

Bonanza

AMERICAN BONANZA GOLD MINING CORP.
2003 Annual Report

Table of Contents

President’s Letter to Shareholders	2
Management’s Discussion and Analysis	3
Financial Information	
Management’s Responsibility for Financial Information.....	7
Auditor’s Report.....	8
Consolidated Balance Sheets	9
Consolidated Statements of Operations and Deficit.....	10
Consolidated Statements of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Corporate Information	25

PRESIDENT'S LETTER TO SHAREHOLDERS

The past year was a significant year in your Company's mission of becoming a highly profitable gold producer. During most of 2003 gold prices steadily improved to current levels in the US\$400 per ounce range. This price appreciation reflects global uncertainty, smaller supply resulting from reduced investment in exploration and development by the mining industry, and the continued decline in the US dollar. In this recovering gold market your Company raised the required equity capital to move forward with its exploration and development plans at the Copperstone project.

During 2003 the Company successfully: a) completed three equity financings, with warrant exercises, raising gross proceeds in excess of \$18 million, b) advanced the development of its Copperstone project in Arizona, and c) continued to explore and acquire other highly prospective exploration properties. The discovery potential of these properties may add substantial value as exploration continues.

Resulting from the equity financings, Goldcorp Inc. became the Company's largest shareholder, holding almost 10% of the Company's shares. Other institutions also became significant stakeholders in the Company. Corporate debt used for purposes of bringing your Company's ownership of the Copperstone project to 100% in 2002 was completely repaid. Bonanza is now debt free.

During the year the Company continued its underground exploration and development at the Copperstone project. The underground decline now extends from the northern end of the Open Pit over 1,800 feet to the north, intersecting the southern portion of the D-Zone high grade target. A cross cut was driven westward, into the footwall, to establish underground drill station number one. Underground channel and panel sampling programs demonstrated good continuity to the high gold grades in the southern portion of the D-Zone.

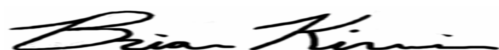
Current work programs at Copperstone fall into two main efforts. First, significant drilling programs are underway to convert resources to reserves and increase the confidence level of the resources to the measured and indicated resources categories. Second, substantial drilling and other exploration programs are underway to expand the resources through discovery of new gold zones. Three drills are currently active at Copperstone and more drills will soon be arriving to accelerate these efforts.

During the year exploration programs were completed on both the Gold Bar and Pamlico projects in Nevada, achieving very positive exploration results which warrant further exploration work in 2004. Bonanza recently acquired, by way of staking, a sizeable claim block in the historic Oatman Mining District of Arizona. A high grade silver property in the Belmont Mining district of Nevada was also staked. High quality targets are present on each of the Company's four exploration properties. The Company is evaluating these targets with a view toward planning drilling programs to explore new targets and follow up recent results.

Your Company is also implementing a more systematic communication plan to the investment community. We have launched a new website with new detailed information describing activities at the projects, and the results of those activities. This initiative, and continuing drill results from Copperstone and the other exploration projects should continue to unlock the full value of your Company's assets.

My thanks go out to the Directors of the Company. Their support was essential to the Company during the year. Bonanza is also pleased to welcome Mr. Ronald Netolitzky to the Board of Directors. His wealth of experience and exploration success in the mining industry will further strengthen our team. The Board would like to extend its thanks to Mr. Ian Telfer for his contributions during the formative years of Bonanza. Bonanza is very pleased to report that while he will not be standing for reelection, Mr. Telfer will become the first member of Bonanza's Advisory Committee. Through this appointment Bonanza will benefit from Mr. Telfer's continued leadership and guidance as Bonanza moves towards becoming a highly profitable gold producer.

On behalf of the Board of Directors,



Brian P. Kirwin
President & Chief Executive Officer
May 7, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

General

The following discussion of performance, financial condition and analysis should be read in conjunction with the Audited Consolidated Financial Statements of American Bonanza Gold Mining Corp. (the "Corporation") and the notes thereto for the years ended December 31, 2002 and 2003 which have been prepared in accordance with Canadian Generally Accepted Accounting Principles.

Forward-Looking Statements

Certain statements contained in the following Management's Discussion and Analysis constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from actual future results and achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking statements while considering the risks set forth below.

Description of Business

The Corporation is a development stage mining company engaged in the identification, acquisition, exploration and development of high-grade precious metals properties primarily located in the Great Basin of the American Southwest. The Copperstone gold project in Arizona, USA is currently the subject of a significant development drilling program with the objective of identifying sufficient measured and indicated resources to justify an underground, high-grade gold mine.

The Corporation conducts its exploration and development activities independently as well as through option or earn-in arrangements.

Overview of Performance

The Corporation's financial condition has improved significantly over the past year with the Corporation's working capital increasing from \$105,622 to \$13,089,684. This increase was primarily attributed to private placements, public offering and warrant exercise for net proceeds of \$16,878,772 during the year. The loss for the year ended December 31, 2003 was \$605,214 or \$0.01 per share compared with a net loss of \$485,054 or \$0.01 per share in 2002.

The Corporation's current development program at Copperstone is estimated to require up to \$8 million of the Corporation's current working capital to achieve the Corporation's stated objective of bringing the Copperstone project to a production decision during 2005. The current work programs at Copperstone fall into two main efforts. First, drilling programs are underway to convert resources into reserves and increase the confidence level of the resources to the measured and indicated resource category. Second, substantial drilling and other exploration programs are underway to expand the resources through the discovery of new gold zones.

The next stage of evaluation will be comprised of work programs required to complete a bankable feasibility study. This work will be based on reserves and measured and indicated resources, and will focus on metallurgical testing of a bulk ore sample, environmental and geo-technical studies and detailed estimates of the capital and operating costs.

Current programs of underground core drilling, drifting, cross-cutting and sampling will provide detailed assay and geologic data describing the reserves and resources. Following completion of this work, if the results warrant, the Corporation will be obtaining an updated independent technical report in accordance with Canadian National Policy 43-101 and will make a production decision for Copperstone.

