section and are considering the impact this will have on the consolidated financial statements.

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

CICA sections 1582, 1601 and 1602 replace the former CICA 1581, Business Combinations and CICA 1600, Consolidated Financial Statements and establishes a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to FASB Statements No. 141(R), Business Combinations and No. 160 Non-controlling Interests in Consolidated Financial Statements. CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011.

Comprehensive Revaluation of Assets and Liabilities

In August 2009, the CICA amended Section 1625, Comprehensive revaluation of assets and liabilities. This section has been amended as a result of issuing Business Combinations, Section 1582, Consolidated Financial Statements, Section 1601, and Non-controlling Interests, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. If we adopt this section for a fiscal year beginning before January 1, 2011, we also adopt Section 1582. The adoption of this standard is not expected to have a material impact on our results of operations or our financial position.

International Financial Reporting Standards (IFRS)

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to Timmins reporting no later than in the first quarter of the fiscal year beginning April 1, 2011, with restatement of comparative information presented.

Changes in Accounting Policies including Initial Adoption

Goodwill and Intangible Assets

CICA section 3064 replaces the former CICA 3062 Goodwill and other intangible assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA 3064 is effective for interim and annual financial statements for years beginning on or after January 1, 2009. We adopted this section effective April 1, 2009. There was no material change to our results of operations or financial position.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009 the CICA issued EIC-173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities which requires that we consider our own credit risk as well as the credit risk of our counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The accounting treatments provided in EIC-173 have subsequently been applied in the preparation of our financial statements and, as required, have been applied retrospectively without restatement of prior periods. The adoption of this standard did not have a material impact on the valuation of financial assets or liabilities.

Mining Exploration Costs

In March 2009 the CICA issued EIC-174, Mining Exploration Costs which provides guidance to mining enterprises related to the measurement of exploration costs and the conditions that a mining enterprise should consider when determining the need to perform an impairment review of such costs. The accounting treatments provided in EIC-174 have subsequently been applied in the preparation of our financial statements and did not have an impact on the valuation of exploration assets.

Financial Instruments Disclosures

In June 2009 the CICA amended Section 3862, Financial Instruments-Disclosures, to include enhanced disclosures on the liquidity risk of financial instruments and new disclosures on fair value measurements of financial instruments. The amendments are effective for annual financial statements for fiscal years ending after September 30, 2009. We adopted these amendments to our 2010 annual consolidated financial statements. The impact of the application of these amendments to our fair value measurement and liquidity risk disclosure requirements did not have a significant impact on our financial statements and disclosures.

BUSINESS

Overview

We are a gold mining and exploration company engaged in exploration, mine development and the mining and extraction of precious metals, primarily gold. Our primary asset and only material mineral property is our San Francisco property located in Sonora, Mexico, which includes our only operating mine, which we refer to as the San Francisco Mine. We attained commercial production at the San Francisco Mine on April 1, 2010, and the ramp-up to full production is proceeding as planned.

The San Francisco Mine was previously developed and operated by Geomaque de Mexico, S.A. de C.V., which we refer to as Geomaque. In 2005 we entered into an agreement to acquire a 100% interest in the San Francisco Mine for total consideration of $5.0 million and 10.0 million of our common shares. In addition, we were required to purchase certain mining and processing equipment for $3.5 million plus Mexican value added tax. We made the final payment on this obligation in the amount of C$1,758,120 in December 2010. Most of the equipment and facilities at the San Francisco Mine have been refurbished and are being used in operations.

On March 31, 2008, Micon International Limited, an independent mineral engineering firm which we refer to as Micon, and Independent Mining Consultants, Inc., an independent mineral engineering firm which we refer to as IMC, produced an independent pre-feasibility study on the San Francisco Mine entitled *NI 43-101 F1 Technical Report on the Preliminary Feasibility Study for the San Francisco Gold Project, Sonora, Mexico*, which we refer to as the Pre-Feasibility Study. The Pre-Feasibility Study was updated on January 16, 2009. The Pre-Feasibility Study recommended development and re-commissioning of the San Francisco Mine, and concluded that it was an advanced-stage exploration project with significant economic potential. On November 30, 2010, Micon produced an independent technical report on the San Francisco Mine entitled *NI 43-101 F1 Technical Report Updated Resources and Reserves and Mine Plan for the San Francisco Gold Mine, Sonora, Mexico*, which we refer to as the Technical Report. The Technical Report concluded that the San Francisco Mine and property merit further exploration and supports our proposed exploration plans.

During fiscal 2008 and 2009, we focused our efforts on successfully arranging financing for the construction and re-commissioning of the San Francisco Mine. During this period, construction of a new crushing system at the San Francisco Mine was completed and testing was undertaken. The gold extraction plant was refurbished and tested, and the infrastructure for the San Francisco 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 San Francisco Mine. During fiscal 2009, we 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 with liners being placed on the first eight hectares, and emergency pond and channel liners were also installed. During fiscal 2009, the assay lab at the San Francisco Mine became operational and processed samples from drilling activity in support of planning for expansion of the existing open pit. We commenced pre-stripping waste in the fourth quarter of 2009, and at that time we also commenced the crushing and leaching of ore.

During fiscal 2010, the ramp-up to production at the San Francisco Mine proceeded and continues to proceed toward full production as planned. All of the mining equipment recommended by the Pre-Feasibility Study, including two Komatsu shovels, one Caterpillar loader and eleven 100 tonne Caterpillar trucks are on site for full scale open pit extraction of materials, including ore and waste, at a current average rate of 40,000 tonnes per day. Our targeted level of production is 18,000 tonnes of ore per day to the heap leach pads, and progress is being made on achieving this level of throughput. See Production, Reserves and Resources below.

Since commercial production commenced on April 1, 2010, we have concluded that addition mining equipment, including two drills, three haul trucks and one shovel are required to support operating rates at or above 12,000 tonnes of ore per day to the heap leach pads. We expect this additional equipment to further reduce operating costs. This equipment arrived on-site in December 2010.

Currently, the crushing system at the San Francisco Mine is fully operational and is being optimized to achieve a rate in excess of 14,000 tonnes of ore per day to the heap leach pads, and we plan to install an additional crusher and screen to increase throughput from 14,000 tonnes per day to 18,000 tonnes per day. The crush size of the ore being stacked on the heap leach pads is 100% less than 1/2 inch. This crush size is projected to attain recoveries of approximately 70% on average. Leach extraction is proceeding with no visible pooling or channeling. Preliminary indications from early production indicate that the targeted metallurgical recoveries of 70% should be attained. See Processing below.

All mining activities at the San Francisco Mine are carried out by a mining contractor. The contractor provides all the required mining equipment and personnel required to meet production targets. We provide contract supervision, geology, engineering and planning and survey services using our own employees.

Production, Reserves and Resources

The table below shows the production rates that have been achieved since the commencement of operations at the San Francisco Mine.

	Fiscal 2009	**Quarter Ended March 31, 2010**	**Quarter Ended June 30, 2010**	**Quarter Ended Sept 30, 2010**
Total Material Mined (000 s of tonnes)	2,206	3,654	4,983	4,969
Ore to Leach (tonnes)	284,776	704,139	905,296	1,090,768
Ore Processed per Day (tonnes)	N/A	7,829	9,948	11,856
Ore Grade (g/t)	0.687	0.544	0,718	0.817
Au Sold (oz)	1,770	5,321	11,290	15,690

For the six months ended September 30, 2010, we sold approximately 26,980 ounces of gold and 15,241 ounces of silver, realizing gross proceeds of approximately C$34.7 million.

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 CAUTIONARY NOTE REGARDING MINERAL RESERVE ESTIMATES.

Estimates of the mineral resources at the San Francisco Mine were initially published in the Pre-Feasibility Study. Prior to this, in 2006, we engaged IMC to estimate the mineral resources for the San Francisco Mine using the historical Geomaque data along with the results of our 2005 and 2006 exploration drilling programs. IMC developed a three-dimensional (3D) block model and used floating cone techniques to develop a mineral resource within a constrained pit outline. To fulfill the criterion for potential economic viability, only material lying within a floating cone pit shell at a gold price of $500 per ounce and additional cost and recovery parameters developed by us and IMC was reported as a mineral resource. The drilling database we provided to IMC consists of 1,133 drill holes amounting to 116,000 meters of drilling. There are 62,137 sample intervals of which 61,346 were assayed for gold. The sampling interval is predominantly 2 meters (86% of the intervals), though about 7% of the intervals are 1.5 meters in length, and about 3% of the intervals are 1 meter in length. The initial resource estimates contained in the Pre-Feasibility Study were as follows.

Resource Classification	Resources (000 t)	Gold (g/t Au)	Contained Gold (oz)
Measured Mineral Resource	5,352	0.912	156,930
Indicated Mineral Resource	22,296	0.781	559,860
Total	27,648	0.806	716,790
In\ferred Mineral Resource	2,506	0.788	63,490

In November 2010, following a step out drill program, we announced a significant increase in our resource estimates for the San Francisco Mine. The new resource estimates are illustrated in the table below. The updated mineral resource estimates were completed by Mr. William Lewis, B.Sc. P.Geo and Ing. Alan San Martin, MAusIMM of Micon. The mineral resource estimates were based on a gold price of $1,100 per ounce and a 0.131 g/t gold cutoff grade, and utilized all drill results available at August 31, 2010.

Resource Classification	Resources (000 t)	Ore Grade (g/t)	Contained Gold (oz)
Measured Mineral Resource	19,089	0.797	489,000
Indicated Mineral Resource	23,442	0.658	495,000
Total	42,531	0.720	984,000
Inferred Mineral Resource	10,308	0.628	208,000

Mineral Reserve Estimate

THIS PROSPECTUS/OFFER TO EXCHANGE INCLUDES RESERVES REPORTED IN ACCORDANCE WITH SEC INDUSTRY GUIDE 7 AND ALSO INCLUDES RESERVES AND RESOURCES REPORTED IN ACCORDANCE WITH NATIONAL INSTRUMENT 43-101 STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS. SEE CAUTIONARY NOTE REGARDING MINERAL RESERVE ESTIMATES.

The table below shows the mineral reserve estimates of the Pre-Feasibility Study. These mineral reserve estimates were made as of February 29, 2008. Micon classified both the measured and indicated mineral resources within the open pit as a probable mineral reserve. In addition to the San Francisco Mine tonnage, total waste rock within the final pit outline is estimated to be 46.0 Mt, giving a stripping ratio (waste to ore ratio) of 2.0:1.

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

In November 2010, following a step out drill program, we announced a significant increase in our reserve estimate for the San Francisco Mine, as shown in the table below. This revised reserve estimate constitutes a 28%

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increase in contained gold from the previous estimate. The updated mineral reserve estimates were completed by Mr. Mani Verma, M.Eng, P.Eng, of Micon. The mineral reserves were based on a gold price of $900 per ounce, a 0.16 g/t gold cutoff grade and a weighted average recovery of 70%. In addition to the tonnages presented below, total waste rock within the final pit outline is estimated at 95.34 million tonnes. The reserve includes a dilution factor of 12% according to the type of mineralization and the size of the blocks modeled, and the stripping ratio is estimated to be 1.73.

Reserve Classification	**Reserves (000 t)**	**Ore Grade (g/t)**	**Contained Gold (oz)**
Proven	17,194	0.756	418,000
Probable	17,738	0.635	362,000
Total	**34,932**	**0.695**	**780,000**

Strategy

Our activities during the quarter ended September 30, 2010 focused on improving and optimizing the operations at the San Francisco Mine. We continued to maintain our property rights with respect to all of our property interests but did not undertake any significant activity on them. Although we evaluate other opportunities as they are presented, our principal focus is to increase production at the San Francisco Mine to full capacity and generate positive cash flows from operations. We also plan to continue our drilling program to seek to expand reserves at the San Francisco Mine. The drilling conducted during the period from January 1 to June 30, 2010 was concentrated in three areas: (i) northwest of the main ore body, (ii) southeast of the main ore body, and (iii) along the southwest flank of the pit. The additional measured and indicated resources recently discovered were located contiguous to the northwest, the southeast and the southwest of the existing pit limits. During the next six to nine months, we plan to continue drilling in and around the existing San Francisco Mine area, and we have outlined a program of exploration to define and test the targets to the north of the existing pit at the San Francisco Mine. We estimate that this program will require approximately 100,000 m of drilling. The total expenditures for the next phase of exploration, including other related payments such as access payments, are estimated to be $8.3 million.

Regional exploration on our 70,000 hectare land package in and around the San Francisco Mine is also being undertaken. Drill results to date indicate that the zone of mineralization extends to the west, northwest and southeast of the currently defined resource and remains open along strike in each direction and at depth. Regional exploration on our 70,000 hectare land holdings in and around the San Francisco Mine is also being planned.

We intend to increase production at the San Francisco Mine to 18,000 tonnes of ore per day to the heap leach pads by the second quarter of fiscal 2012, and we expect to incur additional capital expenditures of approximately $5.9 million to facilitate such increased production. Based on the conclusions of the Technical Report, we expect that open pit mining will continue at the San Francisco Mine until early 2016 and that our sustaining capital expenditure requirements will be approximately $5.3 million over that period, assuming we achieve production of 18,000 tonnes of ore per day to the heap leach pads.

The following table shows a summary of our projected operating costs over the expected life of the San Francisco Mine, based on the conclusions of the Technical Report:

	LOM Total $ millions	**LOM Average $/t**	**LOM Average $/oz Au**
Mining costs	159.8	4.79	297.68
Crushing costs	49.0	1.47	91.36
Leach costs	32.4	0.97	60.37
ADR costs	8.2	0.25	15.22
Metallurgy and Lab costs	2.4	0.07	4.53
General & Admin costs	10.7	0.32	19.88
Total cash operating cost	262.5	7.87	489.05

Gold Sales

We deliver gold and silver in doré form to an internationally respected precious metal refinery in North America where the doré may, at our 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 us, it is then sold to international bullion dealers.

Our Mineral Properties

The San Francisco Gold Mine

The San Francisco property is situated in the north-central portion of the state of Sonora, Mexico. In the description below, the term San Francisco Project or the Project refers to the area within the exploitation or mining concessions optioned by us, while the San Francisco Property refers to the entire land package (mineral exploitation and exploration concessions) optioned and owned by us. 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.

We hold our interest in the San Francisco Property through our wholly-owned Mexican subsidiary Timmins Goldcorp Mexico, S.A. de C.V., which we refer to as Timmins Mexico. Timmins Mexico originally acquired the rights to the exploitation concessions on April 18, 2005, upon signing an option agreement with Geomaque.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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, approximately 150 km north of the state capital Hermosillo and 120 km south of the United States/Mexico border city of Nogales along Highway 15 (Pan American highway). The closest accommodations are located in Santa Ana, a small city located 21 km to the north on Highway 15.

Physiographically, the San Francisco Property is situated within the southern Basin and Range Province, characterized by elongated, 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 meters above sea level.

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 millimeters, or 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.

In 2006, we concluded an access agreement with an agrarian community, or an ejido in Mexico, called Los Chinos whereby we were 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. In consideration for the ejido granting us access privileges to a portion of its land, we paid the ejido $30,000.

Electrical power to the San Francisco Mine is delivered through a 33 kilovolt overhead line from the public utility company, Comisión Federal de Electricidad. From the main metering point, the power is distributed to the crushing and screening plant and other site infrastructure, and at the crushing and screening plant, separate transformers feed the principal equipment. The current electrical power supply is sufficient for the planned production capacity of 18,000 tonnes of ore per day to the heap leach pads.

