Bonanza

AMERICAN BONANZA GOLD MINING CORP.

QUARTERLY REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2004

Bonanza

American Bonanza Gold Mining Corp.
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, 2003 and 2002 and the Unaudited Consolidated Financial Statements for the six months ended June 30, 2004.

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 continues to improve with the Corporation's working capital increasing from \$13,089,684 to \$14,335,455 at June 30, 2004. This increase was primarily attributed to warrant exercises in the current period. The loss for the six months ended June 30, 2004 was \$632,997 or nil per share compared with a net loss of \$274,171 or nil per share for the comparable period in 2003.

The Corporation's current development program at Copperstone is estimated to require up to \$8 million (\$1,955,607 incurred in the current period) of the Corporation's current working capital to achieve a production decision on the Copperstone gold project 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 and surface 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 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 and the six month period ending June 30, 2004. The selected consolidated financial information should be read in conjunction with the Consolidated Financial Statements of the Corporation.

	June 30, 2004	December 31, 2003	2002	2001
	(Unaudited)			
	$	$	$	$
Net loss	632,997	605,214	485,054	1,083,622
Net loss per share	0.00	0.01	0.01	0.02
Total cash and cash equivalents	14,340,725	13,406,295	1,616,691	12,968
Working capital (deficiency)	14,335,455	13,089,684	105,622	(1,222,858)
Total debt	Nil	Nil	1,722,131	Nil
Total assets	28,653,032	25,006,389	10,659,685	6,158,121
Shareholders'equity	28,039,527	24,202,178	7,696,078	4,593,641

Results of Operations

For the six months ended June 30, 2004, the Corporation had a net loss of $632,997 or nil per share compared with a net loss of $274,171 or nil per share in 2003. The increase from the comparable period was primarily attributable to the increase in both general and administrative and exploration expenditures which were partially offset from increased interest income.

Interest income increased to $165,292 from $30,028 in the comparable period which was the direct result of increased cash balances over the comparable period in 2003. General and administrative expenditures increased to $579,016 from $221,853 in the comparable period which was the direct result of increased personnel costs and public company related expenditures. Increased activity also contributed to $38,320 in business development related expenditures associated with the continual review of various corporate development opportunities. Public company expenses increased from $82,698 to $164,293 as a direct result the Corporation's investor relations initiatives in the period. Management fees, consulting and salaries increased from $108,457 to $385,973 as a direct result of increased personnel costs in the period.

Exploration expenditures reflecting those amounts not directly capitalized to mineral properties increased from $132,993 in 2003 to $195,049 in the comparable period which continue to reflect increased activity relating to ongoing project evaluations, investigation and acquisition. The Corporation continues to conduct project evaluations 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 period also include all costs associated with maintaining the Corporation's exploration office in Reno, Nevada.

Summary of Quarterly Results

Selected consolidated financial information for the most recently completely quarters of fiscal 2004, 2003 and 2002 are as follows:

	2004		2003				2002			
	Jun.	Mar.	Mar.	Jun.	Sept.	Dec.	Mar.	Jun.	Sept.	Dec.
	$	$	$	$	$	$	$	$	$	$
Revenue	81,282	84,010	Nil	2,159	32,187	118,253	Nil	Nil	Nil	Nil
Net loss	491,260	141,737	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	0.00	0.00	0.01	0.00	0.00	0.00	0.01

Liquidity and Capital Resources

The Corporation's working capital as at June 30, 2004 was $14,335,455 compared with a working capital position of $13,089,684 as at December 31, 2003. The increase in working capital was primarily attributed to net proceeds of $4,249,777 from warrant exercises in the period net of development expenditures at Copperstone totaling $1,955,607 and exploration expenditures at the Gold Bar and the Corporation's other exploration projects totaling $421,160.