Selected Annual Information

The following table sets forth selected consolidated financial information of the Corporation for, and as of the end of, each of the last three fiscal years ended December 31, 2003. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Corporation.

	For the year ended December 31,		
	2003	2002	2001
	\$	\$	\$
Net loss	605,214	485,054	1,083,622
Net loss per share	0.01	0.01	0.02
Total cash and cash equivalents	13,406,295	1,616,691	12,968
Working capital (deficiency)	13,089,684	105,622	(1,222,858)
Total debt	Nil	1,722,131	Nil
Total assets	25,006,389	10,659,685	6,158,121
Shareholders' equity	24,202,178	7,696,078	4,593,641

Results of Operations

For the year ended December 31, 2003, the Corporation had a net loss of \$605,214 or \$0.01 per share compared with a net loss of \$485,054 or \$0.01 per share in 2002. The increase from the comparable period was primarily attributable to the increase in both general and administrative and exploration expenditures which was partially offset by interest income of \$152,599 earned on the Corporation's short term investments.

General and administrative expenditures increased to \$403,222 from \$195,444 in the comparable period which was the direct result of increased personnel, public company expenses and consulting related fees associated with the Corporation's increased activity. Increased activity also contributed to \$93,100 in business development related expenditures associated with reviewing various corporate development opportunities. Public company expenses increased from \$39,849 to \$121,720 as a direct result of annual general meeting related costs in 2003, the Corporation's investor relations initiatives and related costs associated with the private placements and public offering completed during the year.

Exploration expenditures reflecting those amounts not directly capitalized increased from \$236,104 in 2002 to \$304,212 in the comparable period which was the result of increased activity relating to ongoing project evaluations and investigation. The Corporation conducted several project evaluations in the year using its exploration technology which represent state-of-the-art tools for modern exploration in the Great Basin of the American Southwest. Exploration expenditures in the year also reflect all costs associated with maintaining the Corporation's exploration office in Reno, Nevada.

Summary of Quarterly Results

Selected consolidated financial information for each of the eight most recently completely quarters of fiscal 2003 and 2002 are as follows:

Three months ended	2003				2002			
	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	Nil	2,159	32,187	118,253	Nil	Nil	Nil	Nil
Net loss	33,232	240,939	156,506	174,537	55,478	67,131	194,123	168,322
Net loss per share	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.01

Liquidity and Capital Resources

The Corporation's working capital as at December 31, 2003 was \$13,089,684 compared with a working capital position of \$105,622 as at December 31, 2002. The increase was primarily attributed to net proceeds of \$16,878,772 from equity related transactions less the repayment of debt of \$1,519,948; development expenditures at Copperstone totaling \$2,030,144; and exploration expenditures at the Gold Bar and Pamlico projects totaling \$393,551.

Equity transactions were comprised of two private placements of 50,438,311 Common Shares and a public offering of 7,142,858 Common Shares which included corporate finance shares totaling 1,645,000; warrant exercises of 14,316,171 Common Shares and stock options exercises of 600,000 Common Shares for total net proceeds of \$16,878,772 net of share issue costs of \$1,232,472. The public offering was pursuant to a Short Form Offering Document dated October 6, 2003, of 7,142,858 units at \$0.28 per unit, raising gross proceeds of \$2,000,000 while the brokered private placement consisted of 32,142,857 units of the Corporation at a price of \$0.28 per unit, for gross proceeds of \$9,000,000 and included the exercise of an over allotment option of 50% by the agent.

During 2002 the Corporation entered into a loan agreement with Brascan Financial Corporation ("Brascan") for US\$1.1 million in connection with the acquisition of the remaining 75 percent of the Copperstone gold project not already owned. Under the terms of this agreement the loan was repayable in two equal installments of US\$550,000 on March 4, 2003 and March 4, 2004. On March 4, 2003 the Corporation satisfied its repayment obligation and on October 29, 2003 the Corporation completely paid out this loan facility with a final payment of US\$550,000 which was accelerated due to the Corporation's equity financings completed in October 2003 and resulting from the preferential prepayment terms included in the loan agreement.

During the year the Corporation continued its underground exploration and development at the Copperstone project and completed an underground decline which now extends from the northern end of the Open Pit over 1,800 feet to the north, intersecting the southern portion of the D-Zone high grade mineralized target. A cross cut has been driven westward, into the footwall, to establish an underground drill station, Drill Bay #1. Underground channel and panel sampling programs have demonstrated good continuity to the high gold grades in the southern portion of the D-Zone. A substantial, detailed underground core drilling program is currently underway. It is anticipated that this extensive core drilling from underground will locate and define the grade profile of the Copperstone Fault in the D-Zone, will provide reserve-level detailed data, and will assist in the design of future underground working and stopes. Total development expenditures during the year totaled \$2,030,144 or \$2,513,520 since the Copperstone development program began in 2002.

As at December 31, 2003, the Corporation had cash of \$13,406,295 compared to \$1,616,691 as at December 31, 2002. In management's opinion the Corporation's current cash and working capital position as at December 31, 2003 will provide adequate funding for purposes of accelerating the Copperstone project toward pre-feasibility and to conduct further work programs on both its Gold Bar and Pamlico projects. The current work program at Copperstone falls into two main efforts. First, drilling programs are underway to convert resources into reserves and increase the confidence level of the resources to the measured and indicated resource categories. Second, substantial drilling and other exploration programs are underway to expand the resources through the discovery of new gold zones.

Critical Accounting Estimates and Risk Factors

Critical accounting estimates used in the preparation of the financial statements include the Corporation's estimated recoverable value on its mineral properties. The business of mineral exploration and extraction involves a high degree of risk with very few properties that are explored and developed that ultimately achieve commercial production. At present, none of the Corporation's properties have a known body of commercial ore.

The Corporation's estimated recoverable value on its mineral projects is based on estimated underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Corporation is in an industry that is exposed to a number of risks and uncertainties, including exploration, development, commodity, operating, ownership, political, funding, currency and environmental risk. While factoring these risks the Corporation has relied on very preliminary resource estimates on its properties, however, these assumptions are potentially subject to significant changes that are not yet determinable. Accordingly, there is always the potential for a material change to the presentation in the financial statements relating to the carrying value of the Corporation's mineral properties.