Our current fresh water requirement is 2,000 m^3/d, of which 1,100 m^3/d is for the leach area and ADR plant and 900 m^3/d is for the San Francisco Mine and services. The Comisión Nacional del Agua (CONAGUA) authorized the total and definitive transfer of the rights for two concession titles to use national water previously held by Geomaque de Mexico to our Mexican subsidiary Molimentales del Noroeste, S. A. de C. V. (Molimentales) on May 30, 2008. Molimentales acquired two additional water rights concessions in August 2010.

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 associated mineralogy, the possibility of associated tourmaline, the style of mineralization and fluid inclusion studies suggest that the San Francisco Project deposits may be of mesothermal origin.

The San Francisco Project deposits are roughly tabular with multiple phases of gold mineralization. The deposits strike 60º west to 65º west, dip to the northeast, range in thickness from 4 to 50 meters, extend over 1,500 meters along strike and are open-ended. Another deposit, the La Chicharra zone, was mined during the last two years of production as a separate pit.

History

After conducting exploration on the Project between 1983 and 1992, Compania Fresnillo S.A. de C.V., which we refer to as Fresnillo, sold the property in 1992 to Geomaque. After conducting further exploration, Geomaque commenced 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, after which the plant was decommissioned and clean-up activities at the San Francisco Mine site began.

In 2003, Geomaque sought and received shareholder approval to amalgamate into a new Canadian company, Defiance Mining Corporation, which we refer to as Defiance. On November 24, 2003, Defiance sold its Mexican subsidiaries (Geomaque and Mina San Francisco), which held the San Francisco Mine, to the Astiazaran family of Sonora and their private company for $235,000.

We acquired an option to earn an interest in the Property in early 2005 from the Astiazaran family for total consideration of $5.0 million and 10.0 million of our common shares, and conducted a review of the available geological data. As a result, we identified a number of exploration targets in and around the existing San Francisco pit, as well as some secondary targets located on our exploration concessions. We conducted our first exploration drilling program on the San Francisco Project in August and September, 2005, in which we conducted reverse circulation drilling of 14 holes.

This was followed by a second drilling program comprised of both reverse circulation and diamond drilling from September to November, 2006, based on the results of the 2005 drilling program and the results of the historical drilling programs conducted by Geomaque and Fresnillo. The 2006 program consisted of 56 holes comprised of 28 diamond drill holes and 28 reverse circulation drill holes. While the drilling was primarily concentrated to the north and northwest of the present San Francisco pit and to the north and northwest of the existing La Chicharra pit, a number of widely spaced holes were drilled to test specific geological and geochemical targets around the San Francisco pit and to the south and west of the La Chicharra and La Severiana areas.

During 2007, we conducted field work and exploration drilling to evaluate the extent of the gold mineralization in the other zones on the property. A total of 5,123 meters of exploration drilling were completed in 2007, which included 1,327 meters of condemnation drilling. The total expenditures for the 2007 drilling program were approximately $629,000.

On March 31, 2008, Micon and IMC, produced an independent pre-feasibility study on the San Francisco Mine entitled *NI 43-101 F1 Technical Report on the Preliminary Feasibility Study for the San Francisco Gold Project, Sonora, Mexico*. The Pre-Feasibility Study was updated on January 16, 2009. The Pre-Feasibility Study recommended development and re-commissioning of the San Francisco Mine, and concluded that it was an advanced-stage exploration project with significant economic potential.

During fiscal 2010, the ramp-up to full production at the San Francisco Mine proceeded, with commercial production commencing on April 1, 2010. All of the mining equipment recommended by the Pre-Feasibility Study is on site for full scale open pit extraction of materials, including ore and waste, at a current average rate of 40,000 tonnes per day. In November 2010, following a step out drill program, we announced a significant increase in our reserve estimate for the San Francisco Mine. See Production, Reserves and Resources.

Mineral Testwork

The San Francisco Mine operated during the period 1995-2000, when approximately 13.5 million tonnes of ore at a grade of 1.13 g/t gold were treated by heap leaching, and 300,834 oz of gold were recovered. Metal recovery from the pregnant solution was effected through carbon columns. Loaded carbon from the columns was transferred to a Zadra elution plant for precious metal extraction and the production of doré bullion. Average gold recovery over that period was about 63%. Mining operations ceased in 2001 as a result of low gold prices, although leaching and rinsing of the heap continued until 2002.

From early 2008 to June 2010, we continued to use the sampling procedures instituted for our 2005-2007 reverse circulation drilling campaign. Micon discussed and examined our sampling procedures during an August 2010 site visit and Micon was satisfied that such procedures were accurately carried out, well documented and were in accordance with the best practices currently used in the mining industry.

Our 2008-2010 exploration drilling program consisted of 613 drill holes, totalling 57,753 m. All drill holes were field logged and sampled as the holes were in progress. During the drilling and each day that the drilling was completed, the information contained on the hand-written drilling logs (field logs) was transcribed into an Excel® spreadsheet. This information was imported into the database which supports our resource estimates. Geological and mineralization interpretation was conducted based on cross-sections which were produced using an AutoCAD® software package.

From the reverse circulation drilling, a portion of the material generated for each sample interval was retained in a plastic specimen tray, which constituted the primary reference for a given hole. The specimen tray was marked with the drill hole number and each compartment within the tray was marked with both the interval and number for the respective sequential sample it contained. Empty compartments were left for the locations where both blank and standard samples were inserted into the sequential sample stream and two compartments were filled and identified for each duplicate sample.

As part of our quality assurance/quality control procedures, a set of samples comprised of a blank sample, a standard reference sample and a field duplicate sample were inserted randomly into the sample sequence. The insertion rate for the blanks, standards and duplicate samples was one in every 25 samples. Certified standard reference materials, which we refer to as SRM s, were submitted with each sample shipment during the course of the drill programs. Sixteen different SRMs were used, including low, medium and high gold grades in relation to the average grade of the known deposits in the area.

Samples were taken in the overlying alluvium as well as within the underlying rock units. The alluvium samples were subject to random assaying, whereas every sample originating from the underlying rock units was assayed. The recovery of the material during the drilling program was between 90% and 95%, in both near surface sulphide-oxide and sulphide zones.

A common feature in the sampling process for reverse circulation drilling is that a unique sample tag is inserted into the sample bag with each sample, and each sample bag is marked with its individual sample number. The bags containing the blank and standard samples were added into the sequential numbering system prior to shipment of the samples to the preparation facility. Sample preparation and assaying were performed at the San Francisco Mine, and approximately 15% of the samples assayed in the laboratory at the San Francisco Mine were checked at an external laboratory. The principal external laboratory has been the IPL-Inspectorate Laboratory in Vancouver, B.C.

Although our drilling programs are managed to meet industry best practices, any sampling program has inherent risks in collecting an accurate sample. Various factors, such as mixing of chips in reverse circulation drilling, can either bias samples metal values upwards or downwards. Problems of this type have been minimal in our projects and are not believed to have a material effect on results described herein.

Security of Samples

Details of sample preparation, analysis and security are not available for the historical work conducted by Geomaque on the Project in the 1990s, although a laboratory was located at the mine site and some of the sample preparation equipment was available for our use during our exploration programs. Prior to our initial reverse circulation drilling program in August and September of 2005, we did not conduct any sample preparation or analysis, as no samples were collected.

The reverse circulation drilling sampling was conducted by a team of two or three geological assistants under the close supervision of our staff geologists in charge of the on-site program. The staff geologists were responsible for the integrity of the samples from the time such samples were taken until they were delivered to the preparation facilities at the San Francisco Mine.

Our staff geologists and their assistants prepared all samples from the reverse circulation drilling at the drill site. Each time that a hole was completed, a truck was dispatched from the drill site to the preparation facilities of our assaying laboratory, which currently supports the mining and processing operations of the San Francisco Mine and the exploration in the area surrounding the pit.

For all drilling during 2008, we sent the samples to be prepared at the IPL-SSP facility in Hermosillo, prior to shipping the prepared samples to the IPL laboratory in Vancouver, British Columbia for final analysis. For drilling during 2009 and 2010, we assayed the majority of the production and exploration drill samples at our assay laboratory on-site at the San Francisco Mine. The San Francisco Mine laboratory generally submits between 5% and 10% of its samples to an outside laboratory as checks against its assay results. The San Francisco Mine laboratory also participates in a round-robin assay process through CANMET, the Materials Technology Laboratory at Natural Resources Canada, a branch of the Canadian Government. Our decision to use our own laboratory is consistent with many mining operations in North American and around the world.

In terms of overall averages, the blank and duplicate assay results were satisfactory for the San Francisco Mine laboratory. However, a high variation was seen with the individual samples, though in most cases the average of all samples was similar or within the accepted two standard deviations. This could be in part due to the low grade nature of the samples, as both the San Francisco Mine laboratory and the independent check laboratory had difficulties when the assays were close to the detection limits of the assaying process. We plan to have an independent consultant review our laboratory operations and procedures in order to continue to improve the quality of our results.

Processing

All mining activities at the San Francisco Mine are carried out by a mining contractor. We have a mining contract with Peal Mexico, S.A. de C.V., which we refer to as Peal, pursuant to which Peal has agreed to perform mining operations at the San Francisco Mine. The contract is for 42 months, beginning on September 15, 2009, and is at a contracted price of $1.59 per ton (plus IVA). The contract with Peal stipulates that we are responsible for mobilization costs of $600,000 (plus IVA), payable at a rate of $100,000 (plus IVA) each month, the payments for which commenced on September 30, 2009. The mobilization obligations have been paid in full. We are also responsible for demobilization costs of $900,000 (plus IVA) 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. This obligation was recorded at approximately C$1.1 million at September 30, 2010 (C$1.1 million at June 30, 2010).

Ore extracted from the San Francisco Mine pit is transported in haulage trucks to the primary crusher, which has a nominal capacity of 1,200 tonnes per hour. 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, where the ore is screened at $^{1}/2$, with screen undersize being included in 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 $^{1}/2$ screens. Undersize from the screens is delivered to the leach pad. Currently, the crushing system at the San Francisco Mine is fully operational and is being optimized to achieve a rate in excess of 14,000 tonnes to the heap leach pad per day, and we plan to install an additional crusher and screen to increase throughput to 18,000 tonnes per day.

The current leach pad occupies approximately 40 ha and is divided into 7 sections. Material from the crushing plant is transported to the leach pad on overland conveyors and deposited on the pad with a stacker forming 6 m lifts. The irrigation pipelines are then installed, through which the leach solution is distributed over the entire surface of the lift. Leach solution infiltrates the crushed ore, dissolving gold and silver. The solution percolates to the bottom of the lift and flows to the canal that carries the pregnant solution for further processing. Fresh water is then added to replace losses during the process, and sodium cyanide is added before the solution is pumped back to the leach pad. Preliminary indications from early production indicate that the targeted metallurgical recoveries of 70% should be attained. Due to the increase in our mineral reserves and the planned increase in production capacity, we intend to prepare an additional 35.2 ha to construct a new leach pad.

Our Other Properties

We are primarily focussed on the San Francisco Mine. However, we have exploration properties in other regions of Mexico such as Jalisco, Nayarit and Zacatecas. We also have an interest in, and plan future operations at, the following properties:

Cocula Property, Jalisco. We hold an option to acquire a 100% interest in this property, comprising approximately 250 hectares and located approximately 50 kilometers west of Guadalajara, Jalisco. This property has drill-indicated mineralization near its surface, and is part of Soltoro s larger Quila claim.

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

Timm Property, Zacatecas. We acquired a 45,000 hectare land package in the Peňasquito area by staking the mineral rights. The Timm claims are located in the northern part of the state of Zacatecas, approximately 42 kilometers 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. We hold an option to acquire a 100% interest in the 703 hectare El Picacho Property located 20 kilometers west of the San Francisco Mine. We have also staked an additional 6,500 hectares encompassing the claims along the principal trend of the mineralization and now control over 7,200 hectares either proximate to or surrounding the San Francisco Mine. These claims have high grade mineralization at their surface.

Patricia and Norma Property, Sonora. Our Patricia and Norma claims total approximately 20,000 hectares that were staked by us. The claims are located in the Municipality of Trincheras, Sonora, Mexico, to the west of the San Francisco claims block, and have known mineralization occurrences.

Onesimo, Zindy and San Fernando Properties, Zacatecas. We hold 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. We hold an option to acquire a 100% interest in a 12,000 hectare claim on the eastern section of Soltoro s 22,428 hectare Quila claim located in Jalisco, Mexico. We optioned this property with a view to expanding the surface oxide gold discovery made at the Cocula Property.

Employees

As of December 31, 2010, we had 269 employees located in Mexico and 5 employees located in Canada. Of these, 57 are primarily engaged in exploration, 201 are primarily engaged in the operation of the San Francisco Mine and 16 hold corporate or general administrative positions. We consider current employee relations to be good. In addition, Peal Mexico, S.A. de C.V., an independent contractor, carries out all mining activities at the San Francisco Mine, and certain of Peal s employees are represented by labour unions in Mexico.

Government Regulation

In the past, Mexico has been subject to political instability, changes and uncertainties, which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. Our operations and properties are subject to a variety of governmental regulations including worker health and safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Our activities relating to the San Francisco Mine are subject to, among other things, Mexican mining law, regulations promulgated by SEMARNAP, Mexico s environmental protection agency, DGM, the Mexican Department of Economy Director General of Mines and the regulations of CONAGUA 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. Our mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to our activities or maintaining our properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. Mexico s status as a developing country may make it more difficult for us to obtain the required financing for our projects.

All concessions in Mexico are subject to a semi-annual fee. Further, reports must be filed in May of each year, covering the work conducted on the property between January and December of the preceding year. The total semi-annual fee payable to the Mexican government for the group of concessions related to the San Francisco Mine is currently estimated to be $32,970.

The Mexican mining laws were changed in 2005, and as a result all mineral concessions granted by the Dirección General de Minas, which we refer to as DGM, became mining concessions. Accordingly, there are no longer separate specifications for a mineral exploration or exploitation concession. Further, all mining concessions are now granted for a period of 50 years provided 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. We are currently in good-standing with respect to our material concessions.

Timmins Mexico and Molimentales are in the process of renewing their respective permits relating to the San Francisco Mine operations. In order to comply with the Mexican legal and administrative framework, the following laws and regulations must be considered:

Mining Act and Regulations (LM)

General Law of Ecological Equilibrium and Environmental Protection (LGEEPA)

General Law of Sustainable Forestry Development (LDFS)

National Waters Law (LAN)

General Law for Integral Waste Management and Prevention (LGPGIR)

Environmental laws and regulations may affect our operations. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Furthermore, the permission to operate could be withdrawn temporarily 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 us 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 or regulations. In all major development projects, we generally rely on recognized designers and construction firms from which we will, in the first instance, seek indemnities. In addition, we intend to minimize these risks by taking steps to ensure compliance with environmental, health and safety laws and regulations, and operating in accordance with international environmental standards. Also, environmental laws and regulations in Mexico may become more onerous, making our operations more expensive.

Further, Mexico is a signatory to a significant number of International Environmental Treaties, including those listed below. In all the commercial treaties to which Mexico is a party, environmental regulations are included.

- Vienna Convention for the Protection of the Ozone Layer, Vienna 1986 and Montreal Protocol Related to the Substances that Deplete the Ozone Layer, Montreal 1987.
- Convention on the Control of Transboundary Movement of Hazardous Wastes, Basel 1989.
- UN Convention on Climate Change, New York 1992.
- Convention on Biological Diversity, Rio de Janeiro 1992.
- Convention on International Trade in Endangered Species of Flora and Fauna, Washington 1973.
- North America Free Trade Agreement, side agreement on environmental matters, 1993

Legal Proceedings

We are not party to any legal proceedings.

