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## **Timing is everything for American Bonanza's Copperstone**

Eighteen months ago **American Bonanza Gold** (BZA-T, ABGFF-O) came to a crossroads. Should it continue to expand its resource at the past-producing Copperstone gold mine in Arizona or should it move the mine back into production faster with the resources it had. It chose the latter.

Today, Brian Kirwin, American Bonanza's president and chief executive and the company's founder, is convinced his management team made the right decision. The debt-free, unhedged junior is halfway through the permitting process and believes it can begin mining Copperstone from underground before the end of the year.

"We could have kept on drilling and shown a reserve of half a million oz. or something like that at these cutoff grades or we could get this thing into production so we made that decision," he says.

Bonanza has already accessed high-grade gold mineralization in the D-zone, north of the existing pit, which is scheduled for Year One mining production through a 600-metre-long underground tunnel. And the previous owners, Cyprus Minerals, who had run a 2,500-ton per day open-pit operation at Copperstone between 1987 and 1993 that produced 500,000 oz. gold, left behind key infrastructure including roads, a 69-kilovolt power line and substation, and three water wells.

According to a feasibility study released today, Copperstone has positive economics as a high-grade underground operation, which can produce on average 45,891oz. gold annually for the first three years, with a capital investment payback period of just 13 months.

The study outlines a total capital cost of US\$17.74 million, including working capital, startup costs, reclamation bonding, and contingencies. The study estimates cash production costs to be US\$415 per oz. gold produced.

The after-tax net present value or NPV is forecast at US\$51.29 million with an internal rate of return or IRR of 96.3% in the base case using a future gold price estimate of \$962 per oz. and a 5% discount rate. The base case envisions a production rate of 450 tons per day or 157,500 tons per year.

The study maintains that the mine can produce 256,430 oz. gold from the current proven and probable reserves during the course of its 6.3-year mine life. Actual gold recovered will be about 231,000 oz.

Bonanza says it is on track to complete permitting by the middle of the year. In November 2009, the U.S. Department of the Interior's Bureau of Land Management accepted the Copperstone mine plan.

Permit applications are now being prepared for the Arizona Department of Environmental Quality, the Arizona Department of Water Resources, the U.S. BLM (additional submissions), local governmental authorities, the U.S. Environmental Protection Agency, and other regulatory agencies.

One of the reasons why the company has sailed through permitting so quickly, Kirwin explains, is the nature of the rock. Copperstone is a hypogene oxide system that doesn't generate acid because it doesn't have any sulphides in it.

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"We knew there was a certain very special chemistry in the rock when we acquired it," Kirwin says. "This is very clean material. It lacks sulphides so it can't generate acid ... that is a huge benefit to the project's development timeline as well as to the environment."

Kirwin noted that the type of rock and the design of the mine has saved the company a year or more in the permitting cycle. "We've designed the mine with zero disturbance to federal lands and that's a key element to our design that allows us to go forward with rapid permitting."

Bonanza envisions a trackless underground mining operation, delivering ore to an on-site crushing, grinding, gravity concentration and flotation concentration. The flotation concentrate will be shipped off-site to a gold recovery plant in the southwestern United States. The mine and recovery plant have been designed to reduce capital costs and speed permitting timelines while maintaining high rates of return.

Copperstone has proven and probable reserves of 911,367 tonnes grading 8.75 grams gold per tonne for contained gold of 256,431 oz. The reserves were based on a resource cut-off grade of 4.5 grams gold per tonne and capped at 171 grams gold per tonne.

Measured and indicated resources are 941,357 tonnes grading 10.35 grams gold per tonne for 313,183 oz. gold with an additional inferred resource of 369,000 tonnes grading 12.21 grams gold per tonne for contained gold of 144,892 oz. The resources were based on a cut-off grade of 5.1 grams gold, and capped at 171 grams gold.

Copperstone has been designed primarily as a trackless drift and fill mining operation, with ramp access and paste backfilling. Mining dilution across the life of the project is estimated at 10.3%.

Metallurgical test work suggests gold recoveries of 90%.

At presstime Bonanza was trading up 4.5¢ or 28.13% per share at 20.5¢ per share with 2.9 million shares trading hands. Over the last year the stock has traded in a range of 5¢-19.5¢ per share and the junior has 118.3 million shares outstanding.

"These economics on the scale of a company like ours are extremely powerful," says Kirwin. "The entire deposit itself is wide open down dip...We could double the size of this mine and the number of inferred resources from our south target shows that -- it's wide open in all directions."