

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2007

Commission File No.: 029916

AMERICAN BONANZA GOLD CORP.

(Formerly "American Bonanza Gold Mining Corp.")
(Exact name of Registrant as specified in its charter)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

Suite 305 - 675 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1N2
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: **None**

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Common Shares, Without Par Value
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of December 31, 2007: **115,662,976 Common Shares**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [] No [X]

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes [] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer.

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [X]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [X] Item 18 []

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

GLOSSARY OF TERMS

The following is a glossary of certain mining and other terms used in this Annual Report:

“**AMEC**” means AMEC E & C Services Inc.;

“**Arrangement**” means the arrangement among the Corporation, Old Bonanza, Taurus, Fairstar and FairstarSub relating to the current organizational structure of the Corporation, pursuant to the terms and subject to the conditions set out in the Plan of Arrangement, as amended and supplemented, as more particularly described in this document;

“**Arrangement Agreement**” means the agreement dated December 21, 2004 and amended on February 21, 2005 among the Corporation, Old Bonanza, Taurus, Fairstar and FairstarSub relating to the Arrangement;

“**BCA**” means the Business Corporation Act (British Columbia), as amended;

“**BLEG**” means bulk leach extractable gold;

“**Bonanza**” mean American Bonanza Gold Corp., a corporation incorporated under the BCA on December 10, 2004 as 0710887 B.C. Ltd., and its subsidiaries, unless the context suggests otherwise;

“**Corporation**” and “**New Bonanza**” mean American Bonanza Gold Corp., a corporation incorporated under the BCA on December 10, 2004 as 0710887 B.C. Ltd., and its subsidiaries, unless the context suggests otherwise;

“**EDGAR**” means the U.S. Securities and Exchange Commission’s Electronic Data Gathering, Analysis, and Retrieval System available for viewing publicly filed documents at www.sec.gov;

“**Exploration Stage Corporation**” means a company engaged in the search for mineral deposits (reserves) which are not in either the development or production stages;

“**Fairstar**” means Fairstar Explorations Inc., a corporation incorporated under the laws of Canada;

“**FairstarSub**” means 0710882 B.C. Ltd., a corporation incorporated under the laws of the Province of British Columbia;

“**NI 43-101**” means Canadian National Instrument 43-101, Companion Policy 43-101CP, and Form 43-101F1, “Standards of Disclosure for Mineral Projects”, which governs all oral and written disclosure of scientific or technical information, including disclosure of a mineral resource or reserve, made by or on behalf of a Canadian company in respect of a mineral project. NI 43-101 uses for the terms “mineral resource”, “inferred mineral resource”, “indicated mineral resource”, “measured mineral resource”, “mineral reserve”, “probable mineral reserve” and “proven mineral reserve” the meanings ascribed to those terms by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines adopted by CIM Council on August 30, 2000, as those definitions may be amended from time to time by the Canadian Institute of Mining, Metallurgy and Petroleum. Those definitions are reproduced below in this Glossary for the convenience of readers;

“**NPI**” means net profits interest, or, the amount payable from the net profit produced by the mine;

“**NSR**” means net smelter royalty, or, the amount payable from the precious metal produced by the mine after smelting has removed most of the impurities;

“**Old Bonanza**” means American Bonanza Gold Mining Corp., a corporation incorporated under the BCA which was, immediately prior to the completion of the Arrangement, the parent company of the Corporation;

“**Plan of Arrangement**” means the plan of arrangement pursuant to the Arrangement Agreement relating to the current organizational structure of the Corporation as more particularly described in this document;

“**Royalty**” means a payment schedule by which payments are calculated based on a percentage of the value of the mineral produced;

“**SEDAR**” means the Canadian System for Electronic Document Analysis and Retrieval available for viewing publicly filed documents at www.sedar.com;

“**Taurus**” means International Taurus Resources Inc., a corporation incorporated pursuant to the laws of the Province of British Columbia;

“**TSX**” means the Toronto Stock Exchange;

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements within the meaning of the U.S. *Private Securities Litigation Reform Act of 1995*. These forward-looking statements are not guarantees of the Corporation's future operational or financial performance and are subject to risks and uncertainties. When used in this Annual Report, the words "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these statements, which speak only as of the date of this Annual Report. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements.

Actual operational and financial results may differ materially from the Corporation's expectations contained in the forward-looking statements due to various factors, many of which are beyond the control of the Corporation. These factors include, but are not limited to, the need for additional financing to fully execute the Corporation's business plan, adverse technical factors associated with exploration of the Corporation's properties, changes in Canadian or U.S. tax or other laws or regulations, material changes in capital expenditures, as well as the risks and uncertainties described in the section entitled "Risk Factors" set forth in Item 3 of this Annual Report.

GLOSSARY OF TECHNICAL TERMS

Aeolian	Deposits arranged/transported by the wind, due to the erosive action of the wind, such as sand and other loose materials.
Ag	Used as the abbreviation for silver.
Albite	One of the components of plagioclase.
Alteration	Chemical and mineralogical changes in a rock mass resulting from reaction with hydrothermal fluids or changes in pressure and temperature.
Anomalous	Adjective describing a sample, location or area at which either (i) the concentration of an element(s) or (ii) a geophysical measurement is significantly different from (generally higher than) the average background concentrations in an area. Though it may not constitute mineralization, an anomalous sample or area may be used as a guide to the possible location of mineralization.
Anomaly	An area defined by one or more anomalous points.
Argillaceous	Rocks or substances composed of clay, or having a notable proportion of clay in their composition.
Argillite	A sedimentary rock composed of compacted mud and clay particles.
Argillic	Pertaining to clay or clay minerals.
Assay	Quantitative test of minerals and ore by chemical and/or fire techniques.
Assemblage	A biostratigraphic unit defined and identified as a group of associated fossils.
Au	Aurum (Latin for gold) used as an abbreviation for gold.
Axial trace	The intersection of the axial plane of a fold with the surface of the earth or any other specified surface.
Azurite	A deep blue common secondary mineral.
Barite	A mineral. The principal ore of barium.
Biotite	Common rock-forming mineral, dark brown to green in colour.
BLM	Bureau of Land Management, the United States federal lands administrative authority.
Bonanza-grade	More than 34 grams of gold per tonne or more than one troy ounce of gold per ton.
Breccia	A coarse-grained elastic rock, composed of angular broken rock fragments held together by a mineral cement or in a fine-grained matrix.
Bulk sample	A large sample consisting of tons or hundreds of tons which is then milled and the grade computed from the results.
Bull quartz	White, coarse-grained, barren quartz.
C-Zone	North-east of the open pit at the Copperstone property.
Calcite	A mineral, calcium carbonate. One of the commonest minerals. The principal constituent of limestone.
Carbonate vein	A vein consisting chiefly of carbonate minerals, such as limestone or dolomite.
Chalcopyrite	Copper pyrites. A mineral. An important ore of copper.
Channel-sample	Material sampled from a groove cut across a rock exposure.

Chlorite	Silicates closely related to micas. Common in low-grade metamorphic rocks.
Chrysocolla	A mineral. Usually in green to blue-green masses.
Crosscut	A horizontal opening driven across the direction of the main workings.
D Zone	North of the open-pit at the Copperstone property.
Decline	A passage or tunnel driven at a decline from the surface for the working of a mine.
Deformation	Any change in the original form or volume of rock masses produced by tectonic forces; folding, faulting, and solid flow are common modes of deformation.
Dip	The acute angle that a rock surface makes with a horizontal plane. Direction of dip is always perpendicular to strike.
Doré	Unparted gold and silver poured into moulds when molten to form buttons or bars.
Drift	Workings driven in or near a mineralized zone and parallel to the course of the vein or the long dimension of the mineralized zone.
Drifting	Proceeding with mining to create a drift.
Electron	The elementary particle of mass 9×10^{-28} grams and unit electrical charge.
Epidote	A common mineral in metamorphic rocks.
Fabric	The orientation in space of the elements of which a rock is composed
Face	The surface exposed by excavation. The working face, front, or forehead is the face at the end of the tunnel heading, or at the end a full-size excavation,
Fault or Block Fault	A fracture in a rock across which there has been displacement. Block faults are usually steep, and break the earth's crust into "blocks" that are displaced vertically and/or laterally relative to each other.
Fe	Chemical symbol for the element iron.
Felsic	Mnemonic term derived from (fe) for feldspar, (l) for lenads of feldspathoids, and (s) for silicia and applied to light-coloured rocks containing an abundance of one or all of these constituents. Also applied to the minerals themselves, such as quartz, feldspars, feldspathoids and muscovite.
ft	foot or feet, as the context requires.
Gabbroic	Plutonic rock consisting of calcic plagioclase and clinopyroxene, with or without orthopyroxene and olivine. Apatite and magnetite or ilmenite are common accessories. Loosely used: Any coarse-grained igneous rock.
Geochemistry	The chemistry of the earth and its rocks, minerals, etc.
Geophysical Exploration	Exploring for minerals or determining the nature of Earth materials by measuring a physical property of the rocks and interpreting the results in terms of geologic features or the economic deposits sought. Physical measurements may be taken on the surface, in boreholes, or from airborne or satellite platforms.
Glacio-lacustrine	Produced by or belonging to lakes formed by or in relationship to glaciers.
Gneiss	A coarse-grained rock in which bands rich in granular minerals alternate with bands in which schistose minerals predominate.
Gouge	A layer of soft material along the wall of a vein. Finely abraded material occurring between the walls of a fault.

Grade	The amount of valuable mineral in each tone of ore, expressed as ounces per ton or grams per tonne for precious metal and as a percentage by weight for other metals.
Granitic	Of, pertaining to, or composed of, granite or granite like rock.
Greywacke	Dark, coarse-grained sandstone, usually with an admixture of clay.
g/t	Grams per tonne.
Hanging wall	The rock on the upper side of a mineral vein or deposit.
Hematite	A mineral. The principal ore of iron.
Highwall	The unexcavated face of exposed overburden and coal or ore in an opencast mine, or the face or bank on the uphill side of a contour strip mine excavation.
Homoclinal	A structural condition in which the beds dip uniformly in one direction.
Hydrothermal	Of or pertaining to heated water, to the action of heated water, or to the products of the action in heated water.
Intrusion	A body of igneous that involves other rock.
Intrusive	A rock formed by the process of emplacement of magma in pre-existing rock.
IP	Induced polarization survey.
Kriging	1. A weighted, moving-average interpolation method in which the set of weights assigned to samples minimizes the estimation variance, which is computed as a function of the variogram model and locations of the samples relative to each other, and to the point or block being estimated. 2. In the estimation of ore reserves by geostatistical methods, the use of a weighted, moving-average approach to account for the estimated values of spatially distributed variables, and also to assess the probable error associated with the estimates.
Lacustrine	Produced by or belong to lakes.
Latite	The extrusive equivalent of monzonite and a variety of trachyandesite in which potash feldspar and plagioclase are present either as normative or modal minerals in nearly equal amounts.
Leach	To wash or drain by percolation. To dissolve minerals or metals out of the ore, as by the use of cyanide or chlorine solutions, acids, or water.
Lens	A body of ore or rock thick in the middle and thin at the edges.
Listric fault	A curved downward-flattening fault, generally concave upward. Listric faults may be characterized by normal or reverse separation.
Lithology	The physical character of a rock, generally as determined megascopically or with the aid of a low-power magnifier. The microscopic study and description of rocks.
Mafic	Subsilicic, basic. Contrasted with felsic. In general, synonymous with “dark minerals”, as usually used.
Malachite	A mineral. Common alteration product of copper ores.
Marcasite	White iron pyrites. A common ore mineral.
Metallogenic	Relating to the formation of gold deposits, millions of years ago.
Metamorphic rock	Includes all those rocks which have formed in the solid state in response to pronounced changes in temperature, pressure, and chemical environment, which take place, in general, below the shells of weathering and cementation.

Metasediments	Partly metamorphosed sedimentary rocks.
Metasomatize	To replace one mineral by another of different chemical composition owing to reactions set up by the introduction of material from external sources. (Metasomatism = replacement)
Mineralization	The process by which a mineral or minerals are introduced into a rock resulting in an economically valuable or potentially valuable deposit.
NSR	Net smelter return.
Opt	Troy ounces per short ton of gold unless indicated to be another metal.
Ore	A mineral or aggregate of minerals more or less mixed with gangue which can be profitably mined given economic circumstances at the time. The Company does not hold any interest in properties where the mineralization has been determined to be ore.
Ounce (or oz.)	Meaning a troy ounce. There are 31.1034 grams to a troy ounce and there are 12 troy ounces to a troy pound, a common unit of measurement for precious metals.
Outcrop	An exposure on the surface of the underlying rock.
Overburden	Material of any nature, consolidated or unconsolidated, that overlies a deposit of useful materials, ores, or coal, especially those deposits that are mined from the surface by open cuts.
Panel sample	Material sampled from sections divided across a rib or face.
Paragenesis	A general term used to denote a gneiss derived from a sedimentary rock.
Petrographic	Some or all of the igneous rocks are derived from a common parent magma.
Phyllite	An argillaceous rock intermediate in metamorphic grade between slate and schist.
Pleistocene	The earlier of the two epochs comprised in the Quaternary period, in the classification generally used. Also called Glacial epoch, Ice age, Post-Pliocene and Post-Tertiary. Also, the series of sediments deposited during that epoch, including both glacial deposits and ordinary sediments.
Plagioclase	A mineral group. One of the commonest rock-forming minerals.
Planar	Relating to, or in the form of a plane.
Porphyritic	Textural term for igneous rocks in which larger crystals are set in a finer groundmass which may be crystalline or glassy, or both.
Porphyry	An igneous rock containing conspicuous crystals or phenocrysts in a fine-grained groundmass; type of mineral deposit in which ore minerals are widely disseminated, generally of low grade but large tonnage.
Potassic	Of, pertaining to, or containing potassium.
Precious metals	Gold, platinum, silver and palladium.
Preliminary Assessment	A study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a preliminary feasibility study.
Propylite	An altered, greenstone-like andesitic rock consisting of such minerals as calcite, chlorite, epidote, serpentine, quartz, pyrite, and iron ore and resulting from hydrothermal alteration.
Pyrite	Iron pyrites. Fool's gold. A mineral. An important ore of sulphur; sometimes mined for the associated gold or copper.