Corporate Structure

We were incorporated in British Columbia, Canada pursuant to the Business Corporations Act (British Columbia) on March 17, 2005, under the name Timmins Gold Corp. Our head office, which also serves as our registered and records office, is located at Suite 520 609 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5, telephone number 604-682-4002. Our head office in Mexico is located at Blvd. Navarrette 125-12, Col. Valle Verde, Hermosillo, Sonora, Mexico, 83200. We also maintain field offices at the San Francisco Mine site, near Estacion Llano, Sonora and Kino de Magdalena, Sonora.

We have two material subsidiaries, both of which are wholly-owned: Timmins Goldcorp Mexico, S.A. de C.V. and Molimentales del Noroeste, S. A. de C. V. Timmins Mexico was incorporated pursuant to the laws of Mexico on March 23, 2005 and is the entity through which we conduct our Mexican operations. Molimentales was acquired from 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 Property.

Glossary

Units of Measurement

Unit of Measurement	Meaning
g/t	grams per tonne
kg/t	kilograms per tonne
mm	millimeters
mt	metric ton, or tonne
oz	ounce
t	tonne

Unit Conversion

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

To Convert From	To	Multiply By
tons	tonnes	0.9072
tonnes	tons	1.1023
kilograms	pounds	2.2046
pounds	kilograms	0.4536
grams	troy ounces	0.0322
troy ounces	grams	31.1035
grams per tonne	troy ounces per short ton	0.0292
troy ounces per short ton	grams per tonne	34.2860
millimeters	inches	0.0394
inches	millimeters	25.3807
meters	feet	3.2808
feet	meters	0.3048
miles	kilometers	1.6090
kilometers	miles	0.6214
hectares	acres	2.4710
acres	hectares	0.4047
Fahrenheit	Celsius	(°F-32)×5÷9
Celsius	Fahrenheit	°C×9÷5+32

Definitions

Assay**:** analysis to determine the amount or proportion of the element of interest contained within a sample.

Au: gold.

Crushing: breaking of ore from the size delivered from the San Francisco Mine into smaller and more uniform fragments to be then fed to grinding mills or to a leach pad.

Doré: unrefined gold and silver bullion bars usually consisting of approximately 90% precious metals that will be further refined to almost pure metal.

Grade: the amount of metal in each ton of ore, expressed as grams per tonne (g/t) for precious metals and as a percentage for most other metals.

Heap leaching: a process whereby gold is extracted by heaping broken ore on sloping impermeable pads and continually applying to the heaps a weak cyanide solution which dissolves the contained gold. The gold-laden solution is then collected for gold recovery.

Open pit mine: a mine where materials are removed entirely from a working that is open to the surface.

Ore: rock, generally containing metallic or non-metallic minerals, which can be mined and processed at a profit.

Resources and Reserves*:*

Mineral resource: a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

Inferred mineral resource: that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Indicated mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Measured mineral resource: that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Mineral reserve: the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable mineral reserves and proven mineral reserves.

Probable mineral reserve: the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

Proven mineral reserve: the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

Reverse circulation drilling*:* a drilling method that uses a rotating cutting bit within a double-walled drill pipe and produces rock chips rather than core. Air or water is circulated down to the bit between the inner and outer wall of the drill pipe. The chips are forced to the surface through the centre of the drill pipe and are collected, examined and assayed.

Stripping ratio: the ratio of waste material to ore that is estimated for or experienced in mining an ore body.

Tonnes: a metric ton, equal to 1,000 kilograms, or 2,204.6 pounds.

Zadra elution plant: a plant which uses the Zadra elution process, which flows chemicals through a stationary bed of loaded carbon in order to strip gold and silver from the carbon.

MANAGEMENT

The following table sets forth information with respect to our directors and executive officers as of December 31, 2010.

Name, Place of Residence and Business Address	Age	Position
Arturo Bonillas[(2)(4)(6)] Hermosillo, Sonora, Mexico	53	President and Director
Miguel Bonilla Hermosillo, Sonora, Mexico	39	Vice-President Finance Mexico
Bruce Bragagnolo[(1)(2)(4)(5)] Vancouver, British Columbia, Canada	53	Chief Executive Officer, Secretary and Director
Frank Cordova[(2)(3)] Hermosillo, Sonora, Mexico	46	Director
Lawrence Dick, Phd., P.Geo.[(1)(2)(3)(4)] Vancouver, British Columbia, Canada	59	Director
R. Barry Fraser[(6)] Vancouver, British Columbia, Canada	60	Director, Non-Executive Chairman
Eugene Hodgson[(1)(3)(5)] Vancouver, British Columbia, Canada	54	Chief Financial Officer and Director
Miguel Soto[(4)] Aguascalientes, Ags, Mexico	59	Chief Operating Officer and Director
Alex P. Tsakumis Richmond, British Columbia, Canada	44	Vice-President Corporate Development

(1) Denotes member of the Audit Committee.
(2) Denotes member of the Governance and Nominating Committee.
(3) Denotes member of the Compensation Committee.
(4) Denotes member of Operations Committee.
(5) Denotes member of Finance Committee.
(6) Mr. Fraser was appointed as a director on December 3, 2010.

Mr. Bonillas has served as our President and a director since March 17, 2005. He holds a B.Sc. degree in Industrial Engineering from the University of Arizona (1980) and has more than 23 years of experience in the mining and exploration industry in Mexico. He has held positions ranging from mine planning engineer, operations research engineer, chief of financial planning and Vice President of purchasing for Compania Minera de Cananea, and later for a subsidiary of Placer Dome in Mexico. He directed full bankable feasibility studies for the Mulatos gold project in Sonora, Mexico, and the San Felipe gold project in Baja, California. In 1993, he founded a management services company to investigate mining opportunities in Mexico, employing up to 20 professionals. He was also Vice President of Business Development for the Gallup Organization of Mexico, responsible for the development of clients for its managerial solutions and leadership programs. His more recent positions include acting as the General Manager for Latin America of Continuum Resources Ltd. from November of 2003 to February of 2006 and serving as a director of Silvermex Resources Ltd. from April 2005 to February 2010, and as President of Silvermex from April 2005 to December 2009.

Mr. Bonilla has served as our Vice-President Finance, Mexico since November 12, 2009, and prior to that served as our Comptroller since March 17, 2005. Prior to his appointment as our Comptroller, Mr. Bonilla was the audit manager and independent consultant for Moore Stephens International Limited in Sonora, Mexico. Mr. Bonilla is a Certified Public Accountant with extensive audit, accounting, consulting and internal control experience, having provided accounting and audit services for companies in different sectors, including the mining industry. He also has been involved in a financial management role for other companies of the mining sector.

Mr. Bragagnolo has served as our CEO and a director since March 17, 2005. Mr. Bragagnolo was the principal of Bruce Bragagnolo Law Corporation from 1988 to 2006. Bruce Bragagnolo Law Corporation was associated with the law firm of Campney & Murphy from May 2000 to August 2001. Mr. Bragagnolo also served as a director of Silvermex Resources Ltd. from April 2005 to February 2010, and as Chief Executive Officer of Silvermex from July 2007 to December 2009. Mr. Bragagnolo graduated with an LLB from the University of British Columbia in 1983. Mr. Bragagnolo has approximately 20 years of corporate finance and transactions experience.

Mr. Cordova has served as a director and our Mexican legal counsel since July 16, 2008. Mr. Cordova is also a legal advisor to Ocotillo Desarrollos Industriales in Hermosilo, Mexico. He has held a number of positions in the Mexican federal and state governments, including federal Minister of Agrarian Reform (February 2005 to April 2007), federal Minister of Consumer Affairs for the State of Sonora (February 2003 to February 2005), federal Undersecretary of Tourism (April 2001 to February 2003) and State of Sonora General Director of Economic Development (September 1995 to October 1998). Mr. Cordova holds a Masters of Arts degree and a Juris Doctor degree from Arizona State University.

Mr. Dick has served as a director since September 27, 2006. Mr. Dick also served as President and a director of Evolving Gold Corp. from June 2003 until September 2008. Mr. Dick was the President of Continuum Resources Ltd. from February 2002 until April 2007. Prior to joining Continuum, Mr. Dick held positions as Executive Vice President and Director of General Minerals Corporation in Latin America, Manager of Exploration in Chile for Chevron Resources and Exploration Manager for the Collahuasi copper deposits. Mr. Dick received his Phd. In geology from Queen s University in Kingston, Ontario in 1971.

Mr. Fraser has served as the non-executive chairman of the board of directors since December 3, 2010. Mr. Fraser is a lawyer and has been a partner of Clark Wilson LLP in Vancouver, Canada since March 2007, and serves as the firm s Chair of the Business Litigation and Insolvency and Restructuring Groups. Prior to joining Clark Wilson LLP, Mr. Fraser was a senior partner with a national Canadian law firm where he practiced for over 26 years. Mr. Fraser obtained his Bachelor of Arts degree from Simon Fraser University in 1974 and his Bachelor of Laws degree from the University of British Columbia in 1977.

Mr. Hodgson has served as a director since October 31, 2005. He graduated with a BA from the University of Calgary in 1978. He served as Assistant Managing Director of the British Columbia Mining Association in 1981 and as Director, Business Development at First Exploration Fund from 1985 to 1987. From 1990 to 1995, Mr. Hodgson was the director of Corporate Development for Intrawest Corp. Mr. Hodgson has been a self employed consultant to public companies since 1996. Mr. Hodgson has been a director and the Chief Financial Officer of Sea Breeze Power Corp., a TSX Venture listed company, from June 2003 to June 2005. He has been the Vice President, Western Region for Corpfinance International Limited, a merchant banker, since 2007. He is currently a director, officer and audit committee member of a number of other public and private companies.

Mr. Soto has been our chief operating officer since September of 2005. Mr. Soto has a degree in Geological Engineering from the Instituto Politecnico Nacional in Mexico City. He has over 25 years experience in prospecting and development, having held various field and management positions in Mexican mining companies such as the FRISCO Group, URAMEX, PEÑOLES, LUISMIN and Minera Real de Angeles, where he managed both the Mulatos and San Felipe projects. Mr. Soto was also project manager of the Asientos and Santo Tomas exploration and feasibility projects, and was the exploration manager of Servicios Corporativas Frisco from 1997 to 2001.

Mr. Tsakumis has been our VP Corporate Development since November 12, 2009. Prior to that he was an employee of Timmins since 2005, providing corporate development and investor relations services. Mr. Tsakumis has over 20 years investment experience within the North American capital markets with private and public companies. Mr. Tsakumis began his career in 1989 with the Barrington Group, representing advanced stage mining companies. Mr. Tsakumis has experience in capital formation, management and growth of listed companies including mergers and acquisitions, corporate governance and corporate communications. Mr. Tsakumis is Vice President of the Hellenic Canadian Congress of British Columbia.

There are no family relationships among any of our directors or executive officers.

Corporate Governance

Board of Directors

In compliance with the requirements of the BCBCA, under which we are incorporated, our directors are elected by the shareholders to manage, or supervise the management of, the business and affairs of Timmins. In exercising their powers and discharging their responsibilities, they are required to act honestly and in good faith with a view to the best interests of Timmins and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Pursuant to a subscription agreement dated May 28, 2008 (the Subscription Agreement), Pacific Road Resources Funds (PRRF) has the right to appoint or elect to our board of directors (the Board of Directors or the Board) a number of nominees which results in representation of PRRF on the Board being at least proportionate to the total number of Timmins Shares held by PRRF calculated on a fully diluted basis, and in any event, at least two directors. Currently there are no such directors appointed to our Board of Directors pursuant to the Subscription Agreement. Until their resignations on November 29, 2010, Mr. Lee Graber and Mr. Louis Rozman were appointees of PRRF. Messrs. Graber and Rozman are investment directors of Pacific Road Capital Management Pty., Limited (PRCM) of Level 23, Gold Fields House, 1 Alfred Street, Sydney NSW 2000, Australia. PRCM manages and advises three funds, Pacific Road Resources Fund A, Pacific Road Resources Fund B and Pacific Road Resources NV Belgium, which in the aggregate own 26,205,090 Timmins Shares, representing 19.47% of the Timmins Shares issued and outstanding.

Our Board of Directors is currently comprised of the following individuals:

Director	Independent or Not	Directorship in Other Public Companies	Attendance at Meetings During 2010 Fiscal Year
Arturo Bonillas	Not Independent(1)	None	10/10
Bruce Bragagnolo	Not Independent(1)	None	10/10
Miguel Soto	Not Independent(1)	None	7/10
Lawrence Dick	Independent	Great Bear Uranium Corp. Continent Resources Inc. Scarlet Resources Corp. Pinnacle Mines Ltd. Confederation Minerals Ltd.	8/10
Eugene Hodgson	Not Independent(1)	Grandfield Pacific Inc. Alda Pharmaceuticals Corp.	9/10
Frank Cordova	Not Independent(2)	None	8/10
R. Barry Fraser	Independent	None	*

* Mr. R. Barry Fraser was appointed to our Board of Directors on December 3, 2010 and accordingly did not attend meetings during fiscal 2010.

(1) Officer of Timmins and therefore not independent.

(2) Originally a nominee of one of our significant shareholders and currently an employee, and therefore not independent.

At present we do not have a majority of independent directors, and as a foreign private issuer we are not required to have a board that comprises a majority of independent directors. The independent directors will hold regularly scheduled and ad hoc meetings and management may be asked to step out of Board meetings so that independent directors may meet in executive session.

Board Mandate

The mandate of our Board is to supervise the management of our business and affairs and in doing so to act honestly and in good faith with a view to the best interests of Timmins and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In supervising the management of our business and affairs, the responsibilities of the Board include:

identifying the principal risks of our business and creating and implementing appropriate systems to manage these risks;

considering opportunities and risks of the business, and strategic alternatives, and selecting and approving an annual strategic plan;

approving an annual operating plan and any capital budget plans;

satisfying itself that we have effective internal controls and management information systems;

selecting a Chief Executive Officer and President, approving all key executive appointments and compensation, and monitoring the executive development process to ensure management continuity;

satisfying itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization;

approving a system for succession planning for the Chief Executive Officer and President, and all key executive appointments, including appointing, training and monitoring senior management;

appointing a chairman of the Board and/or a chairman for each meeting of the Board;

planning for and budgeting financial and other resources sufficient to meet our commitments when due to lenders, employees, and other stakeholders;

taking action, separate from management, on issues that require the independent action of the Board or one of its committees;

requiring and overseeing effective programs for workplace safety and environmental practices, and operating in accordance with applicable laws, regulations and permits; and

requiring and overseeing measures for receiving communications from stakeholders, including investors, employees, the communities in which we operate and the governments of those communities and through our Chief Executive Officer or President, receiving and considering responses and other communications.

Executive Officers

At present, our Board of Directors has delegated the day-to-day management of our business and affairs to our executive officers. Generally, operations in the ordinary course or that are not in the ordinary course and do not exceed material levels of expenditures or commitment on the part of Timmins have been delegated to management. Decisions relating to matters that are not in the ordinary course and involve material expenditures or commitment on the part of Timmins require prior approval of the Board. Any responsibility which is not delegated to management or a Board committee remains with the Board.