During the period the Corporation continued its underground and surface exploration and development programs at the Copperstone project. A substantial detailed underground and surface drilling program is currently underway. It is anticipated that the extensive drilling from underground will locate and define the grade profile of the Copperstone Fault in the D-Zone, provide reserve-level detailed data, and assist in the design of future underground working and stopes. Total development and exploration expenditures during the period totaled $1,955,607 or $4,469,127 (December 31, 2003 -$2,513,520) since the Copperstone development program began in 2002.

As at June 30, 2004, the Corporation had cash of $14,340,725 compared to $13,406,295 as at December 31, 2003. In management's opinion the Corporation's current cash and working capital position as at June 30, 2004 will provide adequate funding for purposes of accelerating the Copperstone project, if results warrant, towards a bankable feasibility and to conduct further exploration programs on Gold Bar, Pamlico and its other recently acquired 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 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.

Change in Accounting Policy

Effective January 1, 2004, the Corporation adopted the Canadian Institute of Chartered Accountants standard on stock-based compensation. Under this standard the Corporation is required to expense over the vesting period the fair value of stock options at the date of grant. As permitted by this standard the Corporation applied this change retroactively, without restatement, for options granted on or after January 1, 2002. As a result, the opening deficit as at January 1, 2004 was adjusted to reflect an expense of $2,874,967 relating to stock options granted since January 1, 2002 with a corresponding increase to contributed surplus. For the six months ended June 30, 2004, $220,568 in stock-based compensation expense was allocated to the Copperstone gold property.

Prior to January 1, 2004, no stock-based compensation expense was recognized when stock options were issued to employees and directors but pro forma disclosure was provided as if these grants were accounted for using the fair value method for stock options granted after January 1, 2002.

Use of Financial and Other Instruments

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

Corporation'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 completed in 2003 and related warrant exercises during the current period. A significant portion of the Corporation's cash balance is invested in short-term interest bearing 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.

As a mining company in the development stage the future liquidity of the Corporation will be affected principally by the level of its development and exploration expenditures and by its ability to raise an adequate level of capital through the capital 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.

Bonanza

American Bonanza Gold Mining Corp.

Consolidated Financial Statements
For the six months ended June 30, 2004

(Unaudited – Prepared by Management)

American Bonanza Gold Mining Corp.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2004	December 31, 2003
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**14,340,725**	13,406,295
Accounts receivable	**264,581**	103,231
Prepaid expenses	-	33,215
Marketable securities (note 4)	**15,000**	22,500
	14,620,306	13,565,241
MINERAL PROPERTIES (note 5)	**14,003,451**	11,406,116
OFFICE EQUIPMENT, net	**29,275**	35,032
	28,653,032	25,006,389
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 5 (a))	**284,851**	475,557
FUTURE INCOME TAXES	**328,654**	328,654
	613,505	804,211
SHAREHOLDERS' EQUITY		
Share capital (note 7)	**42,458,531**	38,208,754
Contributed surplus (note 3 and 7)	**3,328,077**	232,542
Cumulative currency translation adjustment	**43,031**	43,031
Deficit	**(17,790,112)**	(14,282,149)
	28,039,527	24,202,178
	28,653,032	25,006,389

CONTINGENT LIABILITY (note 5(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
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	**2004**	2003
	$	$	$	$
REVENUE				
Interest income	**81,282**	30,028	**165,292**	30,028
EXPENSES (INCOME)				
General and administrative (note 8)	**454,043**	115,667	**579,016**	221,853
Exploration	**122,550**	110,568	**195,049**	132,993
Business development	**21,120**	46,780	**38,320**	46,780
Amortization	**3,174**	3,338	**6,348**	6,190
Marketable securities written down	-	-	**7,500**	-
Foreign exchange	**(28,345)**	(5,386)	**(27,944)**	(103,617)
	572,542	270,967	**798,289**	304,199
NET LOSS	**(491,260)**	(240,939)	**(632,997)**	(274,171)
DEFICIT, beginning of period	**(14,423,886)**	(13,710,167)	**(14,282,149)**	(13,676,935)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING POLICY (note 3 and 7)	**(2,874,967)**	-	**(2,874,967)**	-
DEFICIT, end of period	**(17,790,113)**	(13,951,106)	**(17,790,113)**	(13,951,106)
LOSS PER COMMON SHARE				
Basic and diluted	**0.00**	0.00	**0.00**	0.00
WEIGHTED AVERAGE NUMBER OF SHARES	**178,951,421**	114,906,091	**176,053,306**	110,851,184

