

Emerging Gold Producer Offering Investors an Attractive Opportunity -- Timmins Gold Corp.

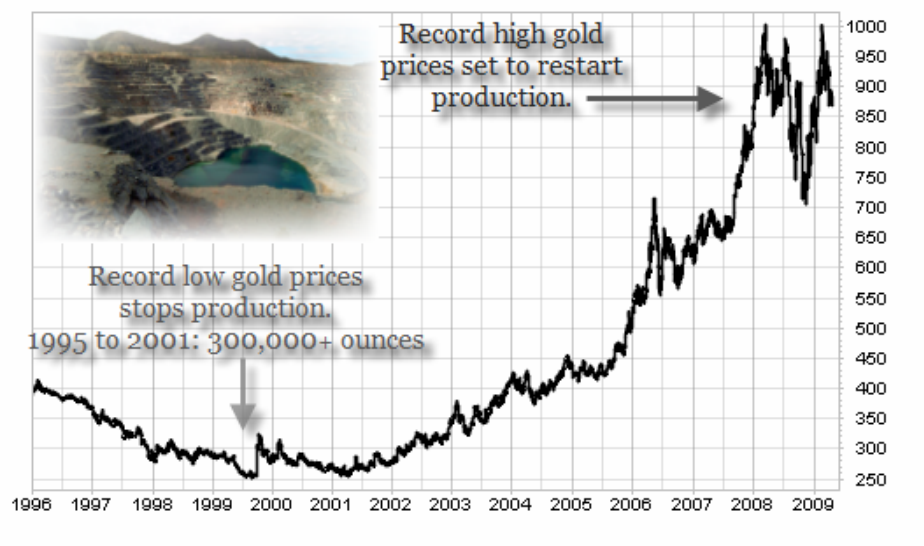
By: [Peter Spina](#), GoldSeek.com

Selecting the Right Investments in a Competitive Market

Gold investors have an array of investment choices to consider. Hundreds of senior, junior and exploration companies are looking for investment capital in an *increasingly competitive environment*. The time in the bull market cycle where even the less attractive gold companies will perform well has yet to arrive. Therefore, *investors must focus their investment research on companies that have "the right story" if they wish to outperform the sector.*

In the past years I have profiled various unique investment choices. My investment strategy changes as market dynamics do, but my primary focus (outside of finding capable management teams) continues to be on mining companies with cash flow or soon to be cash flowing situations. Narrowing down my list of criteria, Mexico's appeal is among the most important locales when searching for an attractive and stable mining friendly environment – an increasingly significant factor when selecting a lower risk mining locale.

So a year back, I ventured down to the northern Mexican state of Sonora, home to many mining operations and ever growing exploration activity. This trip's focus was on Timmins Gold's **past producing**, open-pit heap leach gold mine just an hour north of Hermosillo, Sonora. Shut down due to the weak gold price at the time, the mine produced over 300,000 ounces of gold from 1995 – 2001 [see gold price chart above: 1996-2009].



With gold no longer trading at uneconomical levels, roughly \$600 an ounce higher since 2001, once profitable mining operations are attracting new investors looking to benefit from record gold prices. The San Francisco Gold project is one of these limited opportunities which is now set to reopen and start extracting the wealth that resides just off the major thoroughfare between **Hermosillo and Tuscon, Arizona**.

Timmins Gold Corp. acquired full ownership in the past producing San Francisco gold mine just a few years ago. Since then Timmins Gold has produced a **43-101 compliant resource** of over 600,000 gold reserve ounces, advanced the project to pre-feasibility stage and now has made the decision to **commence producing gold as early as fall 2009**. Preliminary economics of the project were recently released and investors will likely concur with my assessment that **current market valuations offer investors large upside potential to this emerging gold producer.**

Here is an overview of the San Francisco Gold Project.

San Francisco Gold Mine – Economics:

- \$412/ounce cash costs
- 80,000 ounces/year production
- \$40 million a year in cash flow assuming \$912 gold
- Fully diluted share structure estimated to be around 100 million shares = \$0.40+/share in cash flow