Bruce Bragagnolo is our Chief Executive Officer. His role and responsibilities are set out in a written position description. The Chief Executive Officer is responsible for meeting the corporate goals and objectives developed by the Board. He has the authority and is responsible for overseeing and achieving the governance, financing and regulatory compliance obligations and performance guidelines approved by the Board, for implementing our strategic plan and for maintaining relationships with Timmins shareholders and other stakeholders. This authority and responsibility includes defining roles, hiring, retaining, firing, compensating and overseeing corporate officers, employees, consultants and advisors and defining the scope of their work or services. The Chief Executive Officer will initiate Board review and input or ratification on proposals on such matters as:

- Governance or management practices and reporting;
- Timely and effective operational management and control as necessary to allow the Board to fulfill its oversight responsibilities;
- Financing and investment;
- Acquisitions and restructuring;
- Exploration, product development or service diversification;
- New business opportunities; and
- Major capital and operational expenditures.

Arturo Bonillas is our President. His role and responsibilities are set out in a written position description. The President is responsible for meeting the corporate goals and objectives developed by the Board. He has the authority and is responsible for achieving the operational performance guidelines approved by the Board by an annual strategic plan and budget or other resolutions, subject to the coordination of responsibilities with the Chief Executive Officer, including defining roles, hiring, retaining, firing, compensating and overseeing corporate officers, employees, consultants and advisors and defining the scope of their work or services. The President will initiate Board review and input or ratification on proposals on such matters as:

- System-wide management practices and reporting;
- Exploration, product development or service diversification;
- New business-operations opportunities, alliances, association or other commitments; and
- Major capital and operational expenditures.

Eugene Hodgson is our Chief Financial Officer. His role and responsibilities include communication with our external auditors and other members of our management to ensure effective financial and disclosure controls are in place for a public company. He is charged with working with our officers and other members of management to ensure all required continuous disclosure obligations are satisfied including, but not limited to, the preparation, review, certification (if appropriate) and filing of annual and interim financial statements, annual and interim management s discussions and analysis, material change reports, press releases, annual reports and annual information forms.

Miguel Bonilla is our Vice President, Finance, Mexico. His role and responsibilities include the coordination, review, preparation, consolidation and translation of financial information from Mexican operations in accordance with Canadian GAAP and Mexican GAAP as well as communication and coordination with our external auditors. He is also responsible for the preparation and filing of our Mexican tax reports and tax returns. Mr. Bonilla is in charge of the treasury activities in Mexico and provides support to operations, regulatory compliance and legal activities of Timmins.

Alex P. Tsakumis is our Vice President, Corporate Development. His role and responsibilities include shareholder and corporate communications; investor relations; liaising with the investment community, funds and stakeholders in general; news release dissemination; media development; website maintenance; travel coordination and trade show participation, presentations and coordination.

Our Board retains the authority and responsibility for the hiring, firing, compensating and monitoring of the Chief Executive Officer, Chief Financial Officer and the President, and such other senior key personnel as the Board from time to time directs.

Ethical Business Conduct

The Board has adopted a written Code of Business Conduct (the Code), which identifies our key principles of corporate governance and conduct. A copy of the Code may be obtained by contacting us. The Board is responsible for monitoring general compliance with the Code, and is developing a series of Statements of Business Conduct Standards to clarify the application of the Code in practice. Although the Board is not required to actively monitor the Code, it both periodically reviews conduct concerns and is developing internal reporting and review protocols, including for the prompt notification of apparent or real breaches, for assessment, investigation and action. The Board recognizes its responsibility to set the tone for proper conduct by its management and employees in carrying on business. The Code is included with the orientation of all directors, officers, management and employees, and will be periodically reviewed and updated by the Corporate Governance and Nominating Committee.

Statements of Business Conduct Standards include matters of employment and environmental concern, and commercial conduct. The President and Chief Executive Officer have initiated a corporate social-enterprise program with integrated community health, welfare and education and environmental components.

Committees of the Board

The standing committees of our Board of Directors consist of the Audit Committee, the Corporate Governance and Nominating Committee, the Compensation Committee and the Operations Committee. From time to time additional committees will be formed to address pertinent issues, such as the Finance Committee.

Audit Committee

The Audit Committee consists of one independent director, Lawrence Dick and two non-independent directors, Bruce Bragagnolo and Eugene Hodgson. All of the members of the Audit Committee are financially literate. For additional information regarding the education and experience of each member of the Audit Committee see Management above. There is no written description for the Chairman of the Committee. The Committee s duties and responsibilities are specified by law and in the Charter of the Audit Committee. Our Audit Committee does not currently meet the independence requirements of the NYSE Amex, and we intend to rely on the phase-in rules relating to audit committee independence in connection with listing the Timmins Shares on the NYSE Amex.

The Committee meets regularly with our CEO and CFO and the independent auditors to review and enquire into matters affecting financial reporting, the system of internal accounting, financial and disclosure controls, and the independent auditors procedures and audit plans. The Audit Committee recommends to the Board the accounting firm to be appointed as independent auditors. The Audit Committee also reviews and recommends to the Board for approval the annual financial statements and Management s Discussion and Analysis (MD&A), reviews and approves the interim financial statements and MD&A, and undertakes other activities required by regulatory authorities. The members of the Audit Committee are elected by the Board at its first meeting following the annual shareholders meeting to serve one year terms and are permitted to serve an unlimited number of consecutive terms.

External Auditor

Deloitte & Touche LLP (Deloitte), 2800-1055 Dunsmuir St., P.O. Box 49279, Vancouver, British Columbia, Canada, V7X 1P4, have been our auditors since January 2008. Prior to the appointment of Deloitte, our auditors were Charleton & Company. In addition to performing the audit of our consolidated financial statements, Deloitte and Charleton & Company provided other services to Timmins and its subsidiaries as follows:

	2010	2009	2008
Audit fees	C$ 163,900	C$ 65,500	C$ 60,000
Audit related fees	Nil	C$ 27,000	C$ 2,000
Tax fees	C$ 27,000	C$ 7,400	Nil
All other fees	Nil	Nil	Nil
Total	**C$ 190,900**	**C$ 99,900**	**C$ 62,000**

Audit related fees include fees for the review of the quarterly financial statements and management s discussion and analysis.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee was established on July 16, 2009 and consists of Arturo Bonillas, Bruce Bragagnolo, Frank Cordova and Lawrence Dick, of which Lawrence Dick is the sole independent director. There is no written position description for the Chairman of the Corporate Governance and Nominating Committee, however, the Board has approved a written mandate for the Committee, with a requirement that the nominations functions be directed by an independent director. The nominations function is assisted by a board profile matrix of desirable experience and education, and by search consultants and industry director registries, from time to time. All directors are asked to use their best efforts to nominate suitable directors to the Corporate Governance and Nominating Committee, with particular reference to those who are considered to be independent.

The Corporate Governance and Nominating Committee s nominating responsibilities include: considering annually the size and composition of the Board and the qualifications of incumbent directors and recommending to the Board such changes as it sees fit; identifying and recommending, annually and when vacancies arise, qualified persons to be nominated for election or re-election to the Board and the committees of the Board; ensuring that an appropriate selection process for new nominees to the Board is in place; developing position descriptions of directors, and identifying required competencies and characteristics of potential directors; reviewing changes in applicable laws, emerging practices or other initiatives relating to directors or boards of directors; providing orientation programs for new directors and continuing development programs for existing directors; and reviewing annually the functions of corporate governance and nominations, including Board and committee performance.

The Corporate Governance and Nominating Committee holds part of each meeting in the absence of members of management, and reports promptly to the Board after each of its meetings. It has full authority to engage and compensate such legal, recruitment, and other advisors as it deems necessary.

Compensation Committee

The Compensation Committee consists of Frank Cordova, Lawrence Dick and Eugene Hodgson, of which Lawrence Dick is the sole independent director. The Compensation Committee has a written mandate which was approved by the Board on June 17, 2010. The Compensation Committee holds its meetings in the absence of other members of the Board. We are actively seeking suitable individuals to add to the Board and to the Compensation Committee so a Compensation Committee composed of more independent directors can be established. There is no written position description for the Chairman of the Committee, however, the Board has approved a written mandate for the Compensation Committee. The Committee s responsibilities include reviewing goals and objectives relevant to compensation for the Chief Executive Officer and all other executive officers; evaluating the performance of the executive officers and making recommendations to the Board on their compensation; reviewing and recommending to the Board all proposed employment contracts and special compensation arrangements; recommending, and if approved, administering incentive plans, share option plans and employee benefit plans; recommending to the Board fees, benefits and other compensation for directors; and reviewing all executive compensation disclosure before it is made public. The Committee may engage and compensate outside consultants. It has no authority to delegate any of its responsibilities. The Committee has full authority to require management to perform studies and furnish any information it requires in performance of its duties. During the year ended March 31, 2010, the Compensation Committee engaged independent consultants, Western Compensation & Benefits Consultants, of Vancouver, British Columbia, to assess the executive compensation program and make recommendations to Timmins. The 2010 salaries and annual incentive bonuses paid to our executive officers were based on the recommendations of the independent consultants.

Operations Committee

The Operations Committee was established on July 24, 2009 and consists of Arturo Bonillas, Bruce Bragagnolo, Lawrence Dick and Miguel Soto, of which Lawrence Dick is the sole independent director. The Board has approved a written mandate for the Operations Committee. The Committee s duties and responsibilities are to oversee the mining exploration, development and production on Timmins properties, to review mining contracts and services, supply contracts and budgets, and to generally oversee the mining operations of Timmins.

Finance Committee

The Finance Committee was established on January 7, 2009 and consists of Arturo Bonillas, Bruce Bragagnolo and Eugene Hodgson. None of the members of the Finance Committee are independent directors. The Board has approved a written mandate for the Finance Committee. The Committee s duties and responsibilities are to develop strategic plans, goals, policies and budgets related to our financial and risk management and administration; to oversee the preparation of material agreements relating to financing, including banking documents, surety and insurance instruments, equity and debt financing transactions, and material operational agreements for finance and risk conditions; to oversee and administer our finance policies, including such matters as signing authority, internal systems and controls, and reporting; to oversee financial aspects of change of control, and mergers and acquisitions matters, and to prepare and administer timelines, budgets and time commitments for the work of the Committee.

Compensation

Director Compensation

The following table discloses the compensation paid to our directors who were not executive officers for the fiscal year ended March 31, 2010:

Name	Fees Earned	Share-based Awards	Option-based Awards	Non-equity Incentive Plan Compensation	Pension Value	All Other Compensation	Total
Lawrence Dick	C$ 12,000	Nil	C$ 71,000	N/A	N/A	Nil	C$ 83,000
Frank Cordova	Nil	Nil	C$ 35,500	N/A	N/A	Nil	C$ 35,500
Miguel Soto	Nil	Nil	C$ 71,000	N/A	N/A	US$ 113,249(1)	C$ 186,344(2)

(1) Includes salary for employment services for Chief Operating Officer and salary-related bonus.
(2) Based on the Bank of Canada noon exchange rate of US$1 = C$1.0185 on August 4, 2010.

No cash compensation was paid to any other director for the director s services as a director during the fiscal year ended March 31, 2010. Our Compensation Committee assesses all director compensation arrangements on an ongoing basis.

We have no standard arrangement pursuant to which directors are compensated for their services in their capacity as directors except for the granting from time to time of incentive stock options in accordance with the policies of the Toronto Stock Exchange.

Executive Compensation

Board Compensation Committee Report on Executive Compensation

Our executive compensation program is administered by our Compensation Committee. The Compensation Committee plans to review position descriptions as they are developed, evaluate the performance of our senior executive officers and directors and review the design and competitiveness of our compensation arrangements. During the financial year ended March 31, 2010, the Board engaged an independent human resources consultant to conduct a compensation study for all of our officers, as well as to carry out an assessment of director compensation to determine appropriate compensation ranges based on peer group review and to determine appropriate salary levels and bonus mechanisms for senior management and compensation for Board members going forward. The Compensation Committee made its recommendations to the Board based on the advice of the independent consultant.

Executive Compensation Program

Our executive compensation program is based on a pay-for-performance philosophy. It is designed to encourage, compensate and reward employees on the basis of individual and corporate performance, both in the short and long term. The Board has reviewed and determined base salaries based on a number of factors enabling us to compete for and retain executives critical to our long term success. During the fiscal year ended March 31, 2010, the Compensation Committee made recommendations to the Board based on a report received from an independent consultant who was retained to asses the executive compensation program and make recommendations to us.

Incentive compensation is directly tied to corporate and individual performance. Share ownership opportunities are provided to align the interests of executive officers with the longer term interests of shareholders.

Compensation for executive officers is planned to consist of a base salary, short term incentive awards in the form of a discretionary annual bonus and a longer term incentive award in the form of stock options. As we had previously been in the exploration stage of development and only recently began generating production revenue, our compensation program was developed for a company without revenue, and as such provides us with maximum flexibility in determining executive compensation as described below. Emphasis is placed on balancing our overall needs and interests with the needs and interests of our executives. For example, in circumstances where we considered it prudent to conserve cash by paying salaries and awarding short-term incentive bonuses in lower amounts than would otherwise be the case, we followed this practice. We may have increased long-term incentives through stock option awards to ensure that the recruitment, retention and reward objectives of the compensation program are met. As revenue increases, past compensation practices will change to reflect a company in the production stage of development. In addition, as an executive officer s level of responsibility increases, a greater percentage of total compensation will be based on performance (as opposed to base salary and standard employee benefits) and the mix of total compensation will shift towards stock options, thereby aligning the interests of executive officers and shareholders.

The objectives of our compensation program are to:

(i) Ensure external competitiveness by developing and maintaining compensation levels that reflect current market rates of pay;

(ii) Promote pay-for-performance levels that reward consistently high performance levels;

(iii) Provide us with the resources to recruit and retain a highly capable work force;

(iv) Establish incentives to develop and achieve performance targets that maximize the value of Timmins to the benefit of its shareholders and other stakeholders; and

(v) Balance our overall needs and interests with the needs and interests of our executives.

Our compensation plan meets these objectives by addressing each key component of total compensation: base salary, option based awards, annual incentive plan and all other compensation. The Board places significant emphasis on aligning the interests of its executives with those of its shareholders. As a result, significant weighting is placed in option-based awards. An executive officer who has recently joined Timmins would not initially expect to receive the same level of option-based compensation as an executive officer who has been with Timmins for several years. No benefit is conferred through a contribution to a pension plan. The Board and the executive officers are aware that in years where in-the-money options are not exercised and in years where options are not in-the- money, the value of the option-based component may be nil.

Base Salary

Base salaries provide employees with monthly remuneration based on the position and the qualifications and skills required to perform the functions contained in their job descriptions. All salaries are informally reviewed by the Board on an annual basis. For 2010 the Board received recommendations from the Compensation Committee for the base salaries of the President and Chief Executive Officer based on the report received from an independent consultant we retained to asses the executive compensation program. In the future, base salaries will continue to be reviewed by the Compensation Committee and will be based on recommendations of an independent human resources consultant and peer group review.

Short Term Incentives

The Board may, on a discretionary basis, determine incentive awards or bonuses to be paid to executive officers, in respect of a financial year, based on general performance and specific goals and objectives agreed to by the executive officer and the Board. For 2010 the Board received recommendations from the Compensation Committee for bonuses to be awarded to the President, Chief Executive Officer, Chief Financial Officer and Vice-President of Finance based on the report received from an independent consultant we retained to asses the executive compensation program.