Pyroclastic	General term for a class of rocks made up of detrital volcanic materials that have been explosively or aerially ejected from a volcanic vent.
Pyrrhotite	Magnetic pyrites.
Quartz	A common rock forming mineral composed of silicon and oxygen.
Raise	A mine shaft driven from below upward; also called upraise, rise, and riser.
Ramp	A fault that is a gravity (normal) fault near the surface of the earth, but curves through the vertical to dip in the opposite direction at depth; where the displacement is that characteristic of thrusts.
Reserves:	Mineral Reserve: The economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.
	Probable Mineral Reserve: The economically mineable part of an Indicated, and in some circumstances a Measured, Mineral Resource, demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
	Proven Mineral Reserve: The economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Resistivity	That factor of the resistance of a conductor which depends upon the material and its physical condition.
Resources:	Resource: A concentration or occurrence of natural material of intrinsic economic interest in or on the Earth's crust in such form and quantity and such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
	Inferred Mineral Resource: That part of a mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
	Indicated Mineral Resource: That part of a mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

	Measured Mineral Resource: That part of a mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Rhyolite	An extrusive igneous (volcanic) rock with phenocrysts of quartz and alkalic feldspar, commonly of porphyritic texture.
Rib	The sides of a decline or tunnel.
Sedimentary	Rock formed of sediment, as conglomerate, sandstone and shale, formed of fragments of other rock transported from their sources and deposited in water; rocks formed by precipitation from solution as rock salt or gypsum or non-organic secretions of organisms, e.g., most limestone.
Sericite	Fine-grained variety of mica.
Shear	A fold formed as a result of the minute displacement of beds along closely spaced fractures or cleavage planes.
Schist	A medium or coarse-grained metamorphic rock with subparallel orientation of the micaceous minerals which dominate its composition.
Silica	Silicon dioxide.
Siliceous	Said of a rock containing abundant silica.
Silicification	The introduction of or replacement by, silica. Generally the silica formed is fine grained quartz, chalcedony, or opal, and may fill both up pores and replace existing minerals. The term covers all varieties of such processes, whether late magmatic, hydrothermal or diagenetic.
Specularite	Hematite, occurring in tabular or disklike crystals of gray colour and splendid metallic luster.
Sphalerite	A mineral, dimorphous with wurtzite. Isometric. The principal ore of zinc.
Splays	Divergent small faults at the extremities of large normal faults, especially rifts.
Stope	An excavation from which the ore has been extracted, either above or below a level, in a series of steps.
Stoping	The loosening and removal of ore in a mine either by working upward (overhead or overhand) or downward (underhand).
Strata	A tabular or sheet-like body of sedimentary rock.
Stratigraphy	That branch of geology which treats of the formation, composition, sequence, and the correlation of stratified rocks as parts of the earth's crust.
Strike	Direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip.
Structural Control	The influence of structural features on ore deposition, e.g., ore minerals filling fractures.
Sulphide	Group of minerals consisting of metals combined with sulphur; common metallic ores (or "Sulfide").

Syenite	A plutonic igneous rock consisting principally of alkalic feldspar usually with one or more mafic minerals such as hornblende or biotite.
Tailings (tails)	Those portions of washed ore that are regarded as too poor to be treated further. Debris from stamp mills or other ore-dressing machinery.
Tertiary	The period of geological time extending from 66 to 2 million years ago, which includes the Palaeogene and Neogene epochs.
Ton	Short ton which measures 2,000 pounds.
Tonne	Metric ton which measures 2,204.6 pounds or 1000 kilograms.
Tpd	Ton per day.
Tuff	A rock formed of compacted volcanic fragments, generally less than 4 millimetres in diameter.
Ultramafic	Ultrabasic. Some igneous rocks and most varieties of meteorites containing less than 45% silica; containing virtually no quartz or feldspar and composed essentially of ferromagnesian silicates, metallic oxides and sulfides, and native metals, or of all three.
Vein	A tabular or sheet-like mineral deposit with identifiable walls, often filling a fracture or fissure.
Veinlet	A small vein; the distinction between vein and veinlet tends to be subjective.
Volcanic	Pertaining to the activity, structures or rock types of a volcano.

TABLE OF CONTENTS

PART I

ITEM 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	- 13 -
ITEM 2.	OFFER STATISTICS AND EXPECTED TIMETABLE.....	- 13 -
ITEM 3.	KEY INFORMATION.....	- 13 -
ITEM 4.	INFORMATION ON THE CORPORATION	- 17 -
ITEM 4A.	UNRESOLVED STAFF COMMENTS.....	- 62 -
ITEM 5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	- 62 -
ITEM 6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES.....	- 68 -
ITEM 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.....	- 77 -
ITEM 8.	FINANCIAL INFORMATION.....	- 78 -
ITEM 9.	THE OFFERING AND LISTING.....	- 78 -
ITEM 10.	ADDITIONAL INFORMATION	- 81 -
ITEM 11.	QUANTITATIVE & QUALITATIVE DISCLOSURE ABOUT MARKET RISK	- 90 -
ITEM 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES.....	- 91 -

PART II

ITEM 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	- 91 -
ITEM 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS.....	- 91 -
ITEM 15.	CONTROLS AND PROCEDURES	- 91 -
ITEM 16A.	AUDIT COMMITTEE FINANCIAL EXPERT	- 91 -
ITEM 16B.	CODE OF ETHICS	- 92 -
ITEM 16C.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	- 93 -
ITEM 16D.	EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	- 93 -
ITEM 16E.	PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASES	- 93 -

PART III

ITEM 17.	FINANCIAL STATEMENTS.....	- 94 -
ITEM 18.	FINANCIAL STATEMENTS.....	- 94 -
ITEM 19.	EXHIBITS.....	- 94 -
SIGNATURES.....		- 96 -

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

Currency and Exchange Rates

All dollar amounts set forth in this Annual Report are in Canadian dollars, except where otherwise indicated. The following table sets forth the average rate of exchange for the Canadian dollar for the periods indicated (calculated by using the average of the exchange rates on the last day of each month during the period):

	(C\$)					
	2007	2006	2005	2004	2003	2002
Average Rate During Period	1.0665	1.1307	1.2116	1.3015	1.3915	1.5702

The following table sets forth the high and low exchange rates in Canadian dollars, for the periods indicated, in each case based on the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York:

	(C\$)					
	Feb/08	Jan/08	Dec/07	Nov/07	Oct/07	Sep/07
High Rate	1.0190	1.0324	1.0216	1.0007	1.0002	1.0546
Low Rate	0.9719	0.9905	0.9784	0.9168	0.9496	0.9959

On December 31, 2007, the noon buying rate in New York City for cable transfers in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was \$1.00 US = \$0.9881 CDN.

On March 24, 2008, the noon buying rate in New York City for cable transfer in Canadian dollars as certified for customs purposes by the Federal Reserve Bank of New York was \$1.00 US = \$1.0203 CDN.

Selected Financial Data

The following table sets forth selected consolidated financial information for the Corporation for, and as of the end of, each of the last five fiscal years ended December 31, 2007. The financial information is derived from the consolidated financial statements of the Corporation and is presented in Canadian dollars. The consolidated financial statements for year 2003 were audited by Tony M. Ricci Inc., Chartered Accountant and the consolidated financial statements for years 2004, 2005, 2006 and 2007 were audited by KPMG LLP, Chartered Accountants (see Item 17).

The selected consolidated financial information presented below should be read in conjunction with the audited consolidated financial statements of the Corporation included elsewhere herein.

For the Year Ended December 31,

	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$
Net loss (Canadian GAAP)	(946,457)	(1,740,706)	(4,215,960)	(1,219,731)	(605,214)
Net loss per share (Canadian GAAP)	(0.01)	(0.02)	(0.06)	(0.03)	(0.02)
Net loss (U.S. GAAP)	(2,456,339)	(5,867,442)	(10,076,457)	(8,640,303)	(3,261,451)
Net loss per share (U.S. GAAP)	(0.02)	(0.06)	(0.14)	(0.19)	(0.11)
Weighted average number of shares	100,958,861	96,280,740	72,356,898	45,528,057	30,773,747
Total cash and cash equivalents	4,266,063	6,150,005	5,413,900	9,467,224	13,406,295
Working capital (deficiency)	5,963,158	6,958,811	5,177,422	8,750,640	13,089,684
Total debt	Nil	Nil	Nil	Nil	Nil
Total assets (Canadian GAAP)	60,963,361	59,751,226	54,428,595	28,688,663	25,006,389
Total assets (US GAAP)	35,009,200	36,383,664	35,077,992	15,198,557	18,936,855
Shareholders' equity (Canadian GAAP)	59,336,557	57,799,245	52,261,765	27,496,142	24,202,178
Shareholders' equity (US GAAP)	34,200,947	33,541,709	32,911,162	14,006,036	18,132,644

The selected consolidated financial data has been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Selected financial data has also been provided under United States generally accepted accounting principals ("US GAAP") to the extent that amounts are different from Canadian GAAP. The consolidated financial statements included in Item 17 in this Annual Report are prepared under Canadian GAAP. Included within the consolidated financial statements in Note 15 is a reconciliation between Canadian and U.S. GAAP.

Under Canadian GAAP, Old Bonanza changed its method for accounting for employee and directors' stock options to the fair value based method, beginning January 1, 2004. The change was applied retroactively, without restatement, resulting in an increase to deficit and contributed surplus of \$2,874,994 as at January 1, 2004. Prior to this change in policy, no compensation expense was recognized.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

General

Precious metals exploration is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Corporation may be affected by numerous factors which are beyond the control of the Corporation and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of mining facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, any of which could result in the Corporation not receiving an adequate return on invested capital.

Exploration and Development Risks

There is no certainty that the expenditures made or to be made by the Corporation in the exploration of its properties will result in discoveries of mineralized material in commercially viable quantities. Most exploration projects do not result in the discovery of commercially mineable ore deposits. Mining operations generally

involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The business of gold mining is subject to a variety of risks such as industrial accidents, flooding, environmental hazards such as fires, technical failures, labour disputes and other accidents at the mine facilities. Such occurrences, against which the Corporation cannot or may elect not to insure, may delay production, increase production costs or result in liability. The payment of such liabilities may have a material adverse effect on the Corporation's financial position.

Mineral Prices

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral Resources are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Corporation may affect the marketability of any mineral occurrences discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Corporation, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the United States dollar relative to the Canadian dollar and other currencies), interest rates and global or regional consumption patterns (such as the development of gold coin programs), speculative activities and increased production due to improved mining and production methods.

Operating History

The Corporation and its predecessor companies have no history of earnings. The Corporation has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Corporation is through the sale of its equity shares or by way of debt facilities. While the Corporation may generate additional working capital through the operation, development, sale or possible syndication of its properties, there is no assurance that any such funds will be generated.

Environmental Regulation

All phases of the Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations, or its ability to develop its properties economically. Before production may commence on any property, the Corporation must obtain regulatory and environmental approvals and permits. There is no assurance such approvals and permits will be obtained on a timely basis, if at all. Compliance with environmental and other regulations may reduce profitability, or preclude economic development of a property entirely.

Competition

The resource industry is intensely competitive in all of its phases, and the Corporation competes with many companies possessing greater financial resources and technical facilities than it. Competition could adversely affect the Corporation's ability to acquire suitable producing properties or prospects for exploration in the future.

Title Matters

In those jurisdictions where the Corporation has property interests, the Corporation makes a search of mining records in accordance with mining industry practices to confirm satisfactory title to properties in which it holds or intends to acquire an interest, but does not obtain title insurance with respect to such properties. The possibility exists that title to one or more of its properties, particularly title to undeveloped properties, might be defective because of errors or omissions in the chain of title, including defects in conveyances and defects in locating or maintaining such claims, or concessions. The ownership and validity of mining claims and concessions are often

uncertain and may be contested. In particular, in Canada mineral title is increasingly subject to challenges and claims of aboriginal title to land subject to mining claims. The Corporation is not aware of any challenges to the location or area of its mineral claims. There is, however, no guarantee that title to the Corporation's properties and concessions will not be challenged or impugned in the future. The properties may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects.

Dependence on Key Personnel

The success of the Corporation and its ability to continue to carry on operations is dependent upon its ability to retain the services of certain key personnel. The loss of their services to the Corporation may have a material adverse effect on the Corporation. The Corporation does not presently have "key person" life insurance for any of its officers. (See Item 6 "Directors, Senior Management and Employees").

Conflicts of Interest

Certain of the directors of the Corporation are directors of other mineral resource companies and, to the extent that such other companies may be interested in a project also of interest to the Corporation, or may in the future participate in one or more ventures in which the Corporation participates, such directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such acquisition or participation. In the appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participating in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program.

Legal Proceedings Against Foreign Directors

The Corporation is incorporated under the laws of British Columbia, Canada, and some of the Corporation's directors and officers are residents of Canada. Consequently, it may be difficult for United States investors to effect service of process within the United States upon the Corporation or upon its directors or officers, or to realize in the United States upon judgments of United States courts predicated upon civil liabilities under the United States Securities Exchange Act of 1934, as amended. Furthermore, it may be difficult for investors to enforce judgments of U.S. courts based on civil liability provisions of the U.S. federal securities laws in a foreign court against the Corporation or any of the Corporation's non-U.S. resident officers or directors.

Additional Funding Requirements

The business of mineral exploration and extraction involves a high degree of risk with very few properties that are explored ultimately achieving commercial production. At present, none of the Corporation's properties have a known body of commercial ore. As a mining company in the exploration stage, the future ability of the Corporation to conduct exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means. In turn, the Corporation's ability to raise such funding depends in part upon the market's perception of its management and properties, but to a great degree upon the price of gold and the marketability of securities of speculative exploration and development mining companies.