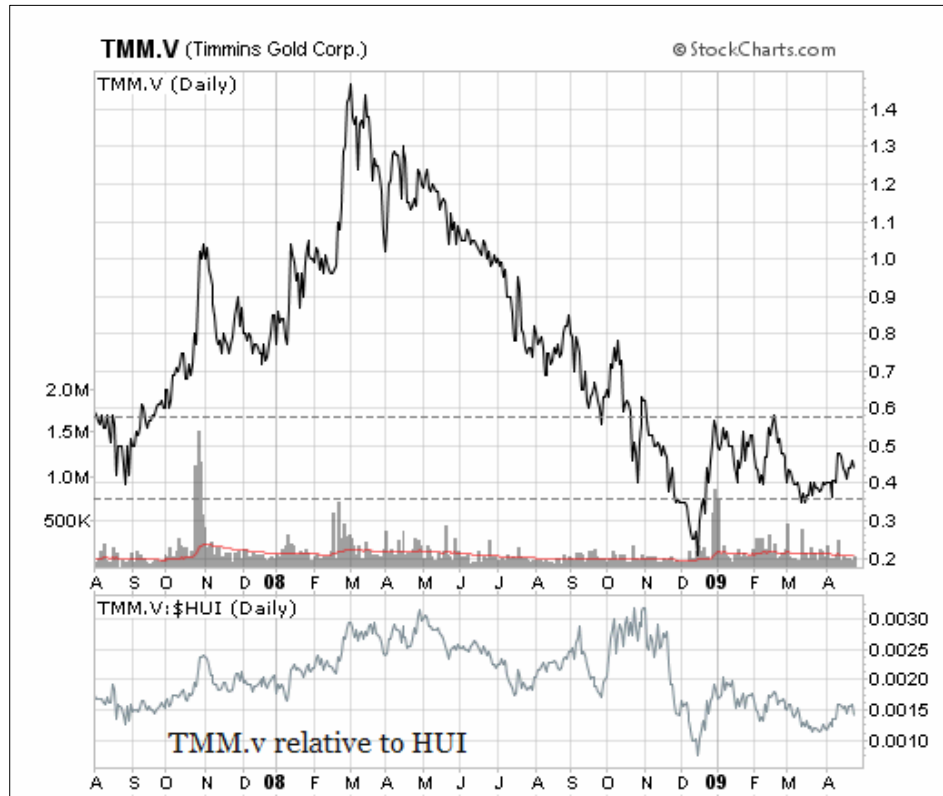
Brand new crushing system – 95% complete.

San Francisco Gold Mine – Additional Information:

- 11,000 tons/day crushing operations
 - New crushing system 95% construction completed
 - Production capacity 100,000 ounces
- Heap leach pads are being completed
- Refurbished gold mill on site
- Permits: All in place
- Initial 5-year open pit mine life
 - Potential to expand mine life
 - 42,000+ hectares property
 - Sizeable upside deposit growth through exploration
 - High potential for 1+ million economically recoverable gold ounces
- Past production 300,000+ ounces (1996-2001)
 - 13.5 million tonnes of ore grading 1.13 grams/tonne

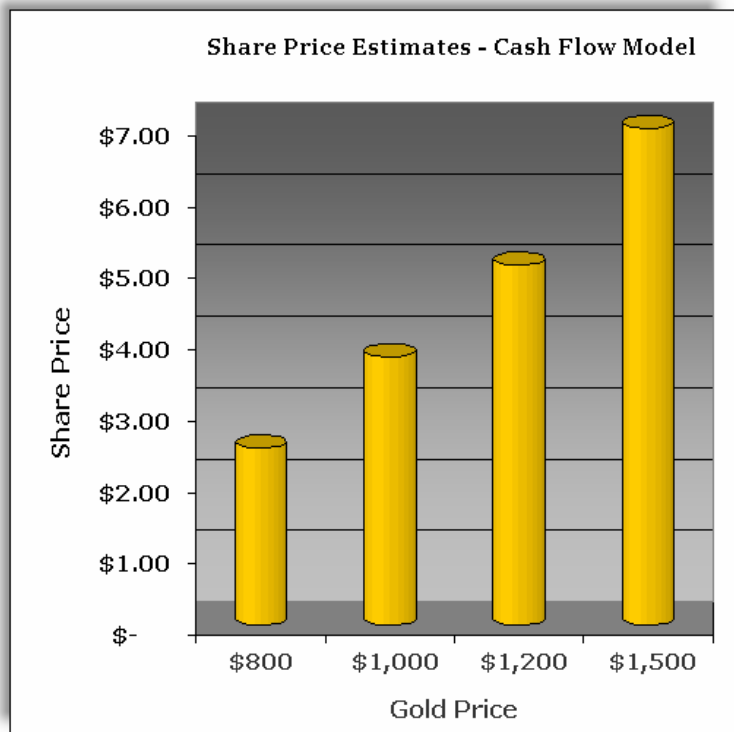
During the severe gold market correction in the later part of 2008, time tables were shifted as far as financings were concerned, project advancements, etc. Although Timmins Gold was not immune to this, it did not halt progress during the market meltdown. Construction continued and the project was advanced closer to production ready status. Currently the company is looking at the last stage of capital requirements to restart mining operations, around \$25 million – likely to be a combination of equity and debt. That equivalent amount has already been invested by Timmins into the San Francisco mining project to bring it to the current near-term production point.