Use of Financial Information

The Corporation has not entered into any specialized financial agreements to minimize its investment, currency or commodity risk. There are no off-balance sheet arrangements. The principal financial instruments affecting the Company's financial condition and results of operations is currently its cash and cash equivalents a substantial portion of which relate to the Corporation's equity financings and warrant exercises during 2003. A significant portion of the Corporation's cash balance is invested in short-term investments.

Outlook

The Corporation will continue to focus the majority of its exploration and development efforts in the Great Basin and the American Southwest for purposes of the identifying, acquiring, exploring and developing high-grade precious metals properties. The Corporation will also continue to use its exploration technology which represents a sophisticated merger of comprehensive data, geological analysis, and software which represent state-of-the-art tools for modern exploration in the Great Basin of the American Southwest. In management's opinion this technology will be the catalyst for future corporate growth and achieving its stated mission of becoming a highly profitable gold producer.

As a mining company in the development stage the future liquidity of the Corporation will be affected principally by the level of exploration expenditures and by its ability to raise an adequate level of capital through the equity markets. In management's opinion the Corporation's current working capital will be sufficient for funding its planned exploration and development expenditures in 2004 on the Copperstone project, achieving its exploration initiatives on its other exploration projects and meeting its ongoing obligations as they become due.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The information and representations in this Annual Report have been prepared by management. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgments. The financial information presented throughout this report is consistent with the data presented in the financial statements.

Systems of internal accounting controls are maintained in order to assure, on a reasonable basis, the reliability of this financial information. Our independent auditor, whose report on their audit of the consolidated financial statements appears in this Annual Report, also review our systems of internal accounting controls in accordance with generally accepted auditing standards for the purpose of expressing their opinion on the consolidated financial statements.

The Board of Directors carries out its responsibilities for the financial statements principally through its Audit Committee which is comprised of a majority of outside directors. The Audit Committee meets periodically with management and the auditor to review the consolidated financial statements and the Management's Discussion and Analysis and reports to the Board of Directors. The auditor has full and direct access to the Audit Committee.

This Annual Report has been reviewed and approved by the Board of Directors.

Signed: Brian P. Kirwin
President & Chief Executive Officer
May 7, 2004

Signed: Giulio T. Bonifacio
Executive Vice President & Chief Financial Officer
May 7, 2004

Tony M. Ricci Inc.

Chartered Accountant

Suite 1304
925 West Georgia St.
Vancouver, B.C. V6C 3L2
Tel: (604) 669-3013
Fax: (604) 669-3015

AUDITOR'S REPORT

To the Shareholders of **AMERICAN BONANZA GOLD MINING CORP.**

I have audited the consolidated balance sheets of **American Bonanza Gold Mining Corp.** as at December 31, 2003 and 2002 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), I report that, in my opinion, these principles have been applied on a consistent basis.

"Tony M. Ricci Inc."

CHARTERED ACCOUNTANT

Vancouver, British Columbia
March 26, 2004

American Bonanza Gold Mining Corp.

CONSOLIDATED BALANCE SHEETS

December 31

2003

2002

	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	13,406,295	1,616,691
Cash from joint venture partner (note 4 (b))	-	210,971
Accounts receivable	103,231	21,233
Prepaid expenses	33,215	-
Marketable securities (note 3)	22,500	24,000
	<u>13,565,241</u>	1,872,895
MINERAL PROPERTIES (note 4)	11,406,116	8,749,879
OFFICE EQUIPMENT, net	35,032	36,911
	<u>25,006,389</u>	10,659,685
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 4 (a))	475,557	695,851
Current portion of long-term debt (note 5)	-	854,451
Funds held on behalf of joint venture partner (note 4 (b))	-	210,971
Due to related parties (note 7)	-	6,000
	<u>475,557</u>	1,767,273
LONG-TERM DEBT (note 5)	-	867,680
FUTURE INCOME TAXES (note 9)	328,654	328,654
	<u>804,211</u>	2,963,607
SHAREHOLDERS' EQUITY		
Share capital (note 6)	38,208,754	21,329,982
Contributed surplus (note 6)	232,542	-
Cumulative currency translation adjustment	43,031	43,031
Deficit	<u>(14,282,149)</u>	<u>(13,676,935)</u>
	<u>24,202,178</u>	7,696,078
	<u>25,006,389</u>	10,659,685
SUBSEQUENT EVENT (note 6)		
CONTINGENT LIABILITY (note 4(a))		

APPROVED ON BEHALF OF THE BOARD,

Signed: Brian P. Kirwin

Director

Signed: Robert T. McKnight

Director

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

American Bonanza Gold Mining Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

For the years ended December 31

	2003	2002
	\$	\$
REVENUE		
Interest income and other	<u>152,599</u>	-
EXPENSES (INCOME)		
General and administrative (note 8)	403,222	195,444
Exploration	304,212	236,104
Business development	93,100	54,265
Amortization	11,931	11,863
Foreign exchange	(56,152)	(12,622)
Marketable securities written down	<u>1,500</u>	-
	<u>757,813</u>	485,054
NET LOSS	(605,214)	(485,054)
DEFICIT, beginning of year	<u>(13,676,935)</u>	(13,191,881)
DEFICIT, end of year	<u>(14,282,149)</u>	(13,676,935)
LOSS PER COMMON SHARE		
Basic and diluted	<u>(0.01)</u>	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES	<u>123,094,986</u>	76,315,548

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

American Bonanza Gold Mining Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