The development of any ore deposits found on the Corporation's exploration properties depends upon the Corporation's ability to obtain financing through any or all of equity financing, debt financing, the joint venturing of projects, or other means. There is no assurance that the Corporation will be successful in obtaining the required financing.

Shareholder Dilution

It is likely that additional capital required by the Corporation will be raised through the issuance of additional equity securities, resulting in dilution to the Corporation's shareholders.

Classification as a Passive Foreign Investment Corporation

The Corporation believes it is a Passive Foreign Investment Company ("PFIC"), as that term is defined in Section 1297 of the Internal Revenue Code of 1986, as amended, and believes it will be a PFIC in the foreseeable future. Consequently, this classification may result in adverse tax consequences for U.S. holders of the Corporation's shares. For an explanation of these effects on taxation, see the discussion about taxation in Item 10 of this Annual Report. U.S. shareholders and prospective holders of the Corporation's shares are also encouraged to consult their own tax advisers.

Exploration Stage Corporation

The Corporation has no production revenue. Moreover, the Corporation has no commercially viable properties. The Corporation has completed a preliminary assessment on its Copperstone project located in Arizona, described more fully under Item 4. At this stage and prior to a positive production decision being made on the Copperstone project or any other project the Corporation holds, the Corporation is deemed an "Exploration Stage Corporation".

ITEM 4. INFORMATION ON THE CORPORATION

A. History and Development of the Corporation

The Corporation was incorporated in the Province of British Columbia, Canada under the BCA on December 10, 2004 as 0710887 B.C. Ltd. and changed its name to American Bonanza Gold Corp. on February 10, 2005. Pursuant to the Plan of Arrangement described below, the Corporation is the successor to Old Bonanza. Old Bonanza was incorporated under the Business Corporations Act (Alberta) on November 17, 1980 and continued into the Province of British Columbia, Canada on July 19, 1994.

The Corporation's registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, BC, V6C 4N7. The Corporation's corporate head office is located at Suite 305 - 675 West Hastings Street, Vancouver, British Columbia, V6B 1N2, telephone number (604) 688-7523 and its exploration office is located at 290 Gentry Way, Suite 6, Reno, Nevada, United States, 89502.

The Corporation has an authorized share capital of an unlimited number of common shares without par value and an unlimited number of Class A preferred shares, of which 115,662,976 common shares are issued and outstanding and nil Class A preferred shares are issued and outstanding as at December 31, 2007. All of the Corporation's common shares rank equally with respect to voting rights and liquidation preferences. The Class A preferred shares as a class are issuable in series and entitle holders, on a liquidation or dissolution of the Corporation, to a preference over the holders of common shares with respect to any repayment of capital or distribution of assets. The Class A preferred shares do not entitle holders to vote at general meetings of shareholders. The directors may by resolution determine the number and name of the shares of any series of Class A preferred shares, and any special rights attaching to any series of Class A preferred shares.

March 2005 Plan of Arrangement

The following summary of certain terms and conditions of the Plan of Arrangement and Arrangement Agreement is not complete and is qualified in its entirety by reference to the full text of the Plan of Arrangement and Arrangement Agreement on file with the SEC.

On March 30, 2005, the Corporation, Old Bonanza, Taurus and Fairstar received the final order of the British Columbia Supreme Court for the approval of a statutory Plan of Arrangement for the acquisition of Old Bonanza and Taurus by the Corporation as well as the acquisition of Fairstar's interest in the Fenelon gold project.

Effective March 30, 2005, pursuant to the Arrangement Agreement, Old Bonanza and Taurus were combined together as subsidiaries of the Corporation and the Corporation acquired Fairstar's shares in FairstarSub, which held Fairstar's 38% interest in the Fenelon Project and the Casa Berardi Claims located in Quebec in exchange for shares of the Corporation.

The Corporation was incorporated specifically in connection with the Arrangement and had no operations prior to the completion of the Arrangement. As the Plan of Arrangement resulted in Old Bonanza shareholders owning approximately 63% of the Corporation, for accounting purposes, the Corporation is treated as a continuance of Old Bonanza.

The shares of the Corporation commenced trading on the TSX at the opening on March 31, 2005 under the symbol BZA. Trading of the shares of Old Bonanza and Taurus was halted on the TSX Venture Exchange at the close of business on March 29, 2005, and with the completion of the Plan of Arrangement, these two companies were delisted from the TSX Venture Exchange.

Pursuant to the terms of the Plan of Arrangement and Arrangement Agreement, the following transactions were approved and completed on March 30, 2005.

The Corporation, Old Bonanza and Taurus combined by way of a Plan of Arrangement whereby, first, each Old Bonanza common share, option and warrant outstanding at the time of the Arrangement was exchanged for 0.25 of a common share, option and warrant, respectively, of the Corporation and, second, each Taurus common share, option and warrant, was exchanged for 0.20 of a common share, option and warrant, respectively of the Corporation. The expiry dates of options and warrants remained unchanged and the exercise prices were increased in accordance with the above exchange ratios. On completion of the transaction, the Corporation owned 100% of the issued and outstanding shares of Old Bonanza and Taurus and the former shareholders of Old Bonanza and Taurus held approximately 69.4% and 30.6% of the common shares of the Corporation. The exchange transaction between the Corporation and Old Bonanza was a common control transaction which is accounted for at Old Bonanza's historical cost by the continuity of interests method. Accordingly, Old Bonanza is the acquirer of Taurus' assets and liabilities for accounting purposes. The consolidated financial statements of the Corporation include the results of operations of Old Bonanza consolidated with those of the Corporation and Taurus from the date of acquisition. For legal purposes, Old Bonanza and Taurus became wholly owned subsidiaries of the Corporation.

Fairstar transferred its 38% interest in the Fenelon gold project and its interests in the Casa Berardi gold projects in Quebec to its wholly-owned newly incorporated subsidiary company, FairstarSub. The Corporation acquired all outstanding shares of FairstarSub in exchange for 6,500,000 common shares of the Corporation and \$300,000 cash paid directly to certain creditors of Fairstar. This transaction has been accounted for as an asset acquisition by the Corporation.

After the transactions discussed above were completed the former shareholders of Old Bonanza, Taurus and Fairstar held approximately 63.3%, 27.9% and 8.8%, respectively, of the Corporation's common shares. The total number of issued and outstanding common shares of the Corporation after the transaction closed was 74,330,925.

The excess purchase price over the net book value of net assets acquired has been allocated to mineral properties and includes the effect of recording future income tax liabilities on the temporary differences arising on the transactions.

Three Year History

The Corporation is an Exploration Stage Corporation engaged in the identification, acquisition and exploration of precious metal properties located in the American Southwest of the United States, and Canada. The Corporation holds interests in several mineral exploration projects, the material properties being:

<u>Material Properties</u>	<u>Jurisdiction</u>
Copperstone	Arizona
Taurus	British Columbia

On June 7, 2007 the Corporation signed a definitive option agreement with respect to its 100% owned Taurus property in the historic mining camp of Cassiar, British Columbia, whereby Cusac Gold Mines Ltd. ("Cusac") can acquire 100% of the Taurus property by making certain cash and share payments to the Corporation. On December 19, 2007, as part of Hawthorne Gold Corporation's ("Hawthorne") proposed merger with Cusac, Bonanza agreed to the assignment to Hawthorne of the definitive option agreement between Bonanza and Cusac regarding the Taurus property. See Item 4.D *Taurus Gold Project* for further discussion.

On June 21, 2007, the Corporation entered into a letter of intent with Agnico-Eagle Mines Limited ("Agnico-Eagle"), to jointly explore and develop the Noyon-Northway Property and Agnico-Eagle's adjoining Vezza Property. The letter of intent was replaced by a formal option and joint venture agreement on December 10, 2007. Pursuant to this agreement, the Corporation granted Agnico-Eagle the option to acquire a 70% interest in the Noyon-Northway Property. To exercise the option, Agnico-Eagle must expend \$1,699,500 in exploration expenditures on the Northway Noyon property over a three year period and must assign a 30% interest in the Vezza Property to the Corporation. After exercise of the option, the combined Noyon-Northway and Vezza properties (the "Properties") will be operated on a joint venture basis with the Corporation initially holding a 30% interest in the joint venture. Agnico-Eagle will be the operator during the initial option period and under the joint venture The Corporation has agreed to fund \$160,500 in exploration expenditures during the first year, and a total of \$555,000 during the remaining two years of the option agreement. Agnico-Eagle has agreed to fund \$374,500 towards the first year expenditures. The Corporation has no obligation to contribute more than the required expenditures during the first three years after execution of the agreement. For a period of one year after the exercise of the option, Agnico-Eagle will have the right to increase its interest in the property by 10% by solely financing expenditures required to complete a feasibility study on the property. Should either party be diluted to less than a 10% interest in the properties, their interest will be converted to a 1% net smelter return royalty, of which up to one half may be purchased for \$1,000,000.

The Corporation also has interests in several exploration projects located in Quebec, Ontario, Arizona and Nevada which are not sufficiently advanced to be material to the Corporation, and are not considered significant properties by the Corporation at this time.

The Pamlico property was subject to a cash payment of US\$425,000 on November 10, 2005 and as a result the Corporation returned the Pamlico project to the property vendor and recognized a write-down of approximately \$1,742,720 for the year ended December 31, 2005.

To finance exploration for the Canadian properties, the Corporation completed a private placement in August 2005, consisting of 8,174,000 common shares which were designated as flow-through shares at a price of \$0.45 per flow-through share totaling \$3,678,300 and 1,588,000 non-flow-through units at a price of \$0.45 per unit totaling \$714,600. On December 29, 2005 the Corporation entered into a non-brokered private placement to issue 500,000 flow-through shares at \$0.60 per share for total proceeds of \$300,000. Flow-through funds are restricted for expenditures that qualify as Canadian Exploration Expenditures, as defined in the Income Tax Act (Canada).

In June, 2006 the Corporation completed a private placement consisting of 7,400,000 common shares which were designated as flow-through shares at a price of \$0.55 per flow-through share for gross proceeds of \$4,070,000, and 7,400,000 units at a price of \$0.55 per unit for gross proceeds of \$4,070,000.

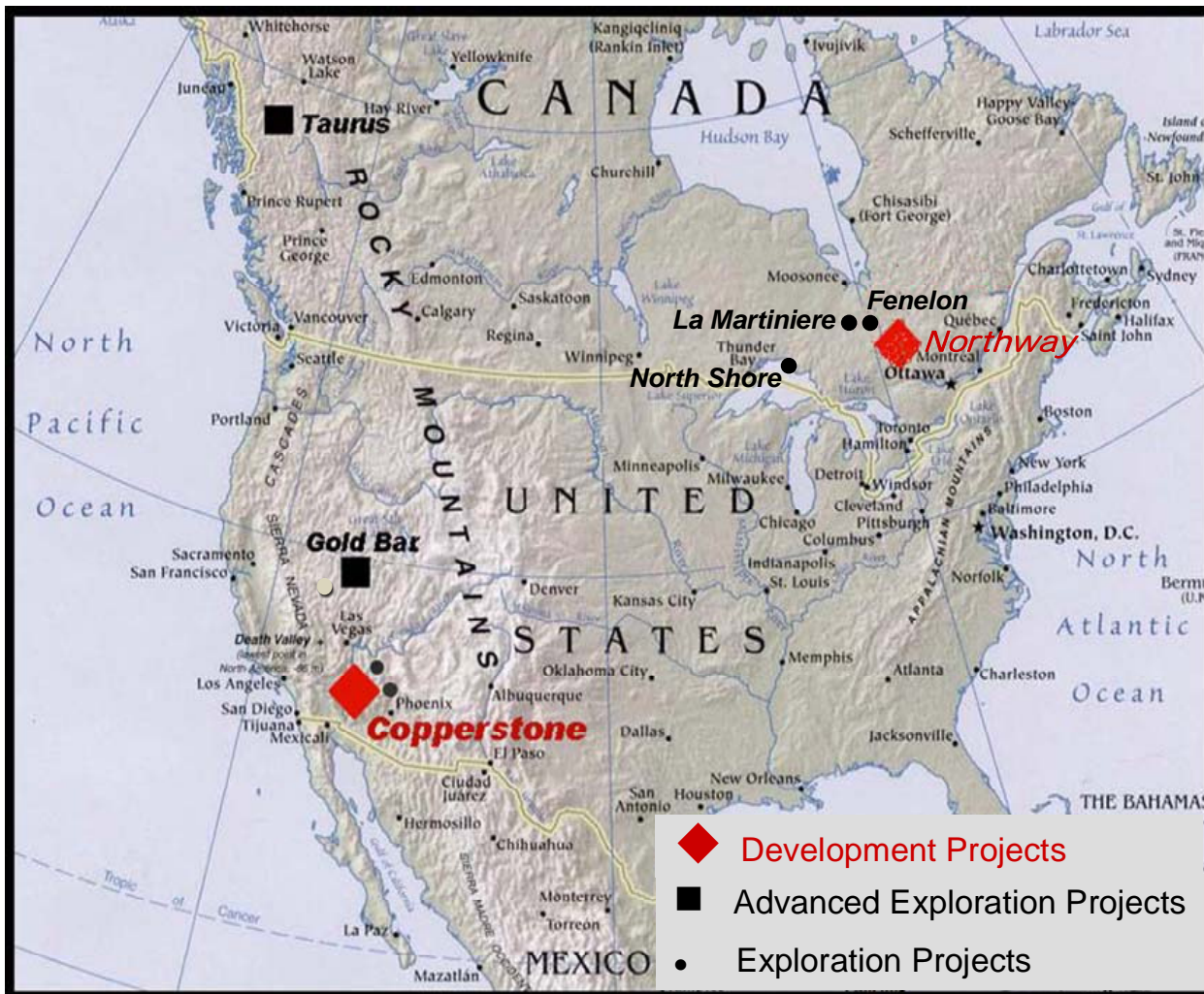
On December 2, 2007 the Corporation extended the expiration date and reduced the exercise price of 4,736,000 outstanding share purchase warrants. The expiry date of the warrants was extended from December 2, 2007 to June 2, 2008, and the exercise price was reduced from \$0.65 to \$0.30 per share.