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

American Bonanza Gold Mining Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	$	$	$	$
OPERATING ACTIVITIES				
Net loss	**(491,260)**	(240,939)	**(632,997)**	(274,171)
Items not affecting cash				
Amortization	**3,174**	3,338	**6,348**	6,190
Marketable securities written down	-	-	**7,500**	-
Foreign exchange gain on foreign denominated debt	-	(121,362)	-	(181,752)
	(488,086)	(358,963)	**(619,149)**	(449,733)
Changes in non-cash operating accounts				
Accounts receivable	**(90,495)**	18,651	**(161,350)**	5,371
Accounts payable	**(420)**	(42,527)	**(190,706)**	(276,133)
Prepaids	**33,215**	-	**33,215**	-
	(545,786)	(382,839)	**(937,990)**	(720,495)
INVESTING ACTIVITIES				
Copperstone property	**(1,154,624)**	(602,724)	**(1,955,607)**	(1,094,069)
Other mineral properties	**(68,487)**	-	**(421,160)**	-
Office equipment	-	(527)	**(590)**	(10,710)
	(1,223,111)	(603,251)	**(2,377,357)**	(1,104,779)
FINANCING ACTIVITIES				
Issue of common shares, net of issue costs	**1,993,741**	174,669	**4,249,777**	4,346,934
Repayment of long-term debt (note 6)	**-**	62,043	-	(792,408)
Due to related parties	-	(6,000)	-	(6,000)
	1,993,741	230,712	**4,249,777**	3,548,526
INCREASE (DECREASE) IN CASH	**224,844**	(755,378)	**934,430**	1,723,252
CASH AND CASH EQUIVALENTS, beginning of period	**14,115,881**	4,095,321	**13,406,295**	1,616,691
CASH AND CASH EQUIVALENTS, end of period	**14,340,725**	3,339,943	**14,340,725**	3,339,943

SUPPLEMENTARY INFORMATION:

Cash flows include the following elements:				
Interest paid	**-**	6,079	-	22,565
Income taxes paid	-	-	-	-

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

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. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial reporting, and the accounting policies used are consistent with the most recent annual audited financial statements. While these financial statements reflect all normal recurring adjustments which are, in the opinion of management, necessary for fair presentation of the results of the interim period, they do not include all of the information and notes required by Canadian generally accepted accounting principles for financial statements. The unaudited consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto included in the Corporation's Annual Report for the year ended December 31, 2003.

3. CHANGE IN ACCOUNTING POLICY

The Corporation has a stock-based compensation plan, which is described in note 7. Prior to January 1, 2004, the Corporation adopted the standard prescribed by the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, applying the settlement method of accounting for employees and directors stock options. Under the settlement method, any consideration paid by employees and directors on the exercise of stock options and purchase of stock is credited to share capital and no compensation expense was recognized.

The CICA Accounting Standards Board has amended CICA Handbook Section 3870 - Stock-based Compensation and Other Stock-based Payments - to require corporations to account for employees and directors stock options using the fair value based method, beginning January 1, 2004. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. In accordance with one of the transitional options permitted under amended Section 3870, the Corporation has retroactively applied the fair value based method to all employees and directors stock options granted on or after January 1, 2002, without restatement. The effect of retroactively adopting the fair value based method, without restatement, is to increase the opening deficit and contributed surplus by $2,874,967 as at January 1, 2004.

During the period, the Corporation granted stock options to consultants as set out in note 7.