	2003	2002
	\$	\$
OPERATING ACTIVITIES		
Net loss	(605,214)	(485,054)
Items not affecting cash		
Amortization	11,931	11,863
Foreign exchange gain on foreign denominated debt	(195,337)	-
Marketable securities written down	1,500	-
	<u>(787,120)</u>	<u>(473,191)</u>
Changes in non-cash operating accounts		
Accounts receivable	(81,998)	(21,233)
Accounts payable	(227,140)	(6,944)
Prepays	(33,215)	-
	<u>(1,129,473)</u>	<u>(501,368)</u>
INVESTING ACTIVITIES		
Copperstone property	(2,030,144)	(483,376)
Acquisition of additional interests in Copperstone property	-	(2,259,474)
Other mineral properties	(393,551)	(41,516)
Proceeds from joint venture partner	-	107,500
Office equipment	(10,052)	(634)
	<u>(2,433,747)</u>	<u>(2,677,500)</u>
FINANCING ACTIVITIES		
Issue of common shares, net of issue costs	16,878,772	3,187,491
Long-term debt	-	1,742,341
Repayment of long-term debt	(1,519,948)	(20,210)
Due to related parties	(6,000)	(127,031)
	<u>15,352,824</u>	<u>4,782,591</u>
INCREASE IN CASH	11,789,604	1,603,723
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,616,691</u>	<u>12,968</u>
CASH AND CASH EQUIVALENTS, end of year	<u>13,406,295</u>	<u>1,616,691</u>
SUPPLEMENTARY INFORMATION:		
<u>Cash flows include the following elements:</u>		
Interest paid	<u>36,907</u>	<u>74,236</u>
<u>Non-cash transactions:</u>		
Marketable securities	<u>-</u>	<u>24,000</u>
Share for debt settlement	<u>-</u>	<u>400,000</u>

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

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

1. NATURE OF OPERATIONS

American Bonanza Gold Mining Corp. (the "Corporation") is a development stage mining company engaged in the identification, acquisition, exploration and development of high-grade precious metals properties located in the Great Basin of the American Southwest. The Corporation's properties contain defined mineral resources but the Corporation has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts capitalized is dependent upon the discovery of economically recoverable reserves, securing and maintaining title in the properties and obtaining the necessary financing to complete the exploration and development of these projects and upon the attainment of future profitable production. The amounts capitalized as deferred expenditures and property acquisition costs represent costs to date, and do not necessarily represent present or future values.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary, Bonanza Gold Inc. (a Canadian corporation), which in turn has a wholly-owned subsidiary, Bonanza Explorations Inc. (a United States, Nevada corporation).

All significant inter-company transactions have been eliminated.

Mineral properties

Costs related to mineral activities, which include the investigation, exploration, and development of mining properties, are capitalized on a property-by-property basis until such time as the Corporation determines that economically recoverable reserves are established or the property is evaluated as non-productive or uneconomical. In those cases where exploration activities are conducted jointly with others, only the Corporation's proportionate interest in the related mineral projects is included in the financial statements.

Costs relating to non-productive or uneconomical properties are charged to earnings and written down to their net recoverable amounts. The recovery of the carrying amount of mineral properties is dependent upon the future commercial success of related properties or from proceeds of disposition. The amounts shown for mineral properties represent costs incurred to date and are not intended to reflect present or future values.

Environmental related and reclamation costs

Liabilities related to environmental protection and reclamation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

Joint ventures

The Corporation conducts some of its mineral property exploration activities in conjunction with other companies in unincorporated joint ventures.

Office equipment

Office equipment, consisting of office and computer equipment, are recorded at cost and are amortized on a straight-line basis over five years.

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

As the Corporation's foreign subsidiary has been dependent on funding from its parent, the Corporation, in the prior year, reclassified the operations of its foreign subsidiary from self-sustaining to integrated. As a result the temporal method of translating the accounts of the foreign subsidiary has been adopted in place of the current rate method commencing in the prior year.

Under this method, monetary assets and liabilities are translated at the prevailing year end exchange rate. Non monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the average rate of exchange for the year. Translation gains and losses are included in the statement of operations and deficit.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest bearing securities.

Marketable securities

Marketable securities are carried at the lower of cost and market value.

Financial instruments

For certain of the Corporation's financial instruments, including cash and cash equivalents, GST recoverable, accounts payable and accrued liabilities and due to related parties, the carrying amounts approximate fair value due to their short-term maturity. The fair value of obligations under long term debt calculated at the discounted present value of future payments, approximates its carrying value.

Stock-Based compensation

Effective January 1, 2002, the Corporation adopted the new accounting recommendations for stock-based compensation issued by the Canadian Institute of Chartered Accountants which require prospective application to all stock options granted on or after the date of adoption.

Under this standard, all stock options granted to non-employees are accounted for using the fair value based method of accounting. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterpart performance is complete and any change therein recognized over the period and in the same manner as if the Corporation had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date.

In respect of stock options granted to directors and employees, the standard requires pro forma disclosure of the net loss or income figures as if these grants were accounted for using the fair value method for options granted after January 1, 2002. The Corporation accounts for options granted to employees under the settlement method whereby no compensation cost is recorded for options granted to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital. During the year, the Corporation granted stock options to directors, officers and employees as set out in note 6.

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Corporation accounts for income taxes under the liability method. Under this method, temporary differences arising from the difference between the tax basis of an asset and a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to be in effect in the periods that the temporary differences are expected to be settled or realized. A valuation allowance is provided to the extent that it is more likely than not that future income tax assets will not be realized. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Share issuance costs

Costs incurred in connection with share issuances are accounted for as a reduction to share capital.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Loss per share

Basic loss per share is calculated by dividing net loss available to the shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options and warrants by application of the treasury stock method. Outstanding stock options and share purchase warrants that would potentially dilute basic loss per share have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Comparative figures

Certain comparative figures have been reclassified where applicable to conform with the presentation adopted in the current year.

Segmented information

The Corporation's principal operations are located in the United States. The Corporation conducts its business in a single operating segment being the investment in exploration and development of mineral properties. All mineral properties are located in the United States.

3. MARKETABLE SECURITIES

As at December 31, 2003, the Corporation held the following marketable securities:

	Number of Shares	December 31, 2003	December 31, 2002
		\$	\$
American Nevada Gold Corp.	300,000	22,500	24,000

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

3. MARKETABLE SECURITIES (Continued)

Pursuant to the terms of the Option Agreement entered into with American Nevada Gold Corp. (note 4) the Corporation received 300,000 common shares and other consideration for entering into this Agreement. The quoted market value of these securities was \$22,500 at December 31, 2003 and \$27,000 at December 31, 2002.