Long Term Incentives

A Long-Term Incentive Plan is a plan under which awards are made based on performance over a period longer than one fiscal year, other than a plan for options, SARs (stock appreciation rights) or restricted share compensation. We have no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plans to the executive officers during our most recently completed fiscal year. It is our view that a long-term commitment to our objectives is best achieved by aligning the interest of our executives with that of shareholders through ownership of an equity interest in Timmins. Therefore, we place increased emphasis on indirect stock awards through our stock option plan.

Summary Compensation Table

The following table discloses a summary of compensation paid to our executive officers for the fiscal year ending March 31, 2010:

Name and Principal Position	Year	Salary	Share-based Awards	Option-based Awards[(2)]	Non-equity Incentive Plan Compensation: Annual Incentive Plans	Non-equity Incentive Plan Compensation: Long-term Incentive Plans	Pension Value	All Other Compensation	Total Compensation
Arturo Bonillas,	2010	C$ 150,000	Nil	C$ 284,000	C$ 140,000	Nil	N/A	Nil	C$ 574,000
President & Chief Executive	2009	C$ 120,000	Nil	Nil	Nil	Nil	N/A	Nil	C$ 120,000
Officer	2008	C$ 85,503	Nil	C$ 211,000	Nil	Nil	N/A	Nil	C$ 296,503
Bruce Bragagnolo,	2010	C$ 150,000	Nil	C$ 284,000	C$ 140,000	Nil	N/A	Nil	C$ 574,000
Chief Executive Officer	2009	C$ 120,000	Nil	Nil	Nil	Nil	N/A	Nil	C$ 120,000
	2008	C$ 120,000	Nil	C$ 211,000	Nil	Nil	N/A	Nil	C$ 331,000
Eugene Hodgson[(1)],	2010	C$ 71,400	Nil	C$ 142,000	C$ 25,000	Nil	N/A	Nil	C$ 238,400
Chief Financial Officer	2009	C$ 20,400	Nil	Nil	Nil	Nil	N/A	Nil	C$ 20,400
	2008	Nil	Nil	C$ 65,500	Nil	Nil	N/A	Nil	C$ 65,500

(1) Mr. Hodgson was appointed as our CFO on January 17, 2009 and his salary compensation was consulting fees.

(2) During the year ended March 31, 2010, the fair value of stock options granted to officers and directors was measured using the Black-Scholes option pricing model, incorporating the following assumptions: (1) interest rate 1-2.75%, (2) option life 1-4.75 years, (3) annual volatility 89%-119%, and (4) nil dividends.

We entered into a management services agreement with Arturo Bonillas dated January 1, 2010, pursuant to which Mr. Bonillas agreed to provide us with management and administrative consulting services. Pursuant to the terms of the agreement, Mr. Bonillas is paid C$20,000 per month for services provided under the agreement. Timmins is required to reimburse Mr. Bonillas for reasonable expenses incurred by Mr. Bonillas for travel and other expenses actually and properly incurred by Mr. Bonillas in connection with providing the services under the agreement.

We entered into an employment agreement with Bruce Bragagnolo dated January 1, 2010, pursuant to which Mr. Bragagnolo agreed to provide duties generally associated with the offices of Chief Executive Officer. Pursuant to terms of the agreement, Mr. Bragagnolo is paid a salary of C$20,000 per month for services provided under the agreement. We are required to reimburse Mr. Bragagnolo for reasonable expenses incurred by Mr. Bragagnolo for travel and other expenses actually and properly incurred by Mr. Bragagnolo in connection with providing the services under the agreement.

We entered into a consulting agreement with Eugene Hodgson pursuant to which Mr. Hodgson agreed to provide duties generally associated with the offices of Chief Financial Officer. Pursuant to terms of the agreement, Mr. Hodgson is paid a consulting fee of C$5,400 per month plus applicable taxes and he is reimbursed for reasonable expenses incurred for travel and other expenses. During the financial year Hodgson received C$71,400 pursuant to the agreement.

Outstanding Share-based Awards and Option-based Awards

The following table sets out all option-based and share-based awards outstanding for each of our directors and executive officers at March 31, 2010. The executive officers do not have any outstanding share-based awards.

	Option-based Awards				Share-based Awards	
Name	Number of Securities Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-the-Money Options	Number of Shares or Units of Shares that have not Vested	Market or Payout Value of Share-based Awards that have not Vested
Arturo Bonillas	325,000	C$0.35	07/25/11	C$282,750	Nil	Nil
	225,000	C$0.70	05/11/12	C$117,000		
	100,000	C$0.75	11/27/12	C$47,000		
	400,000	C$1.00	11/13/14	C$88,000		
Bruce Bragagnolo	325,000	C$0.35	07/25/11	C$282,750	Nil	Nil
	225,000	C$0.70	05/11/12	C$117,000		
	100,000	C$0.75	11/27/12	C$47,000		
	400,000	C$1.00	11/13/14	C$88,000		
Frank Cordova	50,000	C$0.70	05/11/12	C$26,000	Nil	Nil
	50,000	C$0.75	11/27/12	C$23,500		
	50,000	C$1.00	11/13/14	C$11,000		
Lawrence Dick	100,000	C$0.35	07/25/11	C$87,000	Nil	Nil
	50,000	C$0.70	05/11/12	C$26,000		
	50,000	C$0.75	11/27/12	C$23,500		
	100,000	C$1.00	11/13/14	C$22,000		
Eugene Hodgson	100,000	C$0.35	07/25/11	C$87,000	Nil	Nil
	50,000	C$0.70	05/11/12	C$26,000		
	50,000	C$0.75	11/27/12	C$23,500		
	200,000	C$1.00	11/13/14	C$44,000		
Miguel Soto	50,000	C$0.35	07/25/11	C$43,500	Nil	Nil
	150,000	C$0.70	05/11/12	C$78,000		
	100,000	C$0.75	11/29/12	C$47,000		
	100,000	C$1.00	11/13/14	C$22,000		

Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards vested or earned during the year ended March 31, 2010 for each director and executive officer.

Name	Option-based Awards Value Vested during Fiscal 2010	Share-based Awards Value Vested during Fiscal 2010	Non-equity Incentive Plan Compensation Value Earned during Fiscal 2010
Arturo Bonillas	Nil	N/A	C$140,000
Bruce Bragagnolo	Nil	N/A	C$140,000
Frank Cordova	Nil	N/A	N/A
Lawrence Dick	Nil	N/A	N/A
Eugene Hodgson	Nil	N/A	C$25,000
Miguel Soto	Nil	N/A	N/A

Equity Compensation Plan

The only equity compensation plan which we have in place is the 2010 Stock Option Plan which was previously approved by our shareholders on September 2, 2010. The following table sets forth details of options outstanding under the 2009 Plan, which was in place on March 31, 2010, as at March 31, 2010.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a))(1) (c)
Equity Compensation Plans Approved by Security Holders	7,950,000	$ 0.765	3,557,151
Equity Compensation Plans not Approved by Security Holders	None	None	None
Total	7,950,000	$ 0.765	3,557,151

(1) The 2009 Plan provided for the issuance of stock options to acquire at any time up to a maximum of 10% of our issued and outstanding common shares (subject to standard anti-dilution adjustments). As the number of our issued and outstanding common shares increases, the number of shares available under the 2009 Plan automatically increases proportionately. If a stock option is exercised, expires or otherwise terminates for any reason, the number of common shares reserved for issuance under that exercised, expired or terminated stock option shall again be available for the purposes of the 2010 Plan.

The 2010 Stock Option Plan

The CEO, in discussion with management, makes recommendations to the Board on the grant of options to directors, officers, key employees and consultants consistent with the terms and conditions of our 2010 Stock Option Plan (the 2010 Plan). The 2010 Plan is meant to provide us with a share-related mechanism to attract, retain and motivate qualified executives, employees and consultants, to provide an incentive to such individuals to contribute toward our long term goals, and to encourage such individuals to acquire our shares as long term investments. Individual grants approved by the Board are determined by an assessment of an individual s current and expected future performance, level of responsibility and the importance of the position to Timmins. Previous grants of stock options are taken into account when considering new grants. The number of stock options which may be issued under the 2010 Plan in the aggregate and to certain individuals and in respect of any financial year is limited under the terms of the 2010 Plan and cannot be increased without shareholder approval. Existing stock options have up to a five year term and are exercisable at the price determined by the Board subject to applicable regulatory acceptance, at the time any option is granted. Generally, a holder of stock options must be a director, officer, employee or consultant of Timmins or our subsidiary or a management company employee in order to receive stock options. Amendments to the 2010 Plan may be proposed by members of the Board in consultation with Timmins executive officers and then submitted to the Board for approval. Depending on the nature of an amendment to the 2010 Plan, shareholder and/or regulatory approval of the amendment may be required.

The 2010 Plan meets the requirements of the Toronto Stock Exchange (the Exchange) in accordance with Section 613 of the Exchange Company Policy Manual. Under the 2010 Plan, a maximum of 10% of our issued and outstanding shares are proposed to be reserved at any time for issuance on the exercise of stock options. As the number of shares reserved for issuance under the 2010 Plan increases with the issue of additional shares, the 2010 Plan is considered to be a rolling stock option plan. All options outstanding under our 2009 Plan became options outstanding under the 2010 Plan. Based on 136,726,694 common shares outstanding as of December 31, 2010, there are currently 6,037,500 options outstanding under the 2010 Plan and 7,635,169 remaining available for future issuance under the 2010 Plan.

The 2010 Plan provides that stock options may be granted to our (and any subsidiary s) directors, senior officers, employees and consultants and management company employees.

The terms directors, employees, consultants and management company employees have the meanings set out in the Plan. In addition, the term director is defined in the Plan to include directors, senior officers and management company employees.

Under the 2010 Plan, our Board may, from time to time, designate a director or other senior officer or employee of Timmins as administrator (the Administrator) for the purposes of administering the 2010 Plan. Initially, the Administrator will be the Secretary of Timmins.

The 2010 Plan provides for the issuance of stock options to acquire at any time up to a maximum of 10% of our issued and outstanding common shares (subject to standard anti-dilution adjustments). If a stock option is exercised, expires or otherwise terminates for any reason, the number of common shares reserved for issuance under such exercised, expired or terminated stock option shall again be available for the purposes of the 2010 Plan. Any stock option outstanding when the 2010 Plan is terminated will remain in effect until it is exercised or it expires. The 2010 Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts, subject to the following conditions:

- options will be non-assignable and non-transferable except that they will be exercisable by the personal representative of the option holder in the event of the option holder s death;
- options may be exercisable for a maximum of five years from the date of grant;
- options to acquire no more than 5% of our issued shares may be granted to any one individual in any 12 month period;
- options to acquire no more than 2% of our issued shares may be granted to any one consultant in any 12 month period;
- options to acquire no more than an aggregate of 2% of our issued shares may be granted to employees conducting Investor Relations Activities (as defined in the 2009 Plan), in any 12 month period;
- options granted to insiders in the aggregate in any 12 month period and issuable to insiders of Timmins in the aggregate at any one time, when combined with any other security-based compensation arrangements, may not exceed 10% of our issued shares;
- options held by an option holder who is a director, employee, consultant or management company employee must expire within 90 days after the option holder ceases to be a director, employee, consultant or management company employee;
- options held by an option holder who is engaged in Investor Relations Activities must expire within 30 days after the option holder ceases to be employed by Timmins to provide Investor Relations Activities; and
- in the event of an option holder s death, the option holder s personal representative may exercise any portion of the option holder s vested outstanding options for a period of one year following the option holder s death.

The 2010 Plan provides that other terms and conditions may be attached to a particular stock option, such terms and conditions to be referred to in a schedule attached to the option certificate. Stock options granted to directors, senior officers, employees or consultants will vest when granted unless otherwise determined by the Board on a case by case basis, other than stock options granted to consultants performing Investor Relations Activities, which will vest in stages over 12 months with no more than $^{1}/4$ of the options vesting in any three month period. In addition, under the 2010 Plan a stock option will expire immediately in the event a director or

senior officer ceases to be a director or senior officer of Timmins as a result of (i) ceasing to meet the qualifications under the Business Corporations Act (British Columbia), (ii) the passing of a special resolution by the shareholders or (iii) an order made by a regulatory authority. A stock option will also expire immediately in the event an employee ceases to be an employee as a result of termination for cause or an employee or consultant ceases to be an employee or consultant as a result of an order made by a regulatory authority.

The price at which an option holder may purchase a common share upon the exercise of a stock option will be as set forth in the option certificate issued in respect of such option and in any event will not be less than the Market Price of our common shares as of the date of the grant of the stock option (the Award Date). The term Market Price is defined in the Exchange Company Manual and will be the volume weighted average trading price of our common shares for the five trading days immediately preceding the Award Date, or otherwise in accordance with the terms of the 2010 Plan. In no case will a stock option be exercisable at a price less than the minimum prescribed by each of the organized trading facilities or the applicable regulatory authorities that would apply to the award of the stock option in question.

The 2010 Plan also provides that (a) disinterested shareholder approval will be obtained for any reduction in the exercise price of an option held by an insider of Timmins and (b) options cannot be granted to employees, consultants or management company employees that are not bona fide employees, consultants or management company employees, as the case may be.

Timmins Shares will not be issued pursuant to stock options granted under the 2010 Plan until they have been fully paid for by the option holder. We will not provide financial assistance to option holders to assist them in exercising their stock options.

The Board may, from time to time, amend the 2010 Plan for the purpose of meeting any change in relevant law, rule or regulation applicable to the 2010 Plan, and shareholder approval will not be sought for such amendments. All other amendments will require shareholder approval.

Pension Plans

We do not provide a pension plan for our directors or executives.

Contribution Plans

We do not provide a contribution plan for our directors or executives.

Deferred Compensation Plans

We do not provide a deferred compensation plan for our directors or executives.

Termination of Employment, Change in Responsibilities and Employment Contracts

Except as disclosed above we are not, and our subsidiaries are not, parties to any contracts, and have not entered into any plans or arrangements which require compensation to be paid to any of our executive officers in the event of:

- termination of, or resignation or retirement from, employment with us or one of our subsidiaries;
- a change of control of Timmins or one of our subsidiaries; or
- a change in the executive officer s responsibilities.

We intend to enter into agreements with certain of our executive officers that will provide for up to two years of compensation in the event of such executive officer s termination and/or a change of control of Timmins.

TRANSACTIONS WITH RELATED PARTIES

Interest of Informed Persons in Material Transactions

Except as disclosed herein, during the fiscal years ended March 31, 2010, 2009 and 2008, no informed person of Timmins, proposed director, or any associate or affiliate of any informed person or proposed director, has taken part in any transaction or any proposed transaction which has materially affected or would materially affect us or any of our subsidiaries.

Indebtedness of Directors and Executive Officers

During the fiscal years ended March 31, 2010, 2009 and 2008, no director, executive officer, senior officer or nominee for director or any of their associates has been indebted to us or any of our subsidiaries, nor has any of these individuals been indebted to another entity which indebtedness is the subject of a guarantee, support in agreement, letter of credit or other similar arrangement or understanding provided by us or any of its subsidiaries.

Related Party Transactions

During the three and six months periods ended September 30, 2010, we entered into the following transactions with related parties:

We incurred C$141,304 (2009: C$42,609) of geological and consulting fees to our directors and officers for the six month period ended September 30, 2010 and C$51,658 (2009: recovery of C$2,520) for the three months ended September 30, 2010. As of September 30 2010, C$3,041 (March 31, 2010: C$3,469) was advanced to these directors and officers.