4. MARKETABLE SECURITIES

As at June 30, 2004, the Corporation held the following marketable securities:

	Number of Shares	June 30, 2004	December 31, 2003
		(Unaudited)	
		$	$
American Nevada Gold Corp.	300,000	15,000	22,500

4. MARKETABLE SECURITIES (Continued)

Pursuant to the terms of the Option Agreement entered into with American Nevada Gold Corp. (note 5(b)) 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 approximately $15,000 at June 30, 2004.

5. MINERAL PROPERTIES

Project	**June 30, 2004**	**December 31, 2003**
	(Unaudited)	
	$	$
Copperstone (a)	**11,488,248**	9,312,073
Pamlico (b)	**1,595,078**	1,595,078
Gold Bar (b)	**824,506**	477,407
Other (c)	**95,619**	21,558
	14,003,451	11,406,116

Schedule of mineral property expenditures during the six months ended June 30, 2004:

	Copperstone	**Pamlico**	**Gold Bar**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, December 31, 2003	**9,312,073**	**1,595,078**	**477,407**	**21,558**	**11,406,116**
Additions during the six months ended June 30,2004					
Drilling and underground support	871,975				871,975
Geological consulting & related	416,590				416,590
Consulting – Fair value of options	220,568				220,568
Computer & related	8,234				8,234
Drilling, net of joint venture costs			301,522		301,522
Assaying	248,011				248,011
Geophysics	75,003		45,577		120,580
Advance royalty payment	40,740				40,740
Property acquisition costs				74,061	74,061
Site maintenance & camp					
Utilities and power	42,120				42,120
Property caretakers	40,280				40,280
Equipment purchase & rentals	193,715				193,715
Telephone	6,295				6,295
Maintenance, Supplies, Other	12,644				12,644
	2,176,175	**-**	**347,099**	**74,061**	**2,597,335**
Balance, June 30, 2004 (Unaudited)	**11,488,248**	**1,595,078**	**824,506**	**95,619**	**14,003,451**

(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,

5. MINERAL PROPERTIES (Continued)

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 6).

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;

(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;

5. MINERAL PROPERTIES (Continued)

(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 6); 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 6).

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. The bulk sample program has been deferred indefinitely as a result of the Corporation's current exploration and development programs.

All required payments were made with respect to the Copperstone project during 2004 therefore, the claims held are in good standing until August 2005.

(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 mining 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 2004; therefore, the claims held are in good standing until August 2005.

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.

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 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 $540,000 has been received or accrued as at June 30, 2004 (December 31, 2003 - $525,000). 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.

5. MINERAL PROPERTIES (Continued)

(c) Other

The Oatman property is located in Mohave County in Northwest Arizona. The Corporation acquired 600 hectares through the staking of 67 unpatented mining claims in November, 2003. The Oatman gold district was discovered in 1864 and was mined continuously through the 1930's.

The Belmont property is located in the Belmont Mining District of Nevada in Nye County, about 40 miles north of Tonopah and 14 miles east of the 10 million ounce Round Mountain Gold Mine, in the Walker Lane Mineral Belt. The Corporation acquired 200 hectares through the staking of 23 unpatented mining claims in February 2004. Silver was discovered at Belmont in 1865 and was mined continuously to 1891, with intermittent production from 1920 to 1951.

6. LONG-TERM DEBT

In connection with the acquisition of the remaining 75 percent interest in the Copperstone project not already owned (note 5(a)), 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 granted Brascan non-transferable warrants, which were exercised on March 4, 2004, to purchase up to 1,500,000 common shares of the Corporation at $0.13 per share (note 7).

Under the terms of the agreement with Brascan, the Brascan Loan was repayable in two equal installments of US$550,000 on March 4, 2003 and March 4, 2004, and in addition the Corporation agreed to cause all proceeds, net of reasonable commissions, 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 was 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 7) 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, described above, that resulted from the Corporation's private placement and public offering completed on October 23, 2003 (note 7).

7. SHARE CAPITAL

Authorized

The authorized share capital of the Corporation consists of 400,000,000 (2003 - 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.