4. MINERAL PROPERTIES

Project	2003	2002
	\$	\$
Copperstone (a)	9,312,073	7,049,387
Pamlico (b)	1,595,078	1,377,552
Gold Bar (b)	477,407	322,940
Oatman (c)	21,558	-
	11,406,116	8,749,879

Schedule of mineral property expenditures during 2003:

	Copperstone	Pamlico	Gold Bar	Oatman	Total
	\$	\$	\$	\$	\$
Balance, December 31, 2002	7,049,387	1,377,552	322,940	-	8,749,879
Additions during the year					
Decline, drilling and underground support	1,387,361				1,387,361
Geological consulting & related	354,694				354,694
Consulting – fair value of options	232,542				232,542
Drilling, net of joint venture costs		10,121	131,090		141,211
Assaying	107,239				107,239
Advance royalty payment	40,551				40,551
BLM land payments	39,407	10,020	23,377	21,558	94,362
Property payment		197,385			197,385
Computer & related	78,618				78,618
Capitalized interest	36,907				36,907
Site maintenance & camp					
Utilities and power	56,527				56,527
Property caretakers	43,767				43,767
Equipment & truck rental	32,593				32,593
Telephone	11,573				11,573
Maintenance, Supplies, Other	34,613				34,613
Debt forgiveness & exchange					
Gain on acquisition payables	(193,706)				(193,706)
	2,262,686	217,526	154,467	21,558	2,656,237
Balance, December 31, 2003	9,312,073	1,595,078	477,407	21,558	11,406,116

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

4. MINERAL PROPERTIES (Continued)

(a) Copperstone

The Corporation is currently engaged in exploring and developing the Copperstone gold property in La Paz County, Arizona, United States. The Corporation holds a 100 per cent leasehold interest in the Copperstone Project. The landlord is The Patch Living Trust and the lease is for a 10 year term starting June 12, 1995, renewable by the Corporation for one or more ten-year terms at the Corporation's option under the same terms and conditions. The Corporation is obligated to pay for all permitting and state lease bonding, insurance, taxes, and to pay a 1 per cent production gross royalty so long as the price of gold in US dollars is less than US\$350 per ounce (royalty increases to 6 per cent as price of gold increases to over US\$551 per ounce), with a minimum advance royalty per year of US\$30,000.

In August 1998, the Corporation entered into an agreement (the "Arctic Joint Venture") with Arctic Precious Metals Inc. ("Arctic"), a subsidiary of Royal Oak Mines Inc., to explore and develop the Copperstone gold property. Pursuant to the Arctic Joint Venture, the Corporation acquired a 25 percent interest in the Copperstone Project for a cash payment of US\$500,000 with an option to increase its interest in the property to 80 percent by incurring US\$4,000,000 of exploration expenditures and other payments. Additionally the Corporation has agreed to make a US\$30,000 annual advance royalty payment to the property owner.

In November 1999, the Corporation entered into a purchase and sale agreement with Arctic whereby the Corporation agreed to purchase for US\$1,000,000 all of Arctic's rights, title and interest in the Copperstone Project owned by Arctic who was undergoing U.S. Bankruptcy Code Chapter 11 financial restructuring.

During 2002, court approval was received in Arctic's U.S. bankruptcy proceedings and on March 4, 2002 the Corporation completed the acquisition of the remaining 75 percent not already owned in the Copperstone property at a cost of US\$1,000,000, having received the necessary approvals from the U.S. Bankruptcy Court. Funding for this acquisition was by way of a loan of US\$1,100,000 from Brascan Financial Corporation ("Brascan") (note 5).

In June 2000, the Corporation entered into an agreement (the Copperstone D-Zone Joint Venture) with Centennial Development Corporation ("CDC") for the underground exploration and extraction of mineralized materials from the D-Zone of up to 50,000 tons of mineralized material from the Copperstone property. Pursuant to the Copperstone D-Zone Joint Venture, as amended, the Corporation assumed a 55 percent interest in the Copperstone D-Zone Joint Venture for a cash payment of US\$375,000 with an option to increase its interest in the property as follows:

- (a) additional 5 percent interest if the Corporation provides all funding necessary to complete Phase One as documented in the agreement; and,
- (b) further 15 percent interest for a cash payment of US\$500,000.

During 2001, Phase One was completed and the Corporation earned the additional 5 percent interest in the Copperstone D-Zone Joint Venture for a total earned interest of 60 percent.

On February 14, 2002, the Corporation entered into an agreement with CDC whereby it would acquire the remaining 40 percent interest of the D-Zone Joint Venture not already owned for the following consideration:

- (a) assumption of a total of US\$325,000 of Copperstone related liabilities and if these liabilities exceed the estimated amount then the additional amounts will be paid equally by CDC and the Corporation. These liabilities were previously recorded by the Corporation as at December 31, 2000 and as at December 31, 2003 all of these liabilities have either been paid or settled;

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

4. MINERAL PROPERTIES (Continued)

- (b) assumption of an estimated CDC payroll tax liability of up to US\$180,000 that may arise. If these liabilities exceed the estimated amount, then the additional amounts will be paid equally by CDC and the Corporation;
- (c) US\$345,000 payable to CDC and or its principal on or before July 31, 2002;
- (d) A net smelter royalty of three percent paid to CDC from the first 50,000 tons of mineralized material extracted from the D-Zone, subsequent to repayment of the Brascan loan agreement (note 5); and,
- (e) US\$70,000 from initial proceeds from extraction of mineralized materials from the D-Zone, following repayment of the Brascan loan agreement (note 5).

During 2002, the Corporation paid US\$345,000 to CDC in accordance with the above agreement and recorded a further US\$180,000 in accounts payable to reflect the estimated CDC payroll tax liability that may arise.

During 2002, the Corporation entered into mining services agreement with an Underground Mining Contractor ("Mining Contractor") for purposes of the development and extension of an existing underground decline in the D-Zone to establish underground infrastructure for subsequent exploration and development programs. On the basis of meeting certain pre-determined performance criteria the Mining Contractor can earn up to a 5 percent net profits royalty from the D-Zone bulk sample of up to 50,000 tons of mineralized material that may be completed.