We incurred $Nil (2009: C$39,367) for rent and administrative expenses on behalf of a company with directors in common for the six months ended September 30, 2010 and $Nil (2009: C$4,820) for the three month period ended September 30, 2010. As of September 30, 2010, C$79,200 (March 31, 2010: C$92,656) was due from this company.

In the six month period ended September 30, 2010 we paid C$32,400 as consulting fees to our Chief Financial Officer and C$12,000 in consulting fees to one of our directors.

During the year ended March 31, 2010, we entered into the following transactions with related parties:

We incurred C$190,685 (2009: C$30,657) of consulting fees, including geological consulting, and C$165,000 (2009: $Nil) of a bonus, to our directors and officers. As of March 31, 2010, C$3,469 (2009: C$1,261) was advanced to these directors and officers.

We incurred C$87,707 (2009: C$103,937) for rent and administrative expenses on behalf of a company with directors in common. As of March 31, 2010, C$92,656 (2009: C$20,904) was due from this company.

During the year ended March 31, 2009, we entered into the following transactions with related parties:

We incurred C$30,657 (2008 C$252,948) of consulting fees, including geological consulting, by our directors and officers.

We incurred C$103,937 (2008 C$49,869) for rent and administrative expenses on behalf of a company with directors in common. As of March 31, 2009 C$20,904 (March 31, 2008 C$16,987) was owed by this company. This amount was subsequently repaid.

During the year ended March 31, 2008, we entered into the following transactions with related parties:

We paid C$20,000 (2007 $Nil) as consulting fees to a director and an officer. As of March 31, 2008, C$9,766 (2007 C$70,534) was owed by this director and officer for expense advances.

We paid C$5,350 as legal fees (2007 C$42,113) to a company controlled by a director and an officer. As of March 31, 2008, $Nil (2007 C$6,650) was owed to this company, and C$647 (2007 C$647) was held in trust by this company.

We paid C$22,829 as legal fees (2007 $Nil) to a company related to a director and an officer. As of March 31, 2008, $Nil (2007 $Nil) was owed to this company.

We incurred C$56,500 (2007 $Nil) for accounting services with a private company of which one of our directors is a vice-president. As of March 31, 2008, C$5,250 (2007 $Nil) was owed to this company.

During the year ended March 31, 2007, C$90,000 was placed in trust with a legal firm pursuant to our employment agreement with a director and officer. As of March 31, 2008, the cash and incurred interest of C$4,555 was released to us (2007 C$77,276 was owed by that company).

We incurred C$252,948 (2007 C$45,500) of consulting fees, including geological consulting, by our directors and officers. As of March 31, 2008, $3,430 (2007 $Nil) were advanced to these directors and officers.

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

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

BENEFICIAL OWNERSHIP OF SECURITIES

The following table sets forth information with respect to the beneficial ownership of our common shares, as of December 31, 2010 by each director, each executive officer, all directors and executive officers as a group and each person or entity who is known by us to own beneficially 5% or more of our common shares. Unless otherwise indicated below, the business address for each beneficial owner of our common shares is c/o Timmins Gold Corp., 520 609 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5. Unless otherwise indicated below, no person or entity who is known by us to own beneficially 5% or more of our common shares has any special voting rights with respect to our common shares.

Beneficial ownership is determined under rules issued by the SEC. Under these rules, beneficial ownership includes any of our common shares as to which the individual or entity has sole or shared voting power or investment power and includes any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days through the exercise of any warrant, option or other right. The inclusion in this prospectus/offer to exchange of such common shares, however, does not constitute an admission that the named individual is a direct or indirect beneficial owner of such common shares. Any of our common shares that a person has the right to acquire within 60 days of December 31, 2010 are deemed outstanding solely for the purpose of calculating the percentage ownership of such person, but are not deemed outstanding for the purpose of calculating the percentage owned by any other person listed. Consequently, the aggregate percentage ownership will exceed 100%. The applicable percentage of beneficial ownership after the Offer is based upon 136,726,694 of our common shares outstanding before the Offer as of December 31, 2010, as adjusted to reflect approximately 146,911,472 of our common shares to be issued pursuant to the Offer, assuming that 100% of the CGC Shares (including CGC Shares issuable upon the exercise of outstanding options and warrants) are tendered in connection with the Offer.

As of December 31, 2010, approximately 1% of our common shares were held in the United States by 2 holders of record.

Except as otherwise disclosed in this prospectus/offer to exchange, Timmins and CGC do not have any ongoing contractual or other arrangements, and no associate of Timmins owns beneficially, either directly or indirectly, any securities of CGC. Sprott Asset Management LP (Sprott) owns approximately 14.3% of the outstanding Timmins Shares as of December 31, 2010 and, according to the Schedule 13G/A filed by Sprott with the SEC on January 24, 2011, Sprott owns approximately 12.4% of the outstanding CGC Shares.

	Before the Offer		After the Offer[1]	
Name of Beneficial Owner[2]	**Number of Common Shares Beneficially Owned**	**Percentage of Class Beneficially Owned**	**Number of Common Shares Beneficially Owned**	**Percentage of Class Beneficially Owned**
Pacific Road Resources Funds[3]	26,205,090	19.17%	26,205,090	9.24%
Sprott Asset Management LP[4]	19,575,000	14.32%	36,910,592	13.01%
Miguel Bonilla[5]	375,000	*	375,000	*
Arturo Bonillas[6]	3,355,800	2.45%	3,355,800	*
Bruce Bragagnolo[7]	3,468,000	2.54%	3,468,000	*
Frank Cordova[8]	150,000	*	150,000	*
Lawrence Dick[9]	350,000	*	350,000	*
Eugene Hodgson[10]	595,900	*	595,900	*
Miguel Soto[11]	550,000	*	550,000	*
Alex P. Tsakumis[12]	408,000	*	408,000	*
All directors and executive officers as a group	9,252,700	6.77%	9,252,700	3.26%

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* Indicates less than 1%

(1) Assumes that 100% of CGC Shares (including CGC Shares issuable upon the exercise of outstanding options and warrants) are tendered and taken up by Timmins in exchange for 146,911,472 Timmins shares.

(2) Unless otherwise noted, each person has sole voting and investment power over the shares listed opposite his or her name.

(3) Pacific Road Resources Funds (PRRF) are comprised of three separate funds (Pacific Road Holdings NV, Pacific Road Resources Fund A and Pacific Road Resources Fund B). Their business address is c/o Pacific Road Capital Management Pty., Limited, Level 23, Gold Fields House, 1 Alfred Street, Sydney NSW 2000, Australia. Pursuant to a Subscription Agreement dated May 28, 2008, PRRF have the right to have appointed or elected to our Board of Directors a number of nominees which results in representation of PRRF on the Board being at least proportionate to the proportion of total number of Timmins Shares held by PRRF, calculated on a fully diluted basis, and in any event, at least two directors. PRRF does not currently have any such nominees appointed or elected. See Transactions with Related Parties. In June 2008, PRRF participated in a private placement and acquired 4,000,000 Timmins Shares. In July 2008, PRRF participated in a private placement and acquired 11,000,000 of our convertible preference shares, which were subsequently converted into 11,000,000 Timmins Shares. In June 2009, PRRF participated in a private placement and acquired an additional 7,470,060 Timmins Shares and warrants to purchase an additional 3,735,030 Timmins Shares. All of these warrants have been exercised.

(4) Sprott Asset Management LP of Royal Bank Plaza, South Tower, 200 Bay Street, Suite 2700, Toronto, Ontario, M5J 2J1 is a portfolio manager which in the aggregate holds 17,575,000 Timmins Shares and 2,000,000 warrants convertible into Timmins Shares. Sprott is at arms length to Timmins. In April 2007, Sprott participated in a private placement and acquired 4,000,000 Timmins Shares and warrants to purchase an additional 2,000,000 Timmins Shares, all of which have been exercised. In March 2009, Sprott participated in a private placement and acquired an additional 6,250,000 Timmins Shares and warrants to purchase an additional 3,125,000 Timmins Shares, all of which have been exercised. In Jan 2010, Sprott participated in the Gold Loan pursuant to which it acquired an additional 3,000,000 warrants to purchase Timmins Shares, 1,000,000 of which have been exercised.

(5) Consists of no Timmins Shares and 375,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(6) Consists of 2,305,800 Timmins Shares and 1,050,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(7) Consists of 2,418,000 Timmins Shares and 1,050,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(8) Consists of no Timmins Shares and 150,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(9) Consists of 250,000 Timmins Shares and 100,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(10) Consists of 195,900 Timmins Shares and 400,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(11) Consists of 150,000 Timmins Shares and 400,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

(12) Consists of 208,000 Timmins Shares and 200,000 options to purchase Timmins Shares exercisable within 60 days of December 31, 2010.

BACKGROUND AND REASONS FOR THE OFFER AND THE PROPOSED MERGER

The following discussion presents background information concerning the Offer and the Proposed Merger and describes our reasons for undertaking the proposed transaction at the present time.

Background of the Offer and the Proposed Merger

In connection with Timmins long-term strategic plans involving internal growth alternatives, acquisitions and business combinations, Timmins management continuously evaluates strategic acquisition candidates. As part of this ongoing evaluation process and after prompting by certain of CGC s stockholders, Timmins board of directors identified CGC as a company with assets that fit into Timmins growth strategy.

On July 13, 2010, Colin Sutherland, then President of Nayarit Gold, met with Bruce Bragagnolo, CEO of Timmins, to discuss a potential merger of CGC and Timmins, in which CGC would issue its shares at a premium in exchange for all of the issued and outstanding Timmins Shares. Also present at that meeting were representatives of CGC s financial advisor and Alex Tsakumis, Vice President, Corporate of Timmins. The meeting was arranged by CGC s financial advisor.

On July 28, 2010, Scott Hazlitt, Chief Operating Officer of CGC, visited Timmins San Francisco Mine and met with Arturo Bonillas, President of Timmins.

On August 9, 2010, Mr. Sutherland and a representative from Cormark Securities Inc. (Cormark), another of CGC s financial advisors, met with Mr. Bragagnolo in Vancouver, British Columbia to discuss a potential business combination pursuant to which CGC would issue its shares at a premium in exchange for all of the issued and outstanding Timmins Shares.

On August 13, 2010, Messrs. Bragagnolo and Bonillas met with Eric Sprott of Sprott Asset Management LP to inquire whether Sprott would support a merger of Timmins and CGC. Also in attendance was a representative of M Partners Inc., Timmins financial advisor (M Partners). Sprott is a portfolio manager that manages approximately 12.4% of the outstanding CGC Shares.

On August 18 and 19, 2010, Messrs. Bragagnolo and Bonillas and Messrs. Sutherland and Hazlitt visited Timmins San Francisco mine and CGC s El Chanate mine.

On August 23, 2010, Cormark notified Timmins that CGC was no longer pursuing a merger with Timmins and had instead commenced a process to sell itself and invited Timmins to submit a proposal.

Following discussions with the other Timmins board members, Mr. Bragagnolo advised Cormark that Timmins may be interested in exploring a potential business combination with CGC. In response, Cormark delivered to Mr. Bragagnolo a confidential information memorandum (the CIM) to outline the bid process. The CIM that Timmins received from Cormark indicated that CGC would notify its preferred bidder on September 3, 2010, and that on September 7, 2010 CGC would select an exclusive party with which to pursue a combination, if such a selection were warranted.

At the same time Cormark delivered the CIM, it also requested that Timmins sign a non-disclosure agreement. In addition to standard confidentiality provisions, the non-disclosure agreement also contained a standstill provision that precluded Timmins from participating in a business combination with CGC outside of the Cormark process. Mr. Bragagnolo advised Cormark that Timmins considered the standstill provision unduly restrictive, particularly in light of the fact that CGC had commenced a competitive auction process, but that he was otherwise prepared to sign the non-disclosure agreement. Ultimately, the non-disclosure agreement was not executed because CGC would not agree to remove the burdensome standstill.

Cormark advised Mr. Bragagnolo that any proposal by Timmins should include evidence that CGC s stockholders were supportive of such proposal as well as an indication that Timmins had the ability to raise capital, if needed.

On September 1, 2010, Timmins made a non-binding proposal to CGC s board of directors, through Cormark, to merge with CGC on a negotiated basis based on an exchange ratio of 2.02 Timmins Shares for each outstanding CGC Share (the Initial Proposal). This represented a value of $4.00 per CGC Share, or a 23% premium over the $3.25 closing price of the CGC Shares on August 31, 2010. However, Timmins did not receive a response to the Initial Proposal from Cormark or CGC. Timmins also submitted letters from two financial institutions indicating that each was highly confident that it could raise capital for Timmins, if needed.

At the same time, in response to Cormark s advice, Timmins conducted discussions with five independent stockholders of CGC, who on a combined basis own approximately 33% of the CGC Shares outstanding. The purpose of these discussions was to demonstrate that the CGC stockholders would support the Initial Proposal. All five of the CGC stockholders advised Timmins of their support for the Initial Proposal and two of the CGC stockholders, who on a combined basis own approximately 17% of the CGC Shares outstanding, agreed to enter into agreements in support of the Initial Proposal.

Following the submission of its Initial Proposal on September 1, 2010, Timmins and M Partners tried on numerous occasions to contact both Cormark and CGC by telephone in order to discuss the Initial Proposal. Despite all of Timmins efforts to engage with CGC, Cormark and CGC did not respond.

On September 3, 2010, M Partners sent a letter to Cormark setting out the advantages of the Initial Proposal, reiterating Timmins desire to come to a mutually beneficial agreement to acquire CGC and confirming its willingness to take the steps necessary to achieve that result. Neither Cormark nor CGC responded, and because September 3, 2010 was the date that the CIM indicated that bidders would be notified, M Partners sent a second letter expressing Timmins concern at having not been given an opportunity to present the Initial Proposal to CGC s board of directors.

On September 3, 2010, Timmins revised its proposal to increase the value of its offer by $0.50 per CGC Share, from $4.00 to $4.50, which also represented an increase in the exchange ratio from 2.02 to 2.27 Timmins Shares per CGC Share (the Revised Proposal). On that same day and as a result of Timmins efforts to communicate directly with CGC s board of directors, CGC denied Timmins request to meet in person but did agree to allow Timmins to present the Revised Proposal by conference call.

On September 7, 2010, a conference call took place among Mr. Bonillas and Mr. Bragagnolo on behalf of Timmins and John Cutler, Gary Huber and Stephen Cooper, each a member of CGC s board of directors, on behalf of CGC. Also participating on the call were representatives of M Partners and Cormark.

On the conference call of September 7, 2010, Messrs. Cutler, Huber and Cooper informed Mr. Bragagnolo that they constituted a special committee of CGC s board of directors formed to evaluate potential business combinations (the Special Committee). During this call, which lasted approximately 45 minutes, the Revised Proposal was presented and discussed. Neither the Special Committee nor its advisors engaged in any discussion regarding valuation or the value of the Revised Proposal. Timmins received no feedback or other communication from CGC following the conference call.

On September 9, 2010, Cormark advised Timmins that the Revised Proposal had been rejected.

On September 17, 2010, Timmins sent yet another letter to CGC s board of directors, again expressing its desire to enter into a mutually beneficial transaction and requesting that CGC provide an update on the bid process. In an effort to advance the process, Timmins requested that CGC respond with a firm time for the parties to meet and discuss the Revised Proposal by September 20, 2010.

On September 20, 2010, Timmins received a letter from CGC advising that CGC s board of directors had reviewed the Revised Proposal and determined not to accept it.

On September 27, 2010, Timmins issued a press release announcing that CGC had not been receptive to the Revised Proposal. The release outlined the key terms of the Revised Proposal and indicated that stockholders representing approximately 17% of the CGC Shares outstanding had signed agreements to support the Revised Proposal.