7. SHARE CAPITAL (Continued)

Issued – Class A Common	Number of Common Shares	Amount
		$
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**
Shares issued for:		
Warrant exercise	20,620,616	4,249,777
Balance, June 30, 2004 (Unaudited)	**188,029,350**	**42,458,531**

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.

7. SHARE CAPITAL (Continued)

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 11, 2004. 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 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 those options shall immediately terminate. All options vest when granted unless otherwise specified by the Board of Directors.

The Corporation has granted stock options to acquire an aggregate of 16,710,000 common shares to directors, officers, employees and consultants exercisable at between $0.10 and $0.42 per share at varying times up until May 17, 2009 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
Granted	1,550,000	$0.30
Balance, June 30, 2004 (Unaudited)	**16,710,000**	

The following table summarizes stock options outstanding and exercisable at June 30, 2004:

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
1,550,000	$0.30	May 17, 2009
16,710,000		

7. SHARE CAPITAL (Continued)

During the six months ended June 30, 2004, under the fair value based method, $220,568 (December 31, 2003 - $232,542) in compensation expense was recorded for options granted to consultants. These amounts were charged to the Copperstone gold property.

The fair value of stock options used to calculated compensation expense has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	June 30, 2004	December 31, 2003	December 31, 2002
	(Unaudited)		
Risk free interest rate	2.5%	2.5%	3%
Expected dividend yield	0%	0%	0%
Stock price volatility	90%	165%	100%
Expected life of options	3 years	3 years	2 years

The weighted average fair value of options granted to consultants during the six months ended June 30, 2004 is $0.14 (December 31, 2003 - $0.34 and 2002 - $0.07 each).

Contributed Surplus

The effect of retroactively adopting the fair value based method, without reinstatement, is to increase contributed surplus by $2,874,967 as at January 1, 2004 as follows:

	June 30, 2004
	(Unaudited)
	$
Balance, December 31, 2003, as previously reported	232,542
Adjustment to reflect change in accounting for stock options	2,874,967
Balance, December 31, 2003, restated	3,107,509
Stock based compensation	220,568
Balance, June 30, 2004	3,328,077

During the year ended December 31, 2003 no compensation costs were recorded in the financial statements of operation and deficit for options granted to employees and directors. Had compensation costs been determined for employees and directors awards granted after December 31, 2001 using the fair value based method at their respective grant dates, the Corporation's net loss would have increased by $2,431,000 – December 31, 2003 and $443,967 – December 31, 2002.

7. SHARE CAPITAL (Continued)

Warrants

The Corporation has granted common share purchase warrants ("warrants") to acquire an aggregate of 30,676,664 common shares as follows:

Number of warrants	Exercise Price	Expiry Date
6,648,333	$0.17	October 18, 2004
3,828,867	$0.35	October 23, 2005
20,199,464	$0.35	October 23, 2006
30,676,664		

The weighted average exercise price of these warrants is $0.31 per share.

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.

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Six Months Ended June 30,	
	2004	**2003**
	(Unaudited)	
	$	$
Management fees, consulting and salaries	**385,973**	108,457
Office and administration	**18,909**	20,392
Legal and accounting	**9,841**	10,306
Public company expenses	**164,293**	82,698
	579,016	221,853

CORPORATE INFORMATION

DIRECTORS

Robert T. McKnight
North Vancouver, Canada

Ronald K. Netolitzky
Victoria, Canada

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

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

ADVISOR TO THE BOARD OF DIRECTORS

Ian W. Telfer
West Vancouver, Canada

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INVESTOR RELATIONS CONTACT

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WEBSITE

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

OFFICERS

Brian P. Kirwin
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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
Investor Relations & Assistant Corporate Secretary

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
Vancouver, Canada

SHARES LISTED

The TSX Venture Exchange (BZA)

CAPITALIZATION
(As at August 15, 2004)

Shares Issued and Outstanding: 188,029,350

AUDITOR

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Vancouver, Canada

LEGAL COUNSEL

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