All required payments were made with respect to the Copperstone project during 2003 therefore, the claims held are in good standing until August 2004.

(b) Pamlico and Gold Bar

Through the acquisition of Bonanza Gold Inc. and its wholly-owned subsidiary, Bonanza Explorations Inc., in 2000 the Corporation owned, or controlled by option, a number of exploration projects in the State of Nevada, U.S.A. The primary projects consisted of Pamlico, Golden Arrow, Gilbert, Gold Bar and Snowstorm properties. During 2001 the Corporation returned the Golden Arrow project to the property vendor and released the Snowstorm, Gilbert and other mineral claims recognizing a write-down of \$893,558 during the year ended December 31, 2001.

The Pamlico and Gold Bar projects currently comprise 133 patented and unpatented claims covering approximately 10 square kilometers which are prospective for gold. An annual cash filing of US\$110 per unpatented claim is required to be paid to the Bureau of Land Management and the local counties. Annual taxes on patented claims are payable to the local authorities. All required payments were made with respect to the Pamlico and Gold Bar projects during 2003; therefore, the claims held are in good standing until August 2004.

The Pamlico property is located in Mineral County, 15 kilometres from Hawthorne, Nevada. Pamlico was subject to a cash payment of US\$25,000 due November 2001 which was deferred and paid in 2002. In 2002, a cash payment of US\$150,000 was made. On November 13, 2003 the Corporation made a cash payment of US\$150,000 and deferred the final remaining cash payment of US\$525,000 until November 2004. The property is subject to a 1 percent net profits interest royalty after the final cash payment. Pamlico has no associated work commitments.

The Gold Bar property is located in Eureka County, 50 kilometres northwest of Eureka, Nevada. Gold Bar is subject to a 2 percent net smelter royalty capped at US\$1,000,000 on future production.

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

4. MINERAL PROPERTIES (Continued)

On September 27, 2002 the Corporation entered into an Option Agreement with American Nevada Gold Corp. ("American Nevada"). Under the terms of the Option Agreement, American Nevada was granted an option to earn a 50 percent interest in both the Pamlico and Gold Bar properties (the "Properties") by way of providing cash and securities with a value of \$131,500 and funding exploration expenditures over a three year period totalling \$3,600,000.

Joint venture funding of approximately \$525,000 has been received or accrued as at December 31, 2003. On September 9, 2003 American Nevada elected not to proceed with Year 2 and 3 of this option agreement and retained a 5 percent interest in both the Pamlico and Gold Bar properties subject to standard dilution provisions.

(c) Oatman

The Oatman property is located in Mohave County in Northwest Arizona. The Corporation acquired 600 hectares through the staking of 67 unpatented lode mining claims.

5. LONG-TERM DEBT

In connection with the acquisition of the remaining 75 percent interest in the Copperstone project not already owned (note 4), the Corporation received a loan of US\$1,100,000 from Brascan Financial Corporation ("Brascan"), fully secured against the assets of the Corporation (the "Brascan Loan") with interest accruing at the U.S. Base Rate and to be paid monthly.

The Corporation has granted Brascan a non-transferable warrant to purchase up to 1,500,000 common shares of the Corporation at \$0.13 per share until March 4, 2004 which were exercised subsequent to December 31, 2003 (note 6).

Under the terms of the agreement with Brascan, the Brascan Loan is repayable in two equal installments of US\$550,000 on March 4, 2003 and March 4, 2004, and in addition the Corporation has agreed to cause all proceeds, net of reasonable commissions and legal and other expenses related to such transaction, of any issuance of securities of the Corporation in excess of the aggregate sum of US\$1,000,000 received by the Corporation at any time during which the loan is outstanding, to be immediately paid to Brascan in accordance with the following formula:

- (a) 10% of cumulative proceeds greater than US\$1,000,000 but less than US\$2,000,000;
- (b) 20% of cumulative proceeds equal to or greater than US\$2,000,000 but less than US\$4,000,000; and
- (c) 30% of cumulative proceeds equal to or greater than US\$4,000,000 but less than US\$6,000,000.

As a result of the Corporation's public offering completed on June 10, 2002 (note 6) the Corporation paid Brascan US\$12,800 on July 2, 2002 as a partial principal repayment of the loan outstanding. On March 4, 2003 the Corporation repaid US\$537,200 to satisfy its repayment obligation in 2003. On October 29, 2003 the Corporation paid out its remaining loan facility with Brascan with a final payment of US\$550,000 on the basis of the preferential repayment terms resulting from the Corporation's private placement and public offering completed on October 23, 2003 (note 6).

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

6. SHARE CAPITAL

Authorized

The authorized share capital of the Corporation consists of 400,000,000 (2002 - 400,000,000) Class "A" common voting shares without par value, and 100,000,000 Class "B" preferred shares without par value, issuable in series.

Issued – Class A Common	Number of Common Shares	Amount
		\$
Balance, December 31, 2001	64,735,129	17,742,491
Shares issued for:		
Public offering	15,384,600	2,000,000
Corporate finance fee on public offering	400,000	-
Private placement	10,166,665	1,525,000
Corporate finance fee on private placement	250,000	-
Warrant exercise	20,000	3,000
Stock option exercise	310,000	40,850
Debt settlement	2,000,000	400,000
Share issue costs	-	(381,359)
Balance, December 31, 2002	93,266,394	21,329,982
Shares issued for:		
Private placements	50,438,311	13,025,000
Corporate finance fee on private placements	1,425,000	-
Public offering	7,142,858	2,000,000
Corporate finance fee on public offering	220,000	-
Warrant exercise	14,316,171	2,991,744
Stock option exercise	600,000	94,500
Share issue costs	-	(1,232,472)
Balance, December 31, 2003	167,408,734	38,208,754

On June 10, 2002 the Corporation completed a public offering of 15,384,600 units at a price of \$0.13 per unit totaling \$2,000,000. Each unit is comprised of one common share and one transferable common share purchase warrant ("warrant"). Each warrant entitles the holder to acquire one additional common share for a period of two years until June 10, 2004 at a price of \$0.15 in the first year and \$0.17 in the second year. The warrants were listed for trading on the TSX Venture Exchange on June 11, 2002.