On December 19, 2007 the Corporation completed a brokered private placement selling 3,267,000 units and 1,750,000 units on a non-brokered basis, at a price of \$0.40 per unit for gross proceeds of \$2,006,800. Each unit consists of two common shares, one which was designated as a flow-through share, and one common share which was not designated as a flow through share, and one half of one transferable common share purchase warrant with each full warrant entitling the holder to acquire one common share at a price of \$0.30 until June 19, 2009. All securities issued in connection with the private placement are subject to four month hold period expiring April 19, 2008. Also, on December 31, 2007 the Corporation completed a non-brokered private placement of 2,500,000 units, at a price of \$0.40 per unit for gross proceeds of \$1,000,000. Each unit consists of two common shares, one which was designated as a flow-through share, and one common share which was not designated as a flow through share, and one half of one transferable common share purchase warrant with each full warrant entitling the holder to acquire one common share at a price of \$0.30 until June 30, 2009. All securities issued in connection with this private placement are subject to four month hold period expiring April 30, 2008. The proceeds from these financing will be used primarily to fund ongoing exploration at the Corporation's Copperstone project in Arizona and at its projects in Quebec and Ontario, and for general working capital.

Subsequent to December 31, 2007 and on February 12, 2008, the Corporation announced it had signed a Letter of Intent to merge the Corporation into a wholly-owned subsidiary of Gryphon Gold Corporation ("Gryphon") through a Plan of Arrangement, the details of which are further discussed below in Item 8.B, "Significant Changes." On February 27, 2008, the Corporation and Gryphon mutually agreed to terminate the Letter of Intent.

The Corporation's primary objective is to advance the Copperstone and Northway projects towards gold production as described below.

The following provides an overview of the location of the Corporation's properties:



A detailed summary of the Corporation’s projects (excluding those that have been subsequently written off and returned and certain non-material properties) are set forth in “Business Overview” below.

B. Business Overview

General

The Corporation’s most important properties are the Copperstone project located in Arizona, the Taurus Property located in British Columbia, and the Northway Project located in Quebec. The Corporation has entered into a definitive option agreement with Cusac Gold Mines Ltd. (“Cusac”) for the sale of the Taurus Property to Cusac. Cusac has subsequently been acquired by Hawthorne Gold Corporation who has taken over responsibility for the option agreement with the Corporation. See “Information on the Corporation – Property, Plants and Equipment – Taurus Property”. The Corporation also holds interests in several exploration projects located in Quebec, Ontario, Nevada and Arizona, which are less material to the Corporation due to their less advanced status.

The Corporation’s current business objectives are to conduct further drilling, exploration and project development studies on each of the Copperstone Gold Project and the Northway Gold Project (in Joint Venture with Agnico-Eagle Mines Limited; see “Information on the Corporation – Property, Plants and Equipment – Northway Property”), with a view to completing a preliminary feasibility study on one or both of these projects within the next two years. The Corporation obtained a resource estimate and preliminary economic assessment on the Copperstone Property from AMEC on March 27, 2006. The purpose of the preliminary assessment was to (a)

formalize the large amount of quality work and data compiled to date, (b) provide a clear picture of those areas with the potential to add resources, and (c) establish a preliminary economic analysis of Copperstone.

The Corporation used the information provided by the preliminary economic assessment to prepare a new three dimensional geologic exploration model at Copperstone. This new exploration model is based on pit mapping, underground mapping, a substantial amount of new drilling, geophysical data and structural modeling, and will guide planned drilling to further expand the resource. The new exploration model was completed in mid 2006, and was used to guide further exploration drilling at Copperstone, designed to expand the resources. A phase I exploration drilling program, based on the new exploration model, was completed in December 2006. Phase II exploration drilling designed to follow up the positive results of Phase I drilling was completed during the fall of 2007 and identified two zones of thick, high grade and apparently continuous gold mineralization. Phase III target definition drilling is planned for the first half of 2008.

As a mining company in the exploration 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 expenditures in 2008 at the Copperstone project and the Northway project.

The following sets forth the aggregate expenditures made by the Corporation on certain of its projects as at the end of each fiscal period set out below:

Summary of Project Expenditures					
Project	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$
Copperstone	24,938,311	22,904,331	21,732,835	16,064,009	9,312,073
Fenelon	14,768,533	14,183,469	12,350,507	-	-
Taurus	5,324,013	6,583,770	6,546,020	-	-
Gold Bar	1,062,471	1,035,264	1,013,399	857,445	477,407
Northway	4,223,809	3,915,092	3,774,047	-	-
Martiniere	3,129,259	2,659,280	2,206,636	-	-
Northshore	914,286	524,051	111,873	-	-
Other	190,542	159,368	212,348	173,064	21,558
Pamlico	-	-	-	1,732,170	1,595,078
	54,551,224	51,964,625	47,947,666	18,826,688	11,406,116

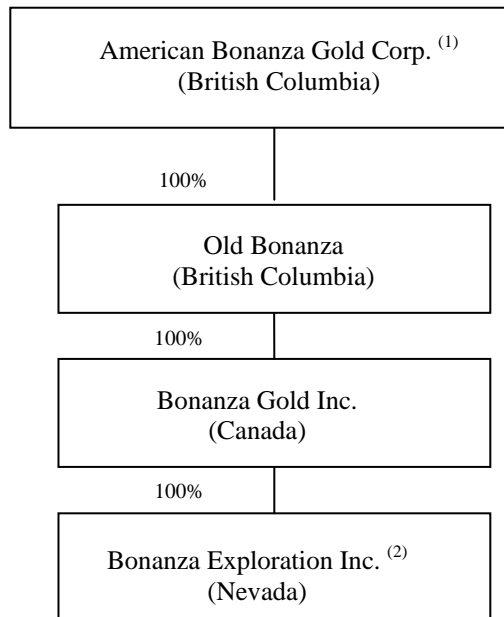
Cautionary Note:

None of the mineral properties in which the Corporation holds an interest contain any known commercially viable ore or mineral reserves. All exploration programs proposed for any mineral properties in which the Corporation has an interest are exploratory in nature.

C. Organizational Structure

As of December 31, 2007, the only active subsidiaries of the Corporation were Old Bonanza, which in turn has a wholly owned subsidiary Bonanza Gold Inc. ("Bonanza Gold") (a Canadian corporation), which in turn has a wholly owned subsidiary, Bonanza Explorations Inc. ("Bonanza Explorations") (a Nevada corporation).

The following diagram sets out the corporate structure of the Corporation and its active subsidiaries:



- (1) The Corporation owns the Copperstone Property in Arizona, Fenelon Project, the Martiniere Property, Northway-Noyon Project in Quebec, and Northshore Property in Ontario.
- (2) Bonanza Exploration Inc. owns the Gold Bar Project, Nevada, and other exploration properties located in Arizona and Nevada.

D. Property, Plants and Equipment

Copperstone

General

The Corporation holds a 100 percent 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 and was renewed on June 12, 2005. The lease is 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 percent production gross royalty so long as the price of gold in US dollars is less than US\$350 per ounce (royalty increases to a maximum of 6 percent as price of gold increases to over US\$551 per ounce), with a minimum advance royalty per year of US\$30,000.

Copperstone Gold Project

In August, 1998, Old Bonanza entered into an agreement with Arctic Precious Metals Inc. ("APMI"), a wholly owned subsidiary of Royal Oak Mines Inc. ("Royal Oak"), to explore and develop the Copperstone gold property in La Paz County, Arizona, U.S.A. Under the agreement, Old Bonanza acquired 25 percent of APMI's leasehold interest in the Copperstone project for a cash payment of US\$500,000 with an option to increase its interest in the project to 80 percent through property expenditures of US\$3 million and a future cash payment to APMI of US\$1 million. In 1995 APMI had acquired a renewable lease for the Copperstone project from the Patch Living Trust.

In April, 1999, APMI became subject to Chapter 11 proceedings under U.S. bankruptcy law and in November, 1999 Old Bonanza entered into a conditional Purchase and Sale Agreement with APMI, concerning the purchase by Old Bonanza of the 75 percent interest owned by APMI in the Copperstone project.

In March, 2002, Old Bonanza acquired all APMI's leasehold interest in the Copperstone mining property by obtaining an assignment of APMI's interest in the lease with the Patch Living Trust. The assignment was approved in a lengthy US Bankruptcy Court process. As a result, Old Bonanza's interest in the Copperstone mining property increased from 25 percent to 100 percent, subject only to the existing lease and its royalty

arrangements. This acquisition was funded by a loan of US\$1,100,000 from Brascan Financial Corporation which was repaid in October 2003.

Copperstone D-Zone Joint Venture

In September, 2000, Old Bonanza entered into an agreement 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 (the “Copperstone D-Zone Joint Venture”, as amended).

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

On February 14, 2002, Old Bonanza 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 would be paid equally by CDC and Old Bonanza. These liabilities were previously recorded by Old Bonanza as at December 31, 2000 and as at December 31, 2003 all of these liabilities were either 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 would be paid equally by CDC and Old Bonanza;
- (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; and,
- (e) US\$70,000 from initial proceeds from extraction of mineralized materials from the D-Zone, following repayment of the Brascan Loan.

During 2002, Old Bonanza 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. The Corporation paid this US\$180,000 in 2007.

During 2002, Old Bonanza entered into a 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 exploration drilling programs.

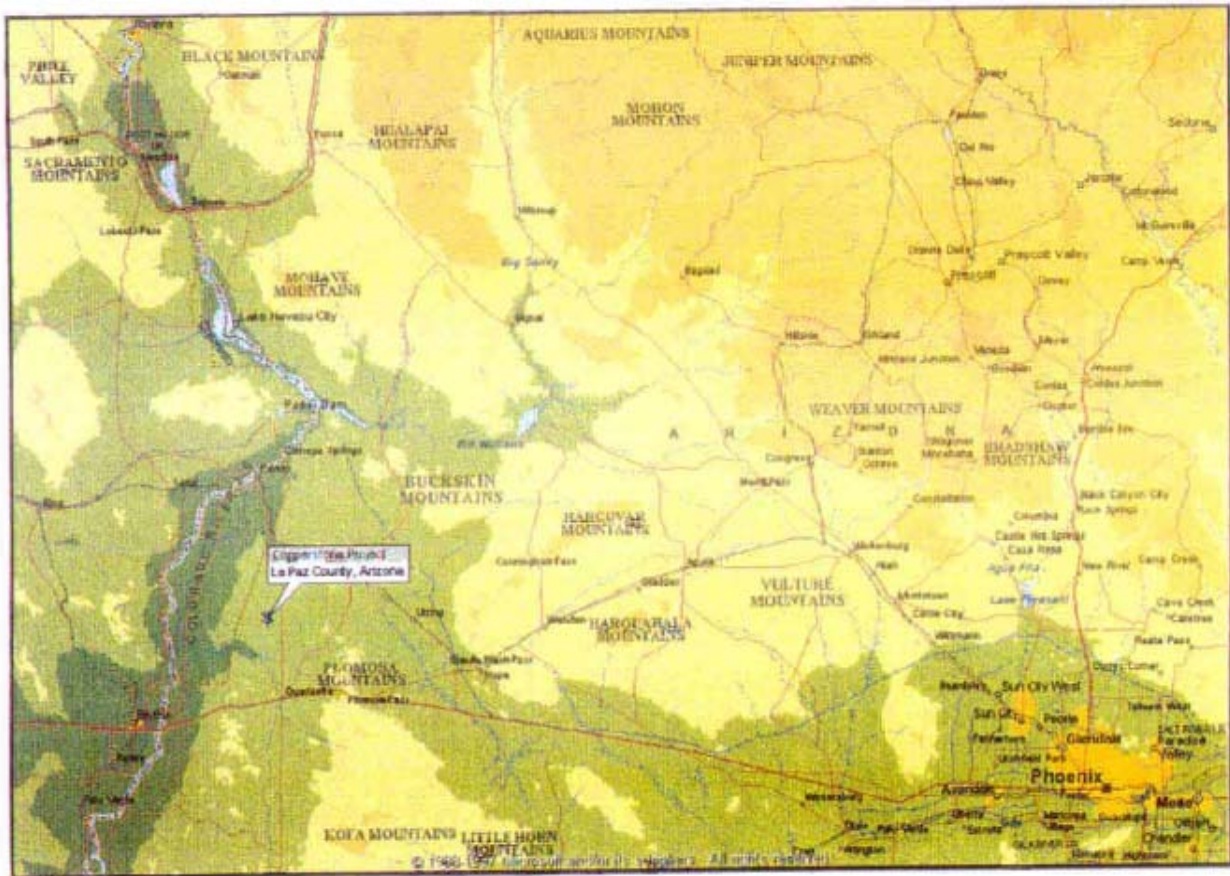
In May, 2005 the Corporation announced the commissioning of a Pre-Feasibility study for the Corporation’s Copperstone project located in Arizona and described more fully below. AMEC was selected to conduct the study. AMEC is a leading international full service engineering firm recognized by both the mining industry and financial community.

Subsequent to December 31, 2005, the Corporation concluded that the work being performed by AMEC would be better optimized by converting the scope of the report from a Pre-Feasibility study to a Preliminary Assessment. In addition to estimating the mineral resources, the Preliminary Assessment; (a) formalized the large amount of quality work and data compiled to date, (b) provided a clear picture of those areas with the potential to add resources, and (c) established a preliminary economic analysis of Copperstone.

William Tilley, P.E. and others prepared a report entitled “Technical Report on the Copperstone Gold Property, La Paz County, Arizona” (the “AMEC Report”). The AMEC Report, dated March 27, 2006, was prepared in compliance with the Canadian Securities Administrators’ National Instrument 43-101. The following information has been summarized from the AMEC Report.