Once the financing is complete, it should take roughly 100 days to begin gold production. So this could be considered one of the last remaining key risk factors to producing cash flow, certainly one of the reasons why the stock price has been depressed even as the general gold mining stocks have rallied. Taking a look at its share price history to the right, the stock remains stuck around \$0.40 Canadian, and with the recent strength in the US Dollar the share price is even less expensive for US investors. I believe once the financing is complete, likely within the next month or two, then we should see a repricing of the stock. From a pure technical perspective, the stock could see a solid move once it breaks above \$0.60 technical resistance.



Update: Timmins Gold has announced on April 28th that it has raised roughly \$5 million so far, with about 1/2 of that coming from Sprott Asset Management. The equity financing was done at C\$0.40 with a 1/2 share warrant at \$0.60.

Outside of technical charting, one popular method to provide a share price target for producing miners is to use cash flow analysis. So when comparing Timmins Gold to its industry peers, we see a range of 6 to 10+ times cash flow expansion multiples to determine the appropriate market capitalization (*note this is somewhat of a rudimentary method since investors would incorporate other criteria such as asset reserve life, other overhead costs, exploration projects, risk factors, etc..*).



Cash flow model chart data used:
8 * Cash Flow | 100M shares | \$412 Cash Cost

But using this method would provide Timmins Gold with a **\$2 - \$4** per share valuation range. I believe such a range is more likely to be achieved upon a couple quarters of successful and steadied operations, likely to be achieved in 2010.

This price target range is assuming the current gold price of \$900, which I believe has significant upside potential in the coming few years. Combine that with declining input costs, improving production inefficiencies (such as crushing the ore to under ½ inches) and profit margins could expand further.

Also, Timmins Gold has a pipeline of other exploration projects, some with production potential such as the Cocula Project which the company believes could be a low cost, small scale production project that could start production as soon as the end of 2010.

Therefore I continue to hold TIMMINS GOLD as one of my top 3 gold mining investments for the coming year+. I believe once production commences, the market will have or will be in the process of attributing a higher valuation to the stock and after months of consecutive production, Timmins can begin to move into the appropriate valuation range we see for its gold mining peers.



Timmins Gold Property Map.

The data above may be estimates and actual results are likely to vary. Investors have an array of data to assist in their research regarding Timmins Gold and the San Francisco Gold Project. Mine. Below are resources to help aid in your investment due diligence.

- Symbol: [TMM.v](http://www.timminsgold.com) | US routing symbol: [TMGOF](http://www.timminsgold.com)
- Website: www.timminsgold.com
- 43-101 Report: <http://www.timminsgold.com/i/pdf/NI43-101.pdf>
- Google Maps: [San Francisco Gold Open Pit Mine](http://www.google.com/maps/place/San+Francisco+Gold+Open+Pit+Mine)
- Google Earth: [San Francisco Gold Project](http://www.google.com/earth/#data=timminsgold.com)
 - o This requires the free Google Earth: <http://earth.google.com/>
- Company Contacts:

Bruce Bragagnolo, LLB.
Timmins Gold Corp.
Chief Executive Officer
(604) 638-8980
(604) 682-4003 (FAX)
bruce@timminsgold.com

Investor Relations:
Leighton Bocking
Corporate Development
(604) 638-8977
Email: leighton@timminsgold.com

Alex Tsakumis
Corporate Development
(604) 638-8976
Email: alex@timminsgold.com

Disclosure: I own shares in Timmins Gold, they are a paying advertiser on goldseek.com – I am positively biased.

Disclaimer & Additional Disclosure

The owner, editor, writer and publisher and their associates are not responsible for errors or omissions. The author of this report is not a registered financial advisor. Readers should not view this material as offering investment related advice. Authors have taken precautions to ensure accuracy of information provided. Information collected and presented are from what is perceived as reliable sources, but since the information source(s) are beyond our control, no representation or guarantee is made that it is complete or accurate. The reader accepts information on the condition that errors or omissions shall not be made the basis for any claim, demand or cause for action. Past results are not necessarily indicative of future results. Any statements non-factual in nature constitute only current opinions, which are subject to change. The information presented in stock reports are not a specific buy or sell recommendation and is presented solely for informational purposes only. The author/publisher may or may not have a position in the securities and/or options relating thereto, & may make purchases and/or sales of these securities relating thereto from time to time in the open market.

Nothing contained herein constitutes a representation by the publisher, nor a solicitation for the purchase or sale of securities & therefore information, nor opinions expressed, shall be construed as a solicitation to buy or sell any stock, futures or options contract mentioned herein. Investors are advised to obtain the advice of a qualified financial & investment advisor before entering any financial transaction.

GoldSeek.com is a leader in precious metals information, established in 1995 and ranked as one of the most visited gold resource website in the world. More information can be found at www.GoldSeek.com and the author may be contacted via: <http://www.goldseek.com/contact.php>