Canaccord Capital Corporation ("Canaccord") as agent for this offering was paid an agent fee of 8.5 percent on the aggregate gross proceeds, non-transferable agent warrants totaling 2,307,690 representing 15 percent of the number of units sold, exercisable under the same terms as the public financing, and a corporate finance fee payable through the issuance of 400,000 units. Each unit is comprised of one common share and one non-transferable warrant exercisable under the same terms as the public financing.

On October 17, 2002 the Corporation completed shares for debt settlement agreements for indebtedness totaling \$400,000 by the issuance of 2,000,000 common shares at a deemed price of \$0.20 per common share.

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

6. SHARE CAPITAL (Continued)

On October 18, 2002 the Corporation completed a private placement of 10,166,665 units at a price of \$0.15 per unit totaling \$1,525,000. Each unit is comprised of one common share and one non-transferable common share purchase warrant ("warrant"). Each warrant entitles the holder to acquire one additional common share for a period of two years until October 18, 2004 at a price of \$0.17.

Canaccord as agent for this offering was paid an agent fee of 7 percent on the aggregate gross proceeds of the brokered portion sold by Canaccord, non-transferable agent warrants totaling 766,666, exercisable under the same terms as the private placement, representing 10 percent of the number of units sold by Canaccord and a corporate finance fee payable through the issuance of 250,000 units. Each unit is comprised of one common share and one non-transferable warrant exercisable under the same terms as the private placement.

On January 31, 2003 the Corporation completed a brokered private placement of 18,295,454 units at a price of \$0.22 per unit totaling \$4,025,000. Each unit is comprised of one common share and one half of a non-transferable common share purchase warrant. Each whole non-transferable common share purchase warrant entitles the holder to acquire one additional common share for a period of one year until January 31, 2004 at a price of \$0.28.

Canaccord as agent for this offering was paid an agent fee of 7 percent on the aggregate gross proceeds, agent warrants totaling 1,829,545 representing 10 percent of the number of units sold, exercisable under the same terms as the private placement, and a corporate finance fee payable through the issuance of 450,000 units. Each unit is comprised of one common share and one non-transferable warrant exercisable under the same terms as the private placement.

On October 23, 2003, the Corporation completed a public offering of 7,142,858 units at a price of \$0.28 per unit totaling \$2,000,000. Each unit is comprised of one common share and one-half of a non-transferable common share purchase warrant. Each whole non-transferable common share purchase warrant will entitle the holder to acquire one additional common share for a period of two years until October 23, 2005 at a price of \$0.35.

Canaccord as agent for this offering was paid an agent fee of 7 percent on the aggregate gross proceeds, agent warrants totaling 714,286 representing 10 percent of the number of units sold, exercisable under the same terms as the public offering, and a corporate finance fee payable through the issuance of 220,000 units. Each unit is comprised of one common share and one non-transferable common share purchase warrant exercisable under the same terms as the public offering.

Additionally on October 23, 2003, the Corporation also completed a brokered private placement of 32,142,857 units at a price of \$0.28 per unit totaling \$9,000,000. Each unit is comprised of one common share and one-half of a transferable common share purchase warrant. Each whole transferable common share purchase warrant entitles the holder to acquire one additional common share for a period of three years until October 23, 2006 at a price of \$0.35.

Canaccord as agent for this offering was paid an agent fee of 7 percent on the aggregate gross proceeds, agent warrants totaling 3,214,286 representing 10 percent of the number of units sold and a corporate finance fee payable through the issuance of 975,000 units. Each unit is comprised of one common share and one transferable common share purchase warrant exercisable under the same terms as the private placement.

Options

The Corporation grants incentive stock options as permitted pursuant to the Corporation's Stock Option Plan (the "Plan") approved by the shareholders on June 13, 2003. The Plan has been structured to comply with the rules of the TSX Venture Exchange. The aggregate number of common shares which may be subject to option at any one

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

6. SHARE CAPITAL (Continued)

time may not exceed 10% of the issued common shares of the Corporation as of that date – including options granted prior to the adoption of the Plan. Options may not be granted for a term exceeding 5 years, and the term will be reduced if the Optionee dies to a term of one year following the date of death, and if the Optionee ceases to be qualified to receive options from the Corporation 30 days after the date of such cessation. All options vest when granted unless otherwise specified by the Board of Directors.

The Corporation has granted stock options to acquire an aggregate of 15,160,000 common shares to directors, officers, employees and consultants exercisable at between \$0.10 and \$0.42 per share at varying times up until October 27, 2008 as follows:

	Number of Shares	Weighted average exercise price
Balance, December 31, 2001	3,040,000	\$0.16
Granted	6,710,000	\$0.14
Exercised	(50,000)	\$0.10
Cancelled	(690,000)	\$0.17
Balance, December 31, 2002	9,010,000	\$0.15
Granted	7,850,000	\$0.40
Exercised	(600,000)	\$0.16
Cancelled	(1,100,000)	\$0.15
Balance, December 31, 2003	15,160,000	\$0.28

The following table summarizes stock options outstanding and exercisable at December 31, 2003:

Number of Options	Exercise Price	Expiry Date
1,600,000	\$0.15	December 22, 2005
2,210,000	\$0.10	March 4, 2007
3,500,000	\$0.17	December 6, 2007
1,250,000	\$0.31	February 24, 2008
250,000	\$0.29	May 9, 2008
6,350,000	\$0.42	October 27, 2008
15,160,000		

The fair value of 650,000 options granted to geological consultants has been estimated at \$232,542 and has been allocated to the Copperstone gold property.