Location and Access

The Copperstone Project is located in La Paz County, Arizona, United States. The closest communities are Quartzite, located 16 km to the south and Parker, located 40 km to the north. Phoenix is 106 km east of the Copperstone Project. The property is accessible from Phoenix on Interstate 10 to Quartzite and Route 95 from Quartzite. An 8 km unpaved mine road connects the property to Route 95.



Title

The Copperstone Project totals approximately 8,821 acres and is located in La Paz County, Arizona, about 16 km north of the town of Quartzite. The property consists of 335 contiguous unpatented lode mining claims covering an area of approximately 6,901 acres (20.6 acres per claim) and comprised of 274 “Copperstone”, 51 CSA, and 10 “Iron Reef” claims. The property also includes mineral leases on Arizona State mineral lands in T 7 N, R 19 W, section 31 and T 7N, R 19 W, sections 6 and 7 totaling approximately 1,920 acres.

The land is under the jurisdiction of the United States Bureau of Land Management (BLM). The Patch Living Trust (“PLT”) of Scottsdale, Arizona owns the title to the central 284 mineral claims. In June 1995, the Copperstone property was leased from PLT by APMI for a 10 year term and is renewable at the option of the lessee. On June 12, 2005, the lease was renewed for an additional 10 years. The annual claim fees payable to the BLM are approximately US\$42,000. Annual lease fees paid to the State of Arizona in 2007 was approximately

\$10,000. An annual minimum US\$30,000 advance royalty is payable to PLT under the terms of the lease and is subject to a 1 percent production gross royalty so long as the price of gold in US dollars is less than US\$350 per ounce (royalty increases to a maximum of 6 percent as price of gold increases to over US\$551 per ounce).

Accessibility, Climate, Local Resources, Infrastructure, and Physiography

The Copperstone Project is located 16 km north of the town of Quartzite, Arizona and about 40 km south of the town of Parker, the county seat of La Paz. The property is accessible from the Highway 95, north of Quartzite, and then turning west on a 4-mile gravel road to the mine site. The site access road is well maintained and suitable for all anticipated mine usage. The main east-west line for the Santa Fe railroad is about 15 miles north of the property.

The climate in the area is very dry with an average annual precipitation of 4 inches. Summers are extremely hot with an average temperature from May to September of 88.7 degrees Fahrenheit. Winters are mild with an average temperature from October to April of 63 degrees Fahrenheit. The maximum and minimum temperatures for the area are about 120 degrees Fahrenheit and 20 degrees Fahrenheit, respectively.

Significant infrastructure exists from the previous Cyprus mining operation conducted from 1988 to 1993. The present infrastructure consists of office, shops, storage facilities, various housing trailers, power, and water. Operational water can be available from existing on-site wells while potable water must be trucked on site. Presently, the mine communication utilizes a satellite phone, cell phones, and satellite internet.

The Copperstone Property is located on sandy desert terrain, with scattered small hills and local sand dunes. The area is relatively flat with surface elevations ranging from about 725 to 900 feet.

History

During the period 1987 to 1993, Cyprus Minerals (“Cyprus”) operated a 2,500 ton per day open-pit mine at Copperstone that produced approximately 500,000 ounces of gold from the Copperstone fault. The mine was closed at the economic limit of open-pit mining. Total mine production was 6,000,000 tons at a grade of 0.11 ounces/ton (3.8 g/t) gold. Gold recovery for the life of mine was 89 percent. The strip ratio of the pit was 10:1. Cyprus drilled 496 reverse circulation and 73 core holes for a total of 569 holes. Following the mine closure in 1993, Cyprus reclaimed the tailings pond and removed the Carbon-in-Pulp mill. Office, shop and warehouse facilities remain at the site. Furthermore, the 69 kv power line and substation remains in service, together with the three water wells with a 200 hp pumping capacity.

Geology

The Copperstone Project occurs within the “Basin and Range” province of the south-western USA. The regional geology is strongly influenced by Tertiary age detachment faults and younger high angle normal faults. The Copperstone gold deposit is related to the Moon Mountain or Copper Peak detachment fault. Gold mineralization at Copperstone occurs principally within the moderate to low-angle Copperstone Fault which has been interpreted to be a listric fault associated with the underlying Moon Mountain detachment fault. Gold occurs as native flakes within fault breccia, gouge and shear zones related to the faulting. The wall and host rocks are typically Triassic sediments and Jurassic quartz latite volcanics. Gold is commonly associated with hematite, chlorite, quartz, manganese oxide and copper oxide mineralization.

Gold Mineralization

Gold mineralization at Copperstone occurs mostly as particles with about 80% as small flakes ranging between 4 to 40 microns. Coarse gold ranges in size from 50 to 150 microns. Gold typically is free and associated with early and late stage quartz/amethyst and occasionally calcite.

Coarse gold occurs in the quartz latite porphyry cut by amethyst-quartz vein fringes, as flakes in fracture, and on the wall rock associated with copper oxides. Previous operators concluded that much of the coarse gold is directly depositional in origin, because it occurs as discrete three-dimensional grains.

Mineral Resource and Mineral Reserve Estimations

Results of a NI 43-101 compliant mineral resource and higher grade mineral resource estimate at Copperstone from the March 27, 2006 AMEC Report are as follows:

The AMEC Report estimated total Mineral Resources by tabulating all mineralization within the 1.03 grams Au/tonne grade shell and above a cutoff grade of 1.71 grams Au/tonne (0.05 oz/ton). This represents mineralization that may have reasonable prospects for economic extraction at higher gold prices, economies of scale and the potential for extraction of mineralization from expansion of the existing open pit. The cutoff grade from past mining operations on the property was approximately 0.04 oz/ton, which closely correlates to the cutoff used by AMEC in their report.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF MEASURED AND INDICATED RESOURCES

The table below uses the terms “measured” and “indicated” resources. The Corporation advises U.S. investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

Table 1A. Mineral Resource Tabulation –Model Capped at 137.1 g Au/t with a 1.71 g Au/t Cutoff Grade

Zones	Classification	Tonnes	Average Grade (grams/tonne gold)	Contained Ounces of Gold
A, B, C and D	Measured	15,600	14.61	7,333
A, B, C and D	Indicated	2,408,260	5.55	429,563
A, B, C and D	Measured & Indicated	2,423,860	5.61	436,896

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF INFERRED RESOURCES

The table below uses the term “inferred resources”. The Corporation advises U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable.**

**Table 1B. Mineral Resource Tabulation –Model Capped at
137.1 g Au/t with a 1.71 g Au/t Cutoff Grade**

Zones	Classification	Tonnes	Average Grade (grams/tonne Gold)	Contained Ounces of Gold
A, B, C and D	Inferred	532,740	5.21	89,445

In addition to identifying the mineral resource, mineral resources above a cutoff grade of 6.86 g Au/t, and with dilution and mining extraction parameters applied are listed below.

**CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF
MEASURED AND INDICATED RESOURCES**

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**Table 2A. Higher Grade Mineral Resources –Model Capped at
137.1 g Au/t with a 6.86 g Au/t Cutoff Grade**

Zones	Classification	Tonnes	Average Grade (grams/tonne Gold)	Contained Ounces of Gold
A, B, C and D	Measured	9,340	13.51	4,028
A, B, C and D	Indicated	328,820	12.55	132,807
A, B, C and D	Measured & Indicated	338,160	12.58	136,835

**CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF
INFERRED RESOURCES**

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**Table 2B. Higher Grade Mineral Resources – Model Capped at
137.1 g Au/t with a 6.86 g Au/t Cutoff Grade**

Zones	Classification	Tonnes	Average Grade (grams/tonne Gold)	Contained Ounces of Gold
A, B, C and D	Inferred	3,360	10.25	1,113

The economic parameters applied to this higher grade resource are preliminary and the Mineral Resources have not demonstrated economic viability until financial analyses determine that the resources can be extracted at a profit after recovery of operating and capital costs. Furthermore, in accordance with NI 43-101 Section 2.3.3, the Preliminary Assessment includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the Preliminary Assessment will be realized.

Mineralized domains and gold grades were established using industry accepted statistical methods. Bulk density values were averaged by rock type. A three dimensional block model was then generated using 18 x 12 x 6 foot blocks and interpolated utilizing mine planning software. The resource estimate was then validated with visual checks of block estimates versus drill hole composite grades, and bias checks using numerous statistical methods.

AMEC reviewed available QA/QC data and found the gold, silver, and copper assays from the Corporation and Cyprus drill campaigns to be acceptably accurate. Resampling of core produced in the Royal Oak period of drilling produced poor agreement between original and reassayed core. However Royal Oak data is only 4% of the total assay data base. AMEC recommended that mineralized intervals of Royal Oak holes be reassayed for use in future resource estimates.

AMEC found assay precision for the Corporation's drilling campaigns to be acceptable for a Preliminary Assessment. AMEC recommended that the Corporation's sample preparation protocols be improved in future programs to accommodate high-grade gold (such as crushing to 95% passing 10 mesh, split 500 to 1000 grams, pulverize to 95% passing 150 mesh) or that the Corporation consider employing metallic screen assays for visibly mineralized intervals. Duplicate pulp assays are not available for the Royal Oak or Cyprus drill campaigns, therefore precision estimates could not be made for these drilling campaigns.

Mineral resource estimates were validated using several industry standard methods.

Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained ounces gold.

Resource geometry (dip and thickness), rock mass characteristics, and continuity limit the ability to support a large scale operation with highly productive stopes; however, a combined approach of selective mining methods is proposed to maximize extraction and minimize dilution. A sustainable production rate of 350 tpd is suitable for the currently defined underground higher grade resource.

Metallurgical test work supports gold recoveries in excess of 90% utilizing a process, which involves crushing, grinding, and floating a gold concentrate, dissolution of gold, followed by gold recovery.

Tailings are proposed to be stored in a new, unlined, facility, which is constructed above the existing fully-lined tailings facility.

Key permitting issues relate to the decision to prepare an Environmental Assessment (EA) or an Environmental Impact Statement (EIS). The EA is briefer, less costly, but is only applicable if the project can meet a standard of no potential significant environmental impacts. The EIS is more detailed and costly. Even though Copperstone would ostensibly have no significant environmental impacts due to previous mining activity and environmental

reviews performed for that activity, there may be greater assurance to successfully permit the project under an EIS in a timely manner (The Mines Group 2004). Other key permits that will affect timing include the Aquifer Protection Permit, Dam permit, and Air Quality Permit.

Conceptual mine production totals 377,000 tons with an average grade of 0.366 oz Au/ton. The mine life is three years, at a nominal production rate of 350 tpd. Project capital costs are estimated to be \$32 Million assuming the installation of all new equipment. Life-of-mine operating costs average \$103/ton. Economic analyses indicate a gold price of \$600/oz Au is required for breakeven.

Financial analyses indicate the base case mine plan has a net present value of (\$14.9) million non-discounted or (\$16.2) million at a 5% discount rate using basis metal prices of \$450/oz Au and \$6.50/oz Ag.

Sensitivity analyses indicate metal prices of \$600/oz Au and \$8.50/oz Ag are required to yield an IRR of 1.3% and/or a 3.7-year payback.

AMEC identified the following areas as having the greatest opportunity to add value to the Copperstone project:

- Increase mineable resources through down-dip and down-strike exploration of the existing resource, supplemented with additional resources yet to be delineated from nearby geophysical and exploration anomalies. Order-of-magnitude sensitivity analyses indicate a non-discounted breakeven cash flow can be achieved if the resource base increases from 377,000 tons with an average grade of 0.366 oz Au/t to 748,000 tons with the same average grade. The required tonnage increases to 1,506,000 with a 10% discount rate. This sensitivity analysis is based on the assumption that pre-production capital and operating costs are identical to those in the proposed base case mine plan, with a minor incremental ongoing capital cost expense.
- Increase gold production through increased mill head grades by being more selective within the currently defined resources, supplemented with additional resources yet to be delineated from nearby geophysical and exploration anomalies. Order-of-magnitude sensitivity analyses indicate a non-discounted breakeven cash flow can be achieved if the average grade of the current mineable resource increases from 0.366 oz Au/ton to 0.469 oz Au/ton. The required grade increases to 0.525 oz Au/ton if a 10% discount rate is applied. This sensitivity analysis is based on the assumption that capital and operating costs are identical to those in the proposed base case mine plan.
- Reduce capital costs utilizing a mixture of used and new equipment. The study's capital cost estimate assumed 100% new equipment. Used equipment if available, could be substituted for new in several areas with the potential to significantly reduce the upfront capital cost requirements, although there could be an associated minor increase in maintenance costs and reduction in availability. These areas include the crushing and grinding circuits in the mill and the underground mining equipment fleet.
- Many other opportunities for economic improvement exist within the proposed mine and process plan, which are the subject of recommended additional studies, but most are relatively minor in significance, compared to the three described above, on a stand-alone basis.

The AMEC Report has been filed and is available for viewing on EDGAR and SEDAR.

Past Work Programs

Santa Fe Pacific Gold Corporation leased the Copperstone property for one year beginning in 1993 and drilled 12,500 feet in 17 wide spaced reverse circulation holes to explore for new gold mineralization. One hole (DCU-08) intersected significant mineralization (0.65 ounces per ton of gold over 15 feet) in the footwall of the Copperstone Fault. This hole was not followed-up and the lease was terminated in 1994. APMI drilled 28,330 feet in 33 surface holes on the property between 1995 and 1997. The main objectives of this drilling were to test for deep, down-dip extensions of the Copperstone Fault below the open-pit and the strike extension of the fault to

the north of the open-pit. This drilling resulted in the discovery of high grade gold mineralization on-strike to the north of the open-pit (the “D zone”) and down-dip to the north-east (the “C zone”). Old Bonanza and APMI entered into the Copperstone joint venture agreement in August, 1998. Bonanza subsequently drilled 10,000 feet in 15 core holes to further define the gold mineralization in the C and D zones. This drilling program was subject to quality control and quality assurance procedures established jointly with MRDI Canada. On completion of the drilling program, MRDI was retained to complete an independent scoping study of a new underground mine in the C and D zones. The MRDI study was completed in February, 1999.