Later that day, CGC responded by issuing a press release announcing the bid process, the engagement of Cormark, the formation of the Special Committee and its receipt of the Revised Proposal from Timmins. CGC went on to state that the Revised Proposal, among others, had been rejected, and that the Revised Proposal was determined not to be in the best interests of CGC stockholders. It went on to indicate that the Special Committee was still considering CGC s strategic alternatives.

On October 1, 2010, CGC and Gammon issued a joint press release announcing that they had entered into the Gammon Agreement, pursuant to which CGC would become a wholly-owned subsidiary of Gammon.

On October 5, 2010, Timmins issued a press release announcing that stockholder support for the Revised Proposal had increased due to the terms of the Gammon Agreement.

On October 12, 2010, Timmins submitted a letter to CGC s board of directors, offering to acquire each outstanding CGC Share for 2.27 Timmins Shares, subject to the completion of confirmatory due diligence and termination of the Gammon Agreement. This represented a value of $4.63 per CGC Share, or a $0.17 premium per CGC Share over the Gammon offer. The letter also advised CGC s board of directors that Timmins was willing to enter into a merger agreement on terms more favorable to CGC stockholders than those contained in the Gammon Agreement. In Timmins view, its proposed transaction clearly constituted a superior proposal under the terms of the Gammon Agreement (a Superior Proposal).

On October 14, 2010, Mr. Bragagnolo received a letter from counsel to CGC advising him that the Special Committee had rejected the Revised Proposal and determined that it did not constitute a Superior Proposal.

On December 2, 2010, Timmins reaffirmed its commitment to the Revised Proposal in a letter to CGC s board of directors. In the letter, in addition to Timmins offer of 2.27 Timmins Shares for each CGC Share, Timmins also offered to reduce the termination fee to 1% of the equity value of the transaction compared to approximately 3.6% in the Gammon Agreement, eliminate the five-day matching right afforded to Gammon, eliminate the $2 million unilateral termination right afforded Gammon and to delete a number of conditions which individually and as a whole presented issues with the certainty of closing the Gammon transaction. Timmins also expressed its dissatisfaction with the manner in which Timmins had been treated in the process and explained why it believed that a merger of Timmins and CGC would be beneficial to CGC shareholders.

Timmins issued a press release the next morning, which included the letter to CGC s board of directors and stated that such letter was Timmins final request to CGC s board of directors.

On December 5, 2010, CGC responded by issuing a press release announcing that CGC s board of directors had rejected the Revised Proposal and determined that it did not constitute a Superior Proposal.

On December 21, 2010, a representative of Shearman & Sterling LLP, legal advisor to Timmins, contacted a representative of Ellenoff Grossman & Schole LLP, legal counsel to CGC, to inquire as to the legal basis, given that the Revised Proposal represented a significant premium to the Gammon offer and that CGC s share price had consistently traded in excess of the Gammon offer, on which CGC continued to refuse to engage in discussions with Timmins. The representative of Ellenoff Grossman acknowledged that the Revised Proposal represented a significant premium to the Gammon offer and that CGC s share price had consistently traded in excess of the

Gammon offer but stated that CGC s board of directors, based on advice from Cormark, believed that Timmins did not have sufficient funds to pay the $10.3 million termination fee required by the Gammon Agreement (the Gammon Fee), and therefore the Revised Proposal could not constitute a Superior Proposal. The representative of Shearman & Sterling responded that he did not believe that the inquiry as to whether Timmins could fund the Gammon Fee was appropriate under Delaware law or required under the Gammon Agreement, and that such a line of inquiry may suggest that the Gammon Fee precludes CGC s board of directors from considering alternatives to the Gammon offer. The representative of Shearman & Sterling then stated that he understood that Timmins was confident that it could fund the Gammon Fee.

On December 28, 2010, a representative of Ellenoff Grossman contacted the representative of Shearman & Sterling and advised that CGC s board of directors was prepared to meet with Timmins to discuss the Revised Proposal.

On December 30, 2010, Ellenoff Grossman and Ballard Spahr LLP, counsel to the M&A Committee of CGC s board of directors (the CGC Committee), sent a draft mutual non-disclosure and confidentiality agreement to Shearman & Sterling, which after a period of negotiation and revision was executed on January 4, 2011. During that period, the parties also agreed that they would meet on January 6, 2011 at the offices of Ballard Spahr in Philadelphia, Pennsylvania.

On January 4, 2011, at the request of Timmins, each of Sprott and RBC Global Asset Management entered into a support agreement with Timmins, pursuant to which they agreed to tender all of their CGC Shares in the Offer, and also agreed to cause their CGC Shares to be voted in favor of a consent solicitation to remove and replace CGC s current board of directors, against the adoption of the Gammon Agreement and in favor of any other matter necessary to the consummation of the Offer. RBC indicated that it supported Timmins proposal because it believes Timmins proposal is superior to the Gammon offer.

On January 6, 2011, the parties met at the offices of Ballard Spahr in Philadelphia, Pennsylvania. In attendance were John Cutler, Chairman of the CGC Commitee, Stephen Cooper, Chairman of CGC s board of directors and a member of the CGC Committee, Gary Huber, a member of CGC s board of directors, Christopher Chipman, Chief Financial Officer of CGC, as well as representatives from Ballard Spahr, Ellenoff Grossman, Cormark, and Mr. Bragagnolo, as well as representatives of Shearman & Sterling and M Partners. Mr. Bragagnolo and M Partners made a presentation which primarily related to Timmins and the re-rating that both Timmins and CGC shareholders could benefit from as a result of a merger of equals transaction. Timmins also advised CGC that Timmins had written support agreements from stockholders representing approximately 20% of the CGC Shares outstanding and written indications of support from stockholders representing approximately a further 15% of the CGC Shares outstanding. During and following the presentation, CGC s representatives asked several questions regarding Timmins ability to pay the transaction expenses associated with its proposal, including whether Timmins could fund the Gammon Fee. On three occasions during the meeting, Mr. Chipman asked how Timmins would fund the $3.6 million in change of control payments that may be payable to three executive officers of CGC, including Mr. Chipman. Mr. Bragagnolo advised that he expected that the combined company would have sufficient cash to fund the transaction expenses, including the Gammon Fee. Mr. Bragagnolo also stated that Timmins was confident that it could raise funds in the market if necessary to fund the transaction expenses and future capital expenditures, to which M Partners and Cormark concurred. The representatives of CGC also asked whether Timmins would grant board representation to members of CGC s board of directors. Mr. Bragagnolo indicated that this was something that Timmins could consider but that he did not want to appear to be offering the members of CGC s board of directors an inappropriate inducement to support the Revised Proposal. CGC then excused Timmins and its advisors from the meeting. CGC subsequently invited Timmins and its advisors to rejoin the meeting. CGC and its representatives advised Timmins that CGC would need to conduct extensive due diligence on Timmins, including sending experts to the San Francisco Mine. Timmins representatives indicated that Timmins was prepared to provide CGC with due diligence materials but that in light of the circumstances (including that CGC could have conducted such due diligence in August and September of 2010 and that CGC had already completed a site visit to the San Francisco Mine), such due diligence should be targeted in scope and completed expeditiously.

On January 10, 2011, a representative of Ellenoff Grossman e-mailed Timmins a seven-page, generic Due Diligence Request List, as well as a four page financial Preliminary Document Request List. Representatives of Timmins advised representatives of CGC that while Timmins was prepared to provide CGC with material and relevant information necessary to assist CGC s board of directors in concluding that Timmins proposal constitutes a Superior Proposal, the requests sent by Ellenoff Grossman did not suggest that CGC was prepared to proceed with due diligence in a targeted and expeditious manner.

On January 12, 2011, Mr. Hazlitt and representatives of SRK Consulting, CGC s independent mining consultant, participated in a conference call with Mr. Bragagnolo and representatives of Micon International Limited, Timmins independent mining consultant.

On January 14, 2011, Mr. Hazlitt and representatives of SRK visited the San Francisco Mine.

On January 18, 2011, Mr. Cutler sent a letter to Mr. Bragagnolo indicating that Timmins had not adequately responded to CGC s due diligence requests. The letter closed with the following paragraph: The M&A Committee of the [CGC] Board hereby requests that you immediately cooperate with the Company [CGC] in its efforts to conduct thorough legal, operational, regulatory, technical and financial due diligence including, but not limited to, written evidence of your repeated representations that Timmins has: (i) the cash to pay the break fee that the Company is obligated to pay pursuant to the Gammon agreement if it pursues a transaction with Timmins and (ii) adequate resources to satisfy other financial obligations to consummate a merger with the Company [CGC]. Absent immediate and thorough due diligence, the [CGC] Board is unable to make the determination of whether the proposal submitted by Timmins constitutes a Superior Proposal.

On January 18, 2011, a representative of Ballard Spahr contacted a representative of Shearman & Sterling regarding the foregoing letter. The representative of Ballard Spahr indicated CGC s disappointment and concern that more due diligence materials had not been provided.

On January 20, 2011 Mr. Bragagnolo sent a letter to CGC s board of directors, which stated: We are in the process of compiling the technical information requested by SRK and should have such information available in a confidential data room no later than the middle of next week. As you can appreciate the list is quite extensive. In addition we are compiling our most recent financial information and will forward you such information in the same time frame. We are confident that after receipt of such information you will be able to arrive at the conclusion that the Timmins Gold proposal, which today was $0.80 higher than the Gammon offer, is superior.

On January 27, 2011, a representative of Ballard Spahr contacted a representative of Shearman & Sterling and advised that CGC had exhausted its patience and that the CGC Committee had serious concerns about Timmins ability to pay the Gammon Fee. The representative of Shearman & Sterling explained that, other than additional due diligence requests, Timmins had received no feedback from CGC regarding its due diligence on the San Francisco Mine, and had been awaiting such feedback. The representative of Shearman & Sterling also explained that Timmins had been collecting information but has a limited corporate staff to review the request and compile the information. After the call, Mr. Cutler sent the following letter to Mr. Bragagnolo.

VIA E-MAIL AND COURIER

January 27, 2010 [sic]

Mr. Bruce Bragagnolo

Chief Executive Officer

Timmins Gold Corporation

Suite 520 609 Granville St

Vancouver, BC, Canada V7Y 1G5

Re: Capital Corporation (the **Company**)

Dear Mr. Bragagnolo:

On January 6, 2011, the M&A Committee (the Committee) of the Board of Directors of the Company (the Board) met with you (the January 6 Meeting) and your advisors to assist in its determination whether the proposal submitted to the Company by Timmins Gold Inc. (Timmins) was a superior proposal (Superior Proposal) as that term is defined in the merger agreement by and between the Company and Gammon Gold Inc. (the Gammon Agreement). At that meeting, we clearly stated that, consistent with our fiduciary obligations, we are required to perform thorough due diligence before we can make a determination as to whether your proposal constitutes a Superior Proposal. As such, we committed to perform such requisite due diligence expeditiously and also informed you that we have an operational and financial due diligence team prepared to perform on-site due diligence. Further, on January 9, 2011, we retained SRK to conduct operational due diligence at the Timmins San Francisco mine.

On January 10, 2011, our counsel transmitted to you and your counsel due diligence requests (the Diligence Requests), copies of which we again transmitted to you on January 18, 2011. To date, we have received no response to our Diligence Requests, nor have we received responses to our requests to conduct on-site financial and books and records due diligence. On January 14, 2011, Mr. Scott Hazlitt, the Company s Chief Operating Officer, visited the San Francisco mine with SRK and was given limited access to information. Subsequent to that visit, we have on several occasions made repeated requests to obtain access to the remaining, requisite due diligence. On January 20, 2011, you advised us that we would receive access to a data site with technical due diligence specifically requested by SRK (the SRK Diligence), together with financial due diligence, on or before Wednesday, January 26, 2011. That date has since passed, and you have not provided us access to complete the SRK Diligence.

It is now three weeks since the January 6 Meeting. Despite our repeated efforts, we have not been given access to the SRK Diligence, nor have you responded to the Diligence Requests. In fact, we have not been advised of the location, or given access to, the Timmins mining records, nor have we been advised of the location of, or given access to, the Timmins financial books and records or with whom we should meet to conduct requisite financial diligence. Each of the abovementioned requests is crucial to our analysis. We do not believe our requests have been overly burdensome and do not believe that a response to our requests should require a significant amount of time. We have just been notified that some material purportedly responsive to these requests will be or is now being transmitted to us.

The Board s determination that the Timmins proposal was likely to lead to a Superior Proposal and its decision to have the January 6 Meeting with Timmins was based, in part, upon your counsel s representation, which you reiterated at the January 6 Meeting, that Timmins has the capacity to pay the break fee required by the Gammon Agreement. We have repeatedly requested verification with respect to this representation and, to date, have been given nothing that confirms Timmins ability to pay the break fee, or any other costs and expenses associated with a transaction with Timmins.

Based upon representations made by you and your advisors, the Company has gone to considerable expense and devoted significant resources with respect to the determination of whether the Timmins proposal is a Superior Proposal. In order to determine whether the Timmins proposal is a Superior Proposal, we require a complete response to: (i) the Diligence Requests, (ii) the SRK Diligence, and (iii) proof that Timmins has available funds to immediately pay the break fee. We have made every effort to conduct due diligence in an expeditious manner, but our requests for information have not been adequately addressed. If you are serious about your proposal and wish us to have the information necessary to make a determination of whether the Timmins proposal is a Superior Proposal, please provide us with a complete response no later than the close of business at 5:00 p.m. New York time, January 28, 2011.

Very truly yours,

Mergers & Acquisitions Committee Board of Directors of Capital Gold Corporation

By: John Cutler
Name: John Cutler
Title: Chairman of M&AC

On January 27, 2011, Timmins sent a significant quantity of operational data by email to CGC. Mr. Bragagnolo also sent the following email to Mr. Cutler We have just downloaded around 200 megs of technical information to Scott Hazlitt. Tomorrow morning I will forward the financial information, a response to the legal questions and scanned copies of our contracts. It has been a lot of work but it is now mostly done. We remain committed to getting the merger between Timmins Gold and Capital Gold completed. The extensive amount of documentation being delivered is evidence of our good faith. We will arrange a conference call with Mr. Klein for some time tomorrow to discuss next steps. We thank you for your cooperation in this matter. On January 28, 2011, Timmins sent a significant quantity of additional corporate and financial data by email to CGC.

On February 1, 2011, without any further discussion with Timmins, Mr. Cutler sent Mr. Bragagnolo the following letter:

VIA E-MAIL AND COURIER

February 1, 2011

Mr. Bruce Bragagnolo

Chief Executive Officer

Timmins Gold Corporation

Suite 520 609 Granville St

Vancouver, BC, Canada V7Y IG5

Re: Capital Gold Corporation (the Company)

Dear Mr. Bragagnolo:

On January 31, 2011, the Board of Directors of the Company (the Board), based upon the recommendation of the M&A Committee of the Board (the Committee) has made the determination that the proposal submitted by Timmins Gold Corporation (Timmins) does not constitute a Superior Proposal (as that term is defined in the Agreement and Plan of Merger between the Company, Gammon Gold Inc. and Capital Gold Acquireco, Inc. dated October 1, 2010, as amended), and as such, the Board has determined to terminate its consideration of the Timmins proposal. This determination incorporates a review of the due diligence materials provided by Timmins through January 28, 2011. Each of the members of the Board considered the factors he considered relevant in making this determination. Some of the factors considered by various members of the Board for terminating discussions with Timmins include the following:

Financial Concerns

We have significant concerns regarding Timmins financial position if we were to consummate the proposed transaction. First, Timmins consolidated financial statements for the quarter ended September 30, 2010 were prepared assuming that Timmins will continue on a going-concern basis. Timmins has incurred losses since inception and Timmins ability to continue as a going concern depends upon its ability to achieve profitable operations or to continue to raise adequate financing. As of September 30, 2010, current liabilities were in excess of current assets and cash and cash equivalents was approximately $3.9 million. The working capital deficit was approximately $8.0 million as of September 30, 2010. Cash and cash equivalents were approximately $4.3 million as of December 31, 2010, as provided by you in due diligence materials. This represents an increase of cash and cash equivalents of only $0.4 million during the quarter ended December 31, 2010. Second, although you indicated that Timmins had the ability to pay the termination fee by including certain gold sale receivable and IVA receivable balances within cash and cash equivalents, you stated that Timmins net cash position as of December 31, 2010 was only $8.6 million. This is insufficient to pay the termination fee and other fees and expenses associated with the proposed transaction. Further, we believe that gold sale receivables and IVA receivable balances are not forms of cash that can be used to pay the termination fee and other costs associated with consummating a transaction with the Company and therefore should not be included in cash and cash equivalents. Based on the information you provided, paying the termination fee would put Timmins in a position where it may have to delay vendor payments, which we believe would cause financial issues for Timmins. We believe, based on the information provided by you, that even if Timmins was able to pay the termination fee and other transaction costs, it may significantly hinder Timmins ability to continue day-to-day operations. We cannot recommend a proposal to our stockholders where we have these concerns about the financial viability of the combined entity.

It appears that you do not opine on the effectiveness of Timmins internal controls over financial reporting on an annual basis. As you are aware, the Company and its auditors are required by the Sarbanes-Oxley Act of 2002 to opine on its internal controls. We also noted that the audit opinion provided by Timmins external auditor did not opine on the effectiveness of Timmins internal controls. A chief financial officer would play a key role in maintaining internal controls over financial reporting, however, this position, as you represented, is outsourced. If disclosure controls and procedures and/or internal controls over financial reporting were found to be ineffective or if a material weakness or significant deficiency in Timmins financial reporting were disclosed, investors may lose confidence in the reliability of Timmins financial statements, which may adversely affect Timmins financial results or its stock price. The recent restatement of Timmins financial statements further accentuates this concern.

Management Concerns

Based upon discussions with Timmins management and the due diligence materials received, we have concerns over the current management structure and experience level and its ability to successfully consummate and integrate a transaction with the Company.

Operational Concerns

We have concerns regarding Timmins ability to execute on its growth plans. We note that in Timmins most recent Annual Information Form filed on January 26, 2011, Timmins is planning to increase the crusher capacity to 18,000 tons per day at a cost of $11.2 million. This capital expenditure is necessary to increase production to the life-of-mine levels set forth in Timmins 43-101 report. This expenditure is planned for the fiscal quarter ending June 30, 2011 with commissioning anticipated in July 2011. Based on Timmins current cash position and after paying the termination fee and transaction costs, and ordinary course payments such as anticipated property payments, exploration costs and loan repayments, we are skeptical that cash on hand and cash flow from operations will be sufficient to generate the funds necessary to implement the revised mine plan in accordance with the time frame set forth in the 43-101 report.

We noted that the press release dated January 20, 2011 disclosed that Timmins mined an average grade of 0.939 g/t during the quarter ended December 31, 2010. During our meeting on January 6, 2011, you had represented that the mine was mining at a level of 0.81 g/t. We have concerns over the large variance between the life-of-mine grade disclosed in the 43-101 report of 0.695 g/t and the actual grade that has been mined at the project to date and what impact this has on the mine life.

Based on the extraction being approximately 52% project-to-date, we have concerns as to whether 70% recovery is achievable in the near term, especially considering that you only have actual results from leaching the first lift on your leach pad.

The Timmins press release dated January 20, 2011 disclosed that life of mine cash costs were anticipated to be $489, which is now consistent with Timmins 43-101 report. Our due diligence showed that, for the six months ended September 30, 2010, actual cash costs have been at an average of approximately $650 per ounce sold. Timmins will have to decrease its cash costs significantly to achieve the levels documented in its 43-101 report and we have concerns whether Timmins will be able to achieve this goal in the near term.

We thank you again for your interest in consummating a transaction with the Company. However, for the reasons set forth above, we have concluded that the Timmins proposal is not a Superior Proposal and will not be engaging in further discussions regarding the Timmins proposal.

Very truly yours,

Mergers & Acquisitions Committee Board of Directors of Capital Gold Corporation

By: /s/ John W. Cutler
Name: John W. Cutler
Title: Chairman of M&AC

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On February 8, 2011, Mr. Bragagnolo sent the following letter to CGC s board of directors, which it also included in a press release.

BY EMAIL AND COURIER

February 8, 2011

Board of Directors

Capital Gold Corporation

76 Beaver Street, 14th Floor

New York, NY 10005

Attention: John Cutler Chairman of the M&A Committee

Re: Due Diligence

Gentlemen:

This letter is in response to your letter of February 1, 2011. We take issue with both its contents and timing.

You invited us to meet in Philadelphia on January 6, 2011 based on your conclusion that our proposal may reasonably lead to a superior proposal as defined in your agreement with Gammon. Given that the value of our proposal has long exceeded Gammon s offer, such a decision was long overdue.

We attended the January 6 meeting seeking your acknowledgment that our proposal provides greater value to Capital Gold shareholders so that you could commence the matching period under the Gammon agreement, which would have given Gammon the option to increase its offer to match our proposal. Thus, our proposal provided you the exceptional opportunity to realize greater value for your shareholders, either with Timmins Gold or through an improved offer from Gammon.

At the January 6 meeting, you asked us questions about (i) our financial position particularly whether we could fund a $10.3 million payment to Gammon, $3.5 million of change of control payments and other expenses and (ii) our operations particularly about our gold recoveries and cash costs. We responded to your queries and offered to provide supporting materials.

At the conclusion of the meeting, you advised that you could not conclude that our proposal constituted a superior proposal without performing thorough due diligence on Timmins Gold. That you needed to do confirmatory due diligence was perfectly reasonable. However, given (i) that you had considered a merger with us in July, August and September 2010 and, therefore, had performed some prior due diligence, including two site visits to our San Francisco mine in July and August 2010, and (ii) the contested nature of the proposed transaction, we expected that your diligence would be targeted and expeditious. Instead you sent us generic due diligence requests. This caused us to become skeptical about the nature of your due diligence requests. As a result, we suggested that you focus your attention on our San Francisco mine to ensure you could be satisfied as to our operations. We expected this to be the essential focus of any due diligence.

To that end, on January 12 (two days after receipt of your diligence request list), we arranged for a conference call to discuss the San Francisco mine and our operations, and made our independent mining consultant, Micon International, available to you. On January 14 (four days after receipt of your due diligence request), we arranged for Scott Hazlitt and representatives of your independent mining consultant, SRK, to conduct (another) site visit to the San Francisco mine. SRK subsequently delivered a voluminous due diligence request list. On January 18, we received the following email message from Scott Hazlitt: Thank you very much for an excellent visit of your mine last Friday. The four SRK engineers that accompanied me were also impressed with your operation and personnel. Please thank Arturo and Daniel for their help with the visit. We look forward to completion of due diligence by the SRK Consulting group.

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That was your last communication about the mine and our operations. You never raised any issues about our operations gold recoveries, cash cost or otherwise. Nevertheless, you continued to push to receive responses to all of your due diligence requests.

On Thursday, January 27, and Friday, January 28, after substantial effort, and within the deadline set out in your January 27 letter, we provided you and SRK with approximately 120 megabytes of requested operational and financial information.

Less than three days later, on January 31, you met and on the recommendation of the M&A Committee made the determination to terminate discussions with Timmins Gold. The following day, on February 1, you sent us a letter informing us that you were terminating discussions with Timmins Gold.

Your February 1 letter raises a number of issues regarding our finances, management team and operations that you claim to have identified in and unable to satisfy through your due diligence. We note that you reached your decision to terminate discussions with us less than three full days after we sent you a very large volume of material and without raising any of your concerns with us. That you could come to a conclusion so quickly without any dialogue with us or our independent mining consultants either to fulfill your own stated fiduciary duties or even as a courtesy leaves us wondering how thorough or fair your due diligence process was. In fact, the information we delivered to you on January 27 and 28 provides all of the answers to your queries about our operations.

The statement in your February 1 press release that your decision to terminate discussion with Timmins was based upon Capital Gold s review of Timmins due diligence materials is vague and perhaps even misleading. It is also damaging to Timmins Gold and, therefore, we need to address each of the concerns you raise.

Finances

1) You state that our cash and cash equivalents increased by only $0.4 million during the quarter ended December 31, 2010 and, therefore, you question whether we can continue as a going concern.

Response: Included in expenditures during the quarter were exploration ($1.1 million), on-going expansion project ($1.3 million) and the vendor loan payment ($1.7 million). We also paid $6.8 million on the gold loan and only have 6 more payments left. We are cash flow positive and are able to fund our ongoing expenditures with cash flow from operations. We would be able to fund the ongoing expenditures of the merged companies from operations had the termination fee with Gammon not been in issue.

2) You question our ability to fund the termination fee that could be payable to Gammon.

Response: Putting aside whether this is an appropriate line of inquiry or is evidence that your agreement with Gammon is preclusive, we have sufficient funds to pay Gammon if required. As we stated at the meeting in Philadelphia and consistent with the materials we provided, such a payment would deplete our funds and, therefore, if required to fund the payment to Gammon as matter of prudency we would likely seek additional capital. We further advised you on January 6 that Timmins Gold was quite capable of raising additional funds necessary to complete the transaction with Capital Gold. Our recollection is that your financial adviser agreed that we could raise such capital. We advised you that we were prepared to engage in further discussions with you to discuss the amount and timing of such financing; however, we did not hear back from you.

3) You state that neither Timmins Gold nor its auditors opine as to the effectiveness of Timmins internal control over financial reporting on an annual basis.

Response: Neither Timmins Gold nor its auditors is currently required to opine as to the effectiveness of our internal controls. Thus, this concern is an absolute red herring. However, as you well know, in connection with a merger with Capital Gold we will become subject to such requirements and have sufficient time to comply.

Management

You state that you are concerned about our current management structure and experience level and our ability to successfully consummate and integrate a transaction with the Capital Gold.

Response: This concern has no basis in fact and is inconsistent with our historic performance, our track record of executing our business plan, our demonstrated ability to raise capital and investors confidence in management. We need only point you to the fact that a significant portion of your shareholders favor a transaction with Timmins Gold to refute this unfounded concern.

Operations

1) You question our ability to fund expansion of the San Francisco mine.

Response: The expansion of the San Francisco mine to increase crushing capacity to 18,000 tonnes per day, including additional leach solutions handling and ADR plant expansion, has commenced. The expansion activities were observed by, and discussed with, SRK personnel on their site visit.

We expect to spend approximately US$5.2 million for the expansion, which we plan to complete in June 2011. We have already incurred about 30% of such cost, which we have funded with cash from operations, and foresee no issue financing the balance with cash from operations. The projected capital expenditures for this expansion were published in our latest NI 43-101 report on new mine reserves, dated as of November 30, 2010, which was prepared by Micon (the Technical Report).

2) You question whether the life-of-mine grade disclosed in the Technical Report of 0.695 g/t can be achieved in light of the actual grade that has been mined at the project to date, what impact this may have on the mine life and whether 70% recovery is achievable in the near term.

Response: Our mine production program is clearly outlined in the Technical Report, as well as in our response to SRK s due diligence questionnaire (please see page 8 of our response to point 1.10). Our previous mine reserve estimates (based on a preliminary feasibility study in March 2008) assumed a gold price of US$500 per ounce and a cash operating cost of US$7.38 per tonne of ore processed. In contrast, the Technical Report utilized a price of gold of US$900 per ounce (an increase of 80% from the preliminary feasibility study) and a cash operating Life of Mine (LOM) cost of US$7.88 per tonne of ore processed (an increase of 6.8% LOM from the preliminary feasibility study). As a result of the updated estimates utilized in the Technical Report, the cut-off grade was reduced from 0.22 g/t Au to 0.16 g/t Au. That is, we are now able to process lower grade gold. Previously, the average grade of our reserve was 0.84 g/t Au, whereas in our new plan the average gold grade in our reserve is 0.695 g/t Au, a reduction of 17 % in the gold grade processed. This is reflected in a corresponding 17% increase in the LOM cost per ounce processed from US$417 per ounce of gold to US$489 per ounce of gold. However, our costs per tonne only increased by 6.8%, which is primarily attributable to inflation. Higher prices of gold coupled with a small increase in operating costs increased the value of our mine. At US$1,000 per ounce of gold, our projected NPV (at an 8% discount rate) in 2008 was US$131.8 million, compared to a current NPV of $216.8 million. Given that, at the end of December 2010, we were projecting an after-tax profit, the San Francisco mine s NPV had an increase greater than US$100 million.

While the above response deals with the technical aspects of your concern, all of which is included in the due diligence materials we delivered to you, let us get to the heart of the matter. It seems that you are suggesting that we are high grading the San Francisco mine. This is not the case. We have mined out all ore reserves above cut off grade, initially 0.22 g/t Au and now 0.16 g/t Au. We have stockpiled lower grade material for processing in the future when our expansion is complete. High grading is not mining the ore grade, whereas we are mining all of our ore above cut-off grade. As prudent operators, we will make a strategic decision based on gold price and cash flow as to when to process lower grade ore.

In addition, we continue to extract and recover at a rate of 70% as predicted in our mine plan. As you should know, heap leach operations across the globe typically have a leach cycle of at least three months before they actually begin recovering and selling gold. Again, all of this information was delivered to you in response to SRK s due diligence requests. Please refer to pages 1, 2, 3 and 9 of our response report and points 1.1 and 1.2 of SRK s due diligence request list.

3) You question whether the $489 cash cost per ounce disclosed in the Technical Report can be achieved in the near term in light of historic cash costs.

Response: First, the $489 cash cost per ounce is a LOM estimate, not a near term estimate. You know this (or should know this). Second, our operating costs have been (as expected) higher in the beginning of production and are expected to gradually reduce to projected levels over time. There are two components to a ramp up year. The first is the higher initial strip ratio required to access the ore, and the second is the leach cycle of gold extraction. On our new mine plan, during the first year of production we have a strip ratio of 3.4, compared to a projected LOM strip ratio of 1.9, and projected strip ratios of 2.0, 2.0, 1.6 and 1.1 in years 2 through 5, respectively.

The other cost component is the leach cycle. All heap leach operators across the globe go through the same process. Our operating costs are in line with projected LOM costs. Remember that we just began commercial production in April 2010 and at September we were still in a ramp-up production cycle.

If you have any concerns based on information or a report provided to you by SRK we suggest that you provide us with a copy of that report so the we and our consultants can address such concerns.

* * *

As our responses demonstrate, all of the concerns expressed in your February 1 letter could have been alleviated had you taken the time to discuss such concerns with us or allowed SRK the time to complete its report. The fact that you have again rejected our clearly superior proposal without any dialogue and less than three full days after we have sent you extensive due diligence materials is disappointing. Unfortunately, it is consistent with your past behaviour toward us and seems to confirm that our skepticism regarding your due diligence process was well founded.

Sincerely,