During the year ended December 31, 2003 no compensation costs were recorded in the financial statements of operation and deficit for 7,200,000 options granted to directors and employees. Had compensation costs been determined for employee awards granted after December 31, 2001 using the fair value based method at their respective grant dates, the Corporation's proforma net loss and proforma basic and diluted loss per share would have been as follows:

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

6. SHARE CAPITAL (Continued)

	2003	2002
	\$	\$
Net loss for the year as reported	605,214	485,054
Compensation expense related to fair value of stock options	2,431,000	443,967
Pro forma net loss for the year	3,036,214	929,021
Pro forma loss per share basic and diluted	(0.02)	(0.01)

The compensation costs reflected in these pro forma amounts were calculated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2003	2002
Risk free interest rate	2.5%	3%
Expected dividend yield	0%	0%
Stock price volatility	165%	100%
Expected life of options	3 years	2 years

The weighted average fair value of options granted to employees during the year ended December 31, 2003 is \$0.34 (2002 -\$0.07) each.

Warrants

The Corporation has granted common share purchase warrants ("warrants") to acquire an aggregate of 52,633,310 common shares as follows:

Number of warrants	Exercise Price	Expiry Date
7,203,977	\$0.28	January 31, 2004
1,500,000	\$0.13	March 4, 2004
13,186,919	\$0.17	June 10, 2004
6,648,333	\$0.17	October 18, 2004
3,833,367	\$0.35	October 23, 2005
20,260,714	\$0.35	October 23, 2006
52,633,310		

Subsequent to December 31, 2003 the following warrants were exercised: 7,203,977 warrants at \$0.28; 1,500,000 warrants at \$0.13; 123,000 warrants at \$0.17; and 65,750 warrants at \$0.35.

Shares held in escrow

At December 31, 2002, 9,000,000 common shares of the 20,000,000 common shares of the Corporation issued to acquire Bonanza Gold Inc. remained in escrow. On March 14, 2003 the Corporation qualified and met the requirements for a TIER 1 issuer on the TSX Venture Exchange and as result of the change in classification all remaining common shares held in escrow were released.

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

7. RELATED PARTY TRANSACTIONS

Two directors of the Corporation, in their capacity as officers, were paid \$330,130 (2002 - \$ 271,327) for management, exploration and business development related services.

During 2002, the Corporation settled approximately \$320,968 in due to related parties debt by the issuance of shares (note 6) and wrote-off approximately \$26,712. During 2003, the remaining balance of \$6,000 was paid out.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2003</u>	<u>2002</u>
	\$	\$
Management fees, consulting and salaries	190,909	180,027
Office and administration	34,305	8,082
Legal and accounting	10,968	56,607
Insurance	45,320	-
Public company expenses	121,720	39,849
Expense recoveries	-	(89,121)
	<u>403,222</u>	<u>195,444</u>

9. INCOME TAXES

The Corporation has tax loss carryforwards of approximately \$3,488,000 available to offset future income for tax purposes which expire as follows:

	\$
2004	1,008,000
2005	620,000
2006	500,000
2007	364,000
2008	187,000
2009	366,000
2010	443,000

In addition, the Corporation has approximately \$14,300,000 of foreign exploration and development expense and approximately \$750,000 of Canadian exploration and development expense carryforwards available to be deducted against certain future resource profits. The availability of these tax deductions is restrictive.

The Corporation has taken a full valuation allowance in respect of these carryforwards; accordingly, no future tax asset has been recognized in these financial statements. Future income taxes result primarily from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes.

American Bonanza Gold Mining Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2003 and 2002

9. INCOME TAXES (Continued)

Significant components of the Corporation's future income tax assets and liabilities are as follows:

	<u>2003</u>	<u>2002</u>
	\$	\$
Future income tax assets		
Tax loss carryforwards	1,700,000	1,800,000
Resource exploration deductions	6,800,000	5,700,000
Book and tax base differences on assets	33,000	8,000
Valuation allowance	<u>(8,533,000)</u>	<u>(7,508,000)</u>
Future income tax assets	<u>-</u>	<u>-</u>
Future income tax liability		
Mineral properties	<u>(328,654)</u>	<u>(328,654)</u>

DIRECTORS

Ian W. Telfer
West Vancouver, Canada

Ronald K. Netolitzky
Victoria, Canada

Robert T. McKnight
North Vancouver, Canada

Brian P. Kirwin
Reno, United States
President & Chief Executive Officer

Giulio T. Bonifacio
Vancouver, Canada
Executive Vice President & Chief Financial Officer

OFFICES

Corporate Office
Suite 1606 – 675 West Hastings St.
Vancouver, British Columbia
Canada, V6B 1N2
Telephone (604) 688-7523
Fax (604) 676-2461

Exploration Office
Suite 6, 290 Gentry Way
Reno, Nevada
United States, 89502
Telephone (775) 824-0707
Fax (775) 824-0898

Mine Office
Copperstone Mine Site
Route 95
Quartzite, Arizona
United States 85346

INVESTOR RELATIONS CONTACT

Catherine Tanaka
Assistant Corporate Secretary
Telephone (604) 688-7523
Email info@americanbonanza.com

WEB SITE

Additional information about the Corporation can be found at our web site www.americanbonanza.com

OFFICERS

Brian P. Kirwin
President & Chief Executive Officer

Giulio T. Bonifacio
Executive Vice President & Chief Financial Officer

Foster V. Wilson
Vice President, Corporate Development

Joe G. Kircher
Vice President, Operations

Catherine A. Tanaka
Assistant Corporate Secretary

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
Vancouver, Canada

SHARES LISTED

The TSX Venture Exchange (BZA)

CAPITALIZATION

(As at April 30, 2004)

Shares Issued and Outstanding: 176,301,461

AUDITOR

Tony M. Ricci, Inc. Chartered Accountant
Vancouver, Canada

LEGAL COUNSEL

Lang Michener
Vancouver, Canada

Davis & Company
Vancouver, Canada

Woodburn & Wedge
Reno, United States

Erwin & Thomas LLP
Reno, United States

ANNUAL AND EXTRAORDINARY GENERAL MEETING

Annual and Extraordinary General Meeting of Shareholders will be held at 2:00 p.m. on Friday, June 11, 2004 in the Gibson Suite at the Terminal City Club, 837 West Hastings Street, Vancouver, Canada