Recently Completed Work Programs

Old Bonanza 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 two underground drill stations, Drill Bay #1 and #2. Underground channel and panel sampling programs have demonstrated continuity to the gold grades in the southern portion of the D-Zone.

A substantial, detailed surface and underground core drilling program has been completed and forms the basis for the AMEC Report. This extensive core drilling from surface and underground has located and defined the grade profile of the Copperstone Fault in the D-Zone and other zones, which provide detailed data, and will assist in the design of future underground workings and stopes.

Including the D-Zone and the ore mined from the pit, the Copperstone Fault is known to be mineralized over a strike length of about 3,600 feet, a vertical extent of 600 feet, and a down dip extent of 1,800 feet. True thickness of the gold mineralization in the targeted zones ranges up to 40+ feet thick in the Copperstone Fault. Additionally, it appears that sub-parallel structures well into the hanging wall and footwall of the Copperstone Fault contain unexplored occurrences of high grade mineralization.

Subsequent exploration by the Corporation has consisted primarily of exploration and infill drilling. During the 2003 to 2005 drill campaign, the Corporation completed 263 drill holes totaling 169,977 ft, of which 243 drill holes totaling 152,436 ft are included in the AMEC database used to estimate resources. A distribution of the holes drilled follows:

- Highwall – 163 holes totaling 133,206 ft (143 holes in AMEC database)
- Footwall – 22 holes totaling 14,259 ft (all in AMEC database)
- Underground – 78 holes totaling 22,512 ft (all in AMEC database).

American Bonanza drilling includes both surface and underground drilling. Drilling was concentrated in the A-, B-, C-, and D-Zones. The drilling program was designed to convert indicated and inferred resources into measured resources or reserves in the D, C and Highwall zones while testing additional exploration targets down dip and along strike. While the results of the drill campaign were often encouraging, in general, the drilling returned lower grades than those from previous campaigns, often removing continuity previously thought to exist between higher grade intercepts. A detailed geologic mapping and structural study has been completed in the pit area and in the underground workings. In addition, geophysical exploration data has been collected across the Copperstone site.

Notable drill results from the D-Zone underground drilling program include: 3.3 metres grading 51.2 g/t gold in CUDH-04-26; 4.5 metres grading 25.4 g/t gold in CUDH-04-32; and 1.5 metres grading 54 g/t gold in CUDH-04-50. Most of these holes are drilled at an angle to the Copperstone Fault, which has a maximum thickness in the D-Zone area of 7 metres, so the true thicknesses of these intercepts are less than the shown drilled thicknesses.

Notable drill results from the Highwall surface drilling program include: 3 meters grading 38.2 grams per ton gold in drill hole number H04-43, 3 meters grading 35.2 grams per ton gold in drill hole number H04-36, and 1.5

meters grading 17.8 grams per ton in drill hole number H4-48. These holes are drilled at nearly right angles to the Copperstone Fault and therefore closely represent true thicknesses.

The first results of the second main work effort at Copperstone, the exploration for new discoveries, were announced during January 2005. The Footwall exploration target and the separate Lower Highwall zone represent structures apparently semi-parallel to the Copperstone Fault and are entirely new potential mineralized zones. Notable drill results from the Exploration surface drilling program include drill hole CRD-04-09 which encountered a near true thickness of 3.3 metres grading 16.4 g/t gold in a zone below the Highwall Zone currently termed the Lower Highwall Zone. Concurrently with the economic studies described below the Corporation will accelerate drilling for the exploration of new discoveries.

Current and Future Work Program

A new three dimensional geologic exploration model was prepared by the Corporation for Copperstone during 2006. In addition to incorporating the work collected in the AMEC study, this new exploration model is based on pit mapping, underground mapping, a substantial amount of new drilling, geophysical data and structural modeling and the new exploration model has guided drilling to further expand the resource during the last half of 2006 and through 2007 and will continue into the future as long as drilling results confirm the usefulness of the model.

This exploration modeling guided the work program for 2006 that consisted of exploration drilling to both add resources and test exploration targets. The drilling was an expanded continuation of the 2005 drilling program. Step-out exploration drilling of targets to the northeast and northwest were also completed to test for other bonanza-type, gold zones, above and within the Copperstone Fault. Past geophysical results completed on the Copperstone Property will be reviewed. The 2007 drilling followed up positive results from the 2006 drilling campaign.

During 2006, nine (9) of 10 targets were drilled within 1,000 meters of the known high grade gold resources with the objective of discovering potential to significantly increase Copperstone's resources. Six (6) targets returned results that warranted follow up drilling during Phase II during 2007. Phase I drilling began during August 2006 and drilling was completed by the end of 2006 with 27 reverse circulation drill holes totaling 7,695 meters (25,247 feet).

The Phase I drill results are highlighted by drill hole 06CS-22 located 914 meters (3,000 feet) west of the open pit that intercepted several zones of gold mineralization including 1.5 meters grading 25.82 grams per tonne gold (5 feet grading 0.752 ounces per ton) within 13.72 meters grading 3.91 grams per tonne gold (45 feet grading 0.114 ounces per ton). Drill hole 06CS-22 also encountered a separate zone of 3 meters grading 3.57 grams per tonne gold (10 feet grading 0.104 ounces per ton).

Drill holes 06CS-15, 17, and 18 intercepted a gold bearing, steeply dipping fault zone that is a suspected feeder to the main Copperstone mineralized zone. Drill hole 06CS-17 encountered a 1.5 meter zone grading 11.66 grams per tonne gold (5 feet grading 0.34 ounces per ton), and 06CS-18 encountered a 1.5 meter zone grading 5.86 grams per tonne gold (5 feet grading 0.171 ounces per ton). This fault may connect to the strong mineralization reported in drill hole 06CS-12 which contains a 3.05 meter intercept grading 6.7 grams per tonne gold (10 feet grading 0.194 ounces per ton). Two nearby holes drilled in 2006 as part of the Phase I drilling program have intersected strong quartz-amethyst veining in a structure similar to the steep feeder zone.

Phase II of the exploration drilling program described above was completed during 2007. Phase II was designed to follow up on strongly anomalous gold intercepts encountered in Phase I with closer spaced core drilling to determine continuity and geometry of gold mineralization. Other geophysical targets that have been reinterpreted as a result of the Phase I drilling were also tested during Phase II drilling.

In August 2006, Bonanza began Phase II exploration drilling, an aggressive drilling campaign. Phase I and II drilling consisted of 44 drill holes with a combined length of 13,177 meters (43,227 feet). Ten targets were

drilled, all within 1,200 meters of the current resource and mine infrastructure. Several targets returned encouraging results, and two substantial new gold zones were discovered, those being the South Pit Target and the Southwest target areas.

The South Pit Target was first identified by Phase I drill hole 06CS-12 which encountered strong gold mineralization and favorable alteration and structure, so the decision was taken to continue drilling in Phase II. The South Pit target is at the south end of the open pit from which over one half million ounces of gold were produced between 1987 and 1993, and is south of the current high grade gold resource. The South Pit target is now identified by six drill holes drilled along a north-south line, all with significant gold intercepts, has a known strike length of 500 meters, and is open along its entire length to the east and west. The drill results are:

- 3.0 meters grading 39.4 grams per tonne gold in drill hole 07CS-36
- includes 1.5 meters grading 69.3 grams per tonne gold

- 2.1 meters grading 14.1 grams per tonne gold also in drill hole 07CS-36
- includes 1.0 meters grading 28.5 grams per tonne gold

- 4.6 meters grading 4.9 grams per tonne gold in drill hole 07CS-37
- includes 1.5 meters grading 11.2 grams per tonne gold

- 7.6 meters grading 10.6 grams per tonne gold in drill hole 07CS-34
- includes 3.0 meters grading 18.9 grams per tonne gold

- 2.4 meters grading 6.8 grams per tonne gold in drill hole 07CS-32
- and 2.7 meters grading 5.5 grams per tonne gold

- 4.6 meters grading 4.8 grams per tonne gold in drill hole 06CS-12
- includes 3.0 meters grading 6.6 grams per tonne gold

Follow up drilling to expand the zone to the east and west is currently being planned as part of the Phase III Exploration drilling to be completed during 2008.

The Southwest Target is located approximately 1,000 meters southwest of the open pit, and is currently identified by three drill holes with high grade gold intercepts. Drill hole 07CS-30 is located approximately 20 meters west of drill hole 06CS-22, and drill hole 07CS-31 is located about 50 meters south of hole 07CS-30. The new gold zone strikes approximately 20 degrees west of north (near parallel to the Copperstone Fault) and has an intermediate dip to the northeast (same direction as the Copperstone Fault). The zone remains open in all directions, and may represent the discovery of a new gold bearing structure similar to the Copperstone Fault which hosts the high grade gold resources. The results are:

- 5.2 meters grading 18.3 grams per tonne gold in drill hole 07CS-30
- includes 1.5 meters grading 58.8 grams per tonne gold

- 4.6 meters grading 12.3 grams per tonne gold in drill hole 07CS-31
- includes 3.2 meters grading 16.1 grams per tonne gold

- 1.5 meters grading 25.8 grams per tonne gold in drill hole 06CS-22
- within 13.7 meters grading 3.91 grams per tonne gold

Follow up drilling to expand the zone to the east and west is currently being planned for Phase III Exploration drilling to be conducted during 2008. The development of additional resources would positively impact Bonanza's ongoing studies to place Copperstone into production. Other high priority targets drilled during 2006 and 2007 also returned exciting results and will be further drilled.

The Corporation's Management and Directors have determined that the recently discovered potential for dramatically expanding the high grade gold resources should be quantified and incorporated into the current study into the economics of placing the current Copperstone resource into production. These new gold zones have the potential to significantly expand the mine plan and improve the economic returns. The current study being conducted internally by the Corporation is directed at optimizing the mining and milling plan, along with capital and operational costs, and has been expanded to include collection of "turnkey" bids for mill construction. Certain aspects of the study, including capital and operating cost sensitivities continue on a limited basis, although most aspects will be delayed until the new gold discoveries and their impact on mine planning can be quantified. The continued rise in gold prices since the completion of the AMEC study in early 2006 will also contribute to the new economic studies.

A total of approximately US\$1 million is currently budgeted for this Future Work Program, comprising the Phase III Exploration drilling campaign.

The Corporation will continue to develop the in-house scoping study described above on the higher grade portions of the known Copperstone gold deposit to determine if a 200-400 ton per day underground operation is feasible. This study is expected to be completed during 2008 and will incorporate the results of the Phase III drilling.

Casa Berardi Exploration Portfolio Including Northway

Pursuant to the Option Agreement, described under Fenelon – Property Description below, Cyprus granted to Taurus the right to explore certain mineral properties (as described below) and granted to Taurus an option to purchase all of Cyprus' interest in Cyprus' entire Casa Berardi exploration portfolio in the province of Quebec, Canada (the "Cyprus Properties"). The Cyprus Properties now owned by the Corporation comprise four properties: the Fenelon Project, La Martiniere, Northway-Noyon and La Peltrie located within the Casa Berardi sector of the Abitibi Greenstone belt. In addition, the Corporation has the option to acquire Cyprus' interest in the Casa Berardi airborne geophysical survey (the "Survey"), a 77,000-line-kilometre, ultra-high-resolution helicopter survey, held jointly with Fairstar. To earn a 100% interest in the Cyprus Properties and the Survey, the Corporation must make a future payment of US\$450,000 in three equal installments of US\$150,000 at six month intervals. The first installment is due to be paid on the achievement of Commercial Production from any one of the four properties, the second installment is due to be paid on or before the day that is six months after the achievement of Commercial Production, and the third installment is to be paid on the first anniversary of the achievement of Commercial Production. Upon payment of the US\$450,000, the Corporation will have exercised the option and pursuant to the Option Agreement, Cyprus is entitled to certain royalties from the properties that are the subject of the Option Agreement. The Corporation intends to make the required payments when due under the Option Agreement. Once these payments are made, Cyprus will relinquish all of its rights in respect of all of the properties in exchange for a minimum 1% NSR royalty from properties having an underlying royalty and a maximum 2% NSR royalty on those properties not subject to other royalty burdens. This royalty is only applicable to the Corporation's interest in the properties.

Northway Project

Location and Access

The Northway Project is located in Quebec, 25 kilometers south of Matagami and 530 kilometers northwest of Montreal. The property covers the eastern extension of Agnico Eagle's Vezza gold deposit and it is on the Casa Berardi Break or deformation zone, which also hosts the Agnico Eagle, Vior, Golden Hope and Golden Knight gold mines.

The area surrounding the Northway Project is covered by extensive Pleistocene glacial and glacio-lacustrine sediments of varying thickness. Areas of bedrock exposures are limited.

The region experiences cold winters and generally dry and warm summers. In January, temperatures are often below -30°C while the peak in summer can reach 35°C. Snow accumulation generally begins in November and remains until early May.

A paved road passes along the western edge of the property, and essentially provides the boundary between the Northway Project and the Vezza Project. The town of Matagami is located at about 25 km north of the project.

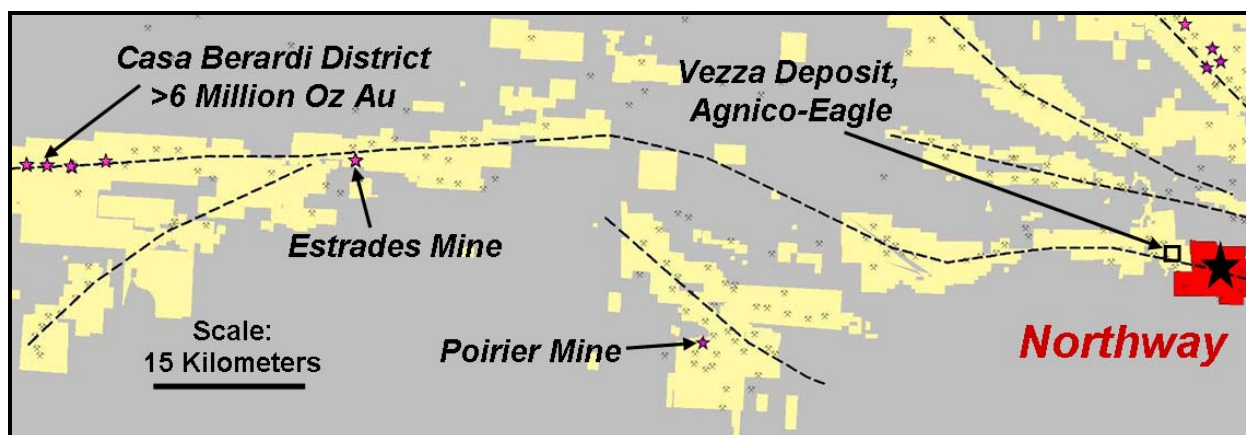
General

The property consists of two contiguous claim blocks: the 113-claim, 1,600-hectare block and the contiguous 114 claim, 2,000 hectare Noyon block. International Taurus Resources Inc. acquired the Cyprus Canada 75% interest in these properties in 2000. During 2006, the Corporation entered into an agreement for the acquisition of the 25% interest in Northway from Caspian Energy Inc. to bring the Corporation's ownership to 100%. The Corporation made an initial payment of \$75,000 for the 25% interest, and must pay a further \$75,000 in order to complete the acquisition. On the Northway block, there is a 4% Net Smelter Return royalty, which may be bought down to 2%. On the Noyon block, there is a 2% Net Smelter Return royalty, which may be bought out entirely. Through the merger with Taurus and the January 15, 2007 purchase of the Caspian Energy 25% interest, in 2007 Bonanza gained control of 100% of the Northway Project.

On December 10, 2007 the Corporation and Agnico-Eagle Mines Limited ("Agnico-Eagle") agreed to jointly explore and develop the Northway Project and Agnico-Eagle's adjoining Vezza Property. A 6,000 meter drilling campaign began in December 2007 with the objective of identifying sufficient gold mineralization to place the combined properties into production.

Pursuant to the agreement, the Corporation granted Agnico-Eagle the option to acquire a 70% interest in the Northway Project. To exercise the option, Agnico-Eagle must expend \$1,699,500 in exploration expenditures on the Northway project over a three year period and must assign a 30% interest in the Vezza Property to the Corporation. After exercise of the option, the combined Northway and Vezza properties (the "Properties") will be operated on a joint venture basis with the Corporation initially holding a 30% interest in the joint venture. Agnico-Eagle will be the operator during the initial option period and under the joint venture

The Corporation agreed to fund \$160,500 in exploration expenditures during the first year, 2007, and a total of \$555,000 during the remaining two years. The Corporation met the first year's funding obligation. Agnico-Eagle has agreed to fund \$374,500 towards the first year expenditures. The Corporation has no obligation to contribute more than the required expenditures during the first three years after execution of the agreement. For a period of one year after the exercise of the option, Agnico-Eagle will have the right to increase its interest in the property by 10% by solely financing expenditures required to complete a feasibility study on the property. Should either party be diluted to less than a 10% interest in the properties, their interest will be converted to a 1% net smelter return royalty, of which up to one half may be purchased for \$1,000,000.



History

On the Northway block, a regional AEM helicopter-borne survey totaling 2,440 line-kilometres, 100-metre-grid ground-magnetic and HELM surveys and a 400-metre-spaced IP survey have been completed, as well as 70 reverse circulation and 145 diamond drill holes, which total 29,000 metres. Five zones of gold mineralization, related to volcanic-sedimentary rock contacts, have been identified.

Kerr Addison conducted geophysical surveys over portions of the Noyon block as early as 1985. Two Cyprus reverse-circulation overburden-drilling programs (113 holes) and 18 diamond-drill holes (3,539 metres) have been completed. Several high-quality drilling targets have been outlined with geochemical and geophysical surveys.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF INFERRED RESOURCES

The following section and table use the term “inferred resources”. The Corporation advises U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable.**

A historic gold resource was completed by Cyprus Canada Inc. in 1994. The Noyon-Northway historic resource contains 866,000 ounces of gold. The resource consists of 18.2 million tonnes of material with an average gold grade of 1.49 grams of gold per tonne. Within this resource, significant higher grade zones are present. The resource remains open along strike and down dip in several areas. An exploration shaft has been constructed on the Vezza project and this infrastructure will speed future development of the Properties. The historic resource is not NI 43-101 compliant and investors are cautioned not to rely on this estimate. The resource was completed to industry standards and was believed to be reliable at the time, and the Corporation has no reason to believe it is any less reliable today.

Geology

The Northway Project area is located along the Casa Berardi-Douay Deformation Belt within the northern Abitibi Greenstone Belt. The Archean Abitibi Sub-province is a subdivision of the Superior Province, and the oldest of the seven Canadian Shield Provinces. Gold mineralization is localized along metasedimentary-metavolcanic contacts associated with banded iron formation and intrusives. Targets have been identified by geophysics and bedrock geochemistry (base of till drilling) due to the thick overburden in the project area.

Mineralization

The gold mineralization is associated with series of parallel, near east-west striking fracture zones associated with intense alteration located close to a series of banded iron formations intercalated with metasediments. The mineralized structures often show a good Induced Polarization signature. Silicification and bleaching are the dominant alteration types associated with gold mineralization. Sericite is also associated with the mineralized zones but this alteration is not as continuous as the silicification. The general strike of the silicified, mineralized zones is parallel to the banded iron formations. Local variations in the orientation and dip are present. The thickness of these envelopes varies from a few centimetres up to 15 metres.

The gold mineralization is located in the silicified envelopes and is associated with sulphides such as pyrite. Sulphides are mainly included in quartz veins. Native visible gold is rarely present in higher grade zones.

The mineralization is known to extend in several zones, each of which extends for 1000 meters along strike. Little exploration drilling has been conducted to test the dip extent, and that is a focus of the current drilling program.

Future Work

As operator of the Joint Venture, Agnico-Eagle began a 6000 meter core drilling program during December of 2007. The drill program is designed to fill in between widely spaced drilling by former operators within strongly mineralized gold zones. The gold bearing structures have historically been drilled mainly along strike, and the gold mineralization remains open up and down dip. The gold mineralization at the nearby Veza deposit has been shown by drilling by Agnico-Eagle to be persistent up and down dip. The current drill program will also test new geophysical anomalies, in addition to the open strike and down dip extensions of known gold zones. The estimated budget for this 2007-2008 drilling program is Cdn\$535,000 and the joint venture funded this drilling program in December 2007.

Fenelon Project

General

Pursuant to the Plan of Arrangement detailed under Item 4. "History and Development of the Corporation" the Corporation will have a 100% interest in the Fenelon Project after making final instalment payments to Cyprus. Prior to the merger with Bonanza, and pursuant to the Joint Venture Agreement (as defined below) Taurus had the right to earn a 62% interest in the Fenelon Project and Fairstar Explorations Inc. ("Fairstar") had a 38% interest in the Fenelon Project. Taurus was the manager and had operational control of the Fenelon Project under the Joint Venture Agreement. Leading into this period, Taurus extracted and processed a 14,000 tonne open-pit bulk sample, which confirmed and expanded the previous database, and indicated the presence of a potentially economic gold deposit. A program of further definition drilling, sampling and mapping of the Fenelon deposit was undertaken in 2002, which resulted in the preparation of an NI 43-101 technical report and a resource estimate for the upper 50 metres of the deposit. As indicated in the 2005 Innovexplo Report (see "Fenelon-Mineral Resource and Mineral Reserve Estimations" section for details), this technical report, prepared in accordance with NI 43-101, supported Taurus's plan to conduct an underground assessment of the location, quality and quantity of the currently identified mineral deposit that could delineate ore reserves and resources and provide the remaining information necessary to complete a feasibility study on a sustainable underground mining operation.

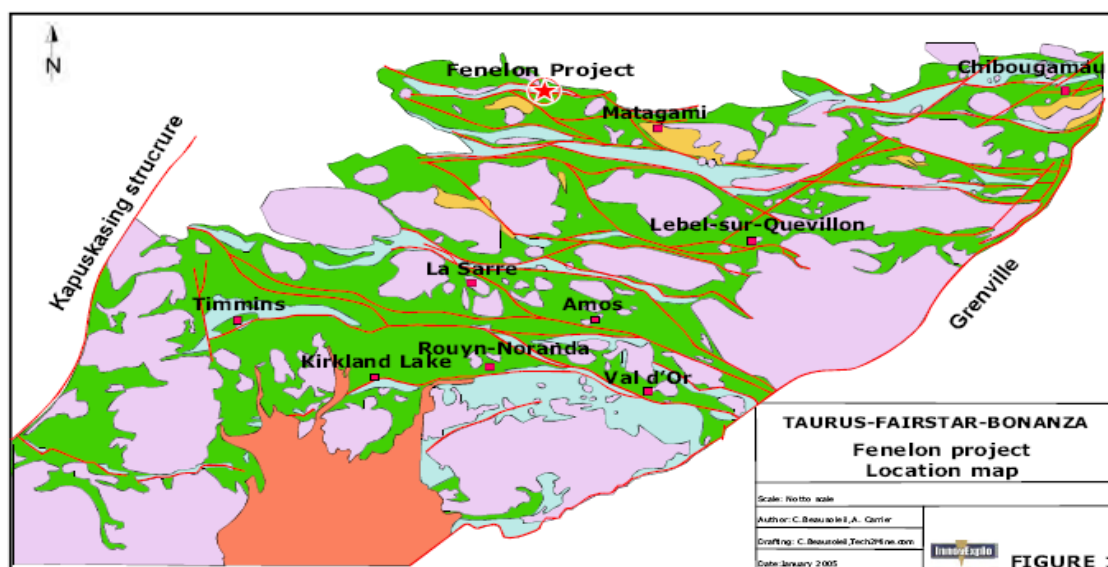
The Fenelon mining-test and feasibility-study program, which began in the fall of 2003 and completed in 2004, constructed underground access to the deposit for the purpose of defining the geology of the deposit, for sampling and developing resources and reserves and for providing the engineering data and experience to complete a feasibility study on a larger sustainable mining operation. In the summer of 2004, Taurus (through the mining-test portion of the program) developed stopes and produced an underground bulk sample. Approximately 8,000 tonnes of development mineralization and stope material were sent to the Camflo mill in Malartic, Quebec. This produced 2,596 ounces of gold. Following completion of the mining, milling and refining of the underground bulk sample, Taurus determined that the mining test was successful and had gathered sufficient mining and metallurgical engineering data. The current focus of the program will be further drilling to define further gold resources followed, if warranted by the results, by a feasibility study.

In August 2005, the Corporation commenced a program at Fenelon designed to re-interpret the existing database and update the geological exploration model on both a local and regional basis. This effort was completed in December 2005 and formed the basis for a surface drilling program designed to expand the known resource base and test several exploration targets outside of the Discovery Area. The Phase 1 drilling campaign began in December, 2005 and was completed during 2006. The drilling campaign consisted of 42 drill holes with a combined length of 13,201 meters of drilling. The 2007 drilling began in January 2007, and six drill holes with a combined length of 3,459 meters were completed. This drilling campaign focused on the new nickel mineralization on the northeast portion of the property. The current drilling program will follow up the nickel and

platinum group metals mineralization and began in February 2008. The Corporation estimates the current drilling program will consist of 10 drill holes and estimates the cost of the program at approximately \$0.6 million and is well funded to complete the current drilling campaign at Fenelon.

Property Description and Location

The Fenelon Gold Project (the “Fenelon Project”) located in the Province of Quebec, approximately 30 kilometres (“km”) east of the Corporation’s La Martiniere property, approximately 600 km north of Montreal. The property (the “Fenelon Property”) consists of 454 mining claims totaling 17,830 acres. The Corporation will have a 100% interest in the property after making final instalment payments to Cyprus and is the manager and has operational control under the Joint Venture Agreement (as defined below). Pursuant to a joint venture agreement among Cyprus Canada Inc. (“Cyprus”), now a wholly owned subsidiary of Phelps Dodge Corporation, and OGY Petroleum Ltd. dated April 30, 1994 (the “Joint Venture Agreement”), the Assignment and Novation Agreement dated July 28, 1995 among OGY Petroleum Ltd., Fairstar and Cyprus, the Assignment and Novation Agreement dated May 1, 2000 among Cyprus, Taurus and Fairstar and a Memorandum of Agreement between Taurus and Fairstar dated July 10, 2002, the Fenelon Project was held and operated on a joint venture basis by Taurus and Fairstar, but is now operated by the Corporation. The following map sets out the location of the Fenelon Project:



Pursuant to an exploration agreement with option to purchase dated as of July 17, 1998 between Cyprus and Taurus (the “Option Agreement”), which agreement was amended as of May 1, 2000, Cyprus granted Taurus the right to explore certain properties owned by Cyprus including the Fenelon Property and other Casa Berardi properties and granted to Taurus an option to purchase Cyprus’ interest in the properties upon payment to Cyprus of US\$450,000 payable in three installments of US\$150,000 each, with the first installment to be paid on the achievement of “Commercial Production” (meaning the date on which minerals have been mined and processed from any of the properties at an average rate of not less than 70% of the design rate established in an applicable feasibility study for a period of 90 consecutive days of operation), the second installment to be paid on or before the day which is six months after the achievement of Commercial Production, and the third installment to be paid on the first anniversary of the achievement of Commercial Production. In order to exercise the option, Taurus was also required to issue to Cyprus 2,027,579 common shares of Taurus, which were issued. Upon payment of the US\$450,000, Taurus will have exercised the option and pursuant to the Option Agreement, Cyprus is entitled to certain royalties from the properties that are subject of the option. Pursuant to the Option Agreement, as amended, Cyprus is entitled to a minimum 1% net smelter return (“NSR”) royalty from properties having an underlying royalty and a maximum 2% NSR royalty on those properties not subject to other royalty burdens. This royalty is only applicable to the 62% of the properties which the Corporation acquired through Taurus. Pursuant to the Joint Venture Agreement, a NSR royalty of 2% is also payable from production on the Fenelon Property to

Morrison Petroleum Limited, a corporation that is party to an underlying agreement to the Joint Venture Agreement. This royalty is payable by the Corporation. In addition, as described below, a 6% net profits interest royalty interest in the Fenelon Project was payable by the Corporation to Stonegate Management Limited (“Stonegate”) on Taurus’ interest in the Fenelon Project pursuant to a loan agreement between Taurus and Stonegate dated December 1, 2003, as amended. Pursuant to the terms of a loan restructuring agreement dated April 1, 2005 with Stonegate, a company operating at arms length to the Corporation, Stonegate agreed to revise the terms of a US\$1.0 million loan made by Stonegate to the Corporation’s subsidiary, Taurus. In connection with the restructuring of the loan, Stonegate also agreed to reduce the net profits interest it holds over the Fenelon project to 2%, down from 6% of the 62% of the project owned by Taurus.

In November 2004, Fairstar commenced an action against Taurus in the Quebec Supreme Court, claiming that Taurus has breached the Fenelon Project Joint Venture Agreement. In accordance with the terms of the Arrangement Agreement, upon completion of the Plan of Arrangement and upon the transfer of Fairstar’s 38% interest in the Fenelon Project to New Bonanza, the Corporation holds an option to acquire a 100% interest in the Fenelon project and the litigation between Taurus and Fairstar relating to the Fenelon Project has been settled, enabling the Corporation to proceed with further exploration of the Fenelon Project.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Fenelon Project is located in the northwest corner of Fenelon Township in Northwestern Quebec. It also encompasses portions of the J r mie, Gaudet and Caumont townships.

The Fenelon Project is located at approximately 75 kilometres west-north-west of Matagami and 155 km north of Amos, Quebec. It is accessible from Amos by Highway 109 leading north to Matagami and Radisson. The technical office, garage and ramp access are located six kilometres west of the project field camp. The electricity for this infrastructure and for the underground workings is supplied by diesel generators.

The area surrounding the Fenelon Project as well as the Harricana River basin is covered by extensive, thick Pleistocene glacial and glacio-lacustrine sediments. Areas of bedrock exposures are very limited and scarce. Outcrops form some small ranges of hills and appear along major rivers. Most of the area is covered with swamps and flat forests. It has recently been logged and in part re-vegetated.

A network of logging roads provides easy access to the different parts of the property. The nearest power line (also connecting to the Selbaie Mine site) is located about 30 km southwest of the project. A working railroad connects Matagami to Lebel-sur-Qu villon and Senneterre. Matagami is located at about 75 km from the project.

The region experiences cold winters and generally dry and warm summers. In January, temperatures are often below -30 C while the peak in summer can reach 35 C. Snow accumulation generally begins in November and remains until early May. Due to the swampy terrain, drill access is largely dependant on frozen ground and thus is controlled to a large degree by the length and strength of winter.

Geological Setting and Deposit Types

The Fenelon Project is located in the Archean Abitibi Sub-province, a subdivision of the Superior Province, and the oldest of the seven Canadian Shield Provinces. The Fenelon Project area lies within the north volcanic zone, near the interpreted boundary between the Abitibi and Opatica Sub-provinces. This region is also known as the Harricana-Turgeon belt. More specifically the Fenelon Project area occurs in proximity to a regional network of interconnected deformation corridors extending from Ontario, to the east across the northern volcanic zone of the Abitibi Greenstone Belt. They are host to several gold deposits including Casa B rardi, Douay, and Detour Lake deposits.

The Fenelon Project occurs in northern-most Manthet Domain of the Harricana Turgeon Belt, within a wedge-shape region outlined by two coalescing deformation zones wrapping around the eastern margin of the J r mie Pluton, a large granitic intrusion. The geology of this area is poorly exposed and therefore its structure and

stratigraphy are not well constrained. Stratigraphic and structural relationships are mostly derived from diamond drilling and geophysics. The area is considered to be characterized by sub-vertical east to south east trending rock units affected by heterogeneous deformation and complex strain histories.

The geology of the Manthet Domain is characterized by dominantly east to west striking, mafic to intermediate volcanic/pyroclastic units commonly intercalated with pelitic sedimentary units and intruded by mafic to ultramafic intrusions. Magnetic and electromagnetic patterns suggest that a portion of the sedimentary stratigraphy comprises regionally extensive oxide-facies iron formations and sulphide-rich graphitic argillite. To the north, the Manthet Domain is bounded by granitoid and gneissic rocks of the Opatca Sub-province.

The geology of the Fenelon Property area is based on interpretations derived from geophysical data, borehole data and limited outcrops studies. The following description is summarized from work completed by Cyprus, Fairstar and Taurus. Additional structural information was collected by Steffen, Robertson and Kirsten (Canada) Inc. (“SRK”) during a limited structural analysis of the stripped outcrop and a complete reinterpretation of borehole sections and level plans. Although published maps indicate that the Fenelon Project area is underlain by basaltic volcanic rocks of the Manthet Domain, diamond drilling over the project area suggests that the geology is predominantly characterized by metasedimentary units including greywacke, siltstone, mudstone, graphitic argillite and iron formation, intruded by intermediate to felsic dykes and plugs and by mafic to ultramafic sills and dykes. Mafic volcanic flows are sporadically reported in exploration boreholes, particularly by Cyprus. In drill logs and reports, lithological units are described as variably altered and the dominant alteration types include silicification, carbonatization, sericitization, biotization, chloritization and addition of sulphides. Mafic to ultramafic intrusive units are locally magnetic. The contact zone between the Manthet Domain and the Matagami Domain occurs near the southern boundary of the property. The Matagami domain consists predominantly of metasedimentary units including: greywacke, sandstone, mudstone and conglomerate with local pyroclastic units. Rock units depict variable strain, partitioned between high and lower strain regions. The contact between the Manthet and Matagami Domains correspond to a regional east-west striking high strain zone (the North Detour fault) separating regions of contrasting magnetic patterns. In the vicinity of the Fenelon Project, the North Detour fault warps gently to the south to strike east south east immediately east of the claim block. Ground and airborne geophysical exploration data suggest that several structures stem northerly from the North Detour fault zone into the deposit area. The absence of outcrop exposure in the area impedes the ability to accurately map fold patterns. However, regional airborne geophysical exploration data suggest that rock units are folded. In 1997, drilling recovered sporadic oriented core (Foster testing). The interpretation of this oriented core data suggests that within the drilling area the dominant planar fabric strikes east to east south east with steep southerly to vertical dip (70-90°). However, given the lack of lateral deviation data for the 1997 drilling, interpretation of “Foster test” results is equivocal.

The Fenelon gold deposit Discovery Area is hosted in a series of siliceous zones and small-scale silica-albite shear zones within coarse-grained mafic intrusives that are segmented by a series of mafic dykes, between two panels of argillaceous sediments. The area is characterized by four major lithological units. The dominant unit is the metasediment. This unit includes greywackes, siltstones, mudstones, locally graphitic argillites and iron formations. A major mafic intrusive unit intrudes the metasediments. Its composition is gabbroic, it is dark-coloured, massive and usually coarse grained (1-4 mm) but locally medium grained, as seen south of the ramp. A second type of intrusive unit cuts the metasediments, its composition is intermediate to felsic. This unit is located north of the main coarse grain mafic intrusive, and it is massive in this area. The grain size is generally medium and locally with porphyritic feldspar. In the decline ramp, this unit is represented by a swarm of narrow feldspar porphyry dykes with sharp contacts with the metasediments. The third type of intrusive rock is the late mafic, fine grain dykes. They vary in thickness from few centimetres up to two to three metres and locally cut the mineralized zones, creating internal dilution.

Mineralization

The gold mineralization is associated with a corridor of intense alteration located close to the contact between sediments and the coarse grained mafic intrusives and within the coarse grained mafic intrusive. Silicification is the dominant alteration and the one that appears to control the mineralization. Sericite, biotite and black chlorite

are also associated with the mineralized zones but these alterations are not as continuous as the silicification. Some observations show a good correlation between high-grade values and a local increase in black chlorite amount. Silicification is used as a guideline for the exploration and it is the key feature to orient underground development. The general orientation and dip of the silicified and mineralized envelopes is sub-parallel to the contact of the sediments and the coarse grained mafic intrusives. Local variations in the orientation and dip are present. The thickness of these envelopes varies from a few centimetres up to 15 metres.

The gold mineralization is located in the silicified envelopes and is associated with sulphides such as pyrrhotite, chalcopyrite and pyrite. Sulphides are mainly disseminated but locally, where the silicification is more intense, they are included in quartz veins. Pyrrhotite is dominant and will generally vary from trace to 30% with intersections of massive pyrrhotite on a few centimetres. Chalcopyrite content generally varies from traces to 15% and locally up to 40%. When present, pyrite is in traces up to 2%. Marcasite has been observed in drill core at depth and is locally associated with gold mineralization. Native visible gold is fairly common in drill holes intersection and in the wall rocks of the developments. The grain size of the visible gold can reach 4 mm.

Drilling to date indicates several mineralized zones occur within a width of 100 metres, with the individual zones spaced five to ten metres apart. The mineralization varies from one-half to six metres in width within the individual zones. The mineralization is known to extend at least 250 metres below surface and more than 200 metres along strike.

The Fenelon nickel occurrence is strikingly similar to the Kambalda nickel mines in Western Australia, where very significant nickel mining has taken place since the 1960's. At Kambalda, nickel is mined from 0.5 to 5 meter thick layers that are 100 to 300 meters wide and up to 1,000 meters long. Numerous economic nickel deposits occur at Kambalda in Archean ultramafic flows that consist of komatiitic (high magnesium) basalt. Worldwide, many nickel deposits of this type were formed during Archean times. High grade nickel at Kambalda generally grades over 1% nickel and is usually contained within lower grade zones that are 10 to 30 meters thick. Published pre-mining reserves at the Kambalda -- St. Ives mines were 31 million tonnes of ore containing nearly 2.5 billion pounds of nickel.

This description of the nickel occurrences at Kambalda is very similar to what has been observed at Fenelon in Bonanza's drilling. The nickel mineralization at Fenelon is contained in Archean komatiitic basalts. The mineralized zones at Fenelon, while they remain open along strike and down dip, are of similar strike length to those at Kambalda. These exciting developments will be followed by drilling up and down dip to further explore the Fenelon nickel deposits in the current drill program.

History

Pursuant to the Option Agreement, as amended, Cyprus granted to Taurus an option to acquire all of Cyprus' interests in its Casa Berardi exploration portfolio in the Province of Quebec, Canada. The exploration portfolio includes 881 claims comprising five properties, located within the Casa Berardi sector of the Abitibi greenstone belt in northwestern Quebec. The area is generally remote. Timber roads and winter roads allow access throughout the year to many parts of the area. Potentially prospective properties include the Fenelon Project, the Martiniere Gold Project, and the Northway-Noyon Gold project, all located in Quebec. See "Fenelon Project – Property Description and Location" for the terms of the Option Agreement.

From the discovery of the deposit by Cyprus in 1993 until May 2000, more than \$7 million was expended on the property, including more than 180 drill holes. In 1997 Fairstar commissioned a study which examined the open-pit potential of the Fenelon Project. The depressed price of gold and the fact that an open pit could only reach the upper 75 metres of the more extensive mineralization, however, did not support the economics of this approach. This study does not meet the standards of NI 43-101, either in form or quality control. As such it cannot be relied upon by the public. For use in the Corporation's internal planning, it is only relevant when the data is examined in light of standards, and compared with data gathered according to the requirements of NI 43-101. Fairstar, as the then manager of the project, also conducted some additional exploration and other work in preparation for a bulk sample and feasibility study in early 1998, but accomplished only part of the program.

Taurus became the operator or manager under the Joint Venture Agreement in the fall of 2000. Between February and June 2001, the overburden was stripped, surface outcrop was mapped and sampled and a total of 72,960 tonnes (“t”) were mined from a small open pit area to a depth of approximately 17 metres. A total of 13,835 t (13,713 t dry) were hauled by truck and milled at the Camflo mill operated by Richmond Mines Inc. and located in Malartic, Quebec, from which 4,213 oz of gold were recovered. The calculated head grade was 9.8 g/t gold and the calculated recovery was 97.1%.

In 2002, Taurus and Fairstar commissioned an independent firm to prepare a new resource estimate, evaluate a pilot-mining project proposed by Taurus and provide recommendations for additional work to advance the Fenelon Project to the feasibility stage. This firm developed a grade model that would recreate the results actually obtained from the previous bulk-sampling program. In the fall of 2002, overburden was stripped along strike from the current pit to the south east, the surface of the outcrop was cleaned, mapped and channel sampled. An additional 42 short boreholes (totaling 2,354 metres) were drilled on nominal ten-metre centers to determine the near surface distribution of mineralization. The report and the resource estimates were not prepared in accordance with NI 43-101. As such they cannot be relied upon by the public.

In April 2003, Taurus and Fairstar retained another independent firm to generate a geological model and estimate the mineral resources for the Fenelon Project. This firm reviewed, repaired and updated the database consisting primarily of 195 drill holes and extensive surface channel sampling.

Late in 2003, a mining-test and feasibility-study program was undertaken. A decline was driven down at 15 percent grade over 326 m. It gave access to develop over 745 m of drifts, crosscuts and raises. These developments generated a volume of ore and low grade material from the gold mineralized zones. Development material was stockpiled on surface to be processed in the mill test. Those developments generated 785 face samples, 483 test holes samples and 624 muck samples. The developments also generated sufficient three-dimensional information to confirm the shape of the lenses of mineralized material, the lateral extent and the continuity of these lenses of mineralized material. Definition diamond drilling was also performed during the underground exploration program in 2004. A total of 54 holes were drilled on NQ size core from the northern access drift on level 5213 for 3,966 meters. These were located on 5 to 10 meter spacings. Further diamond drilling was performed to precisely define the zones location before drifting on them, 8 bazooka diamond drill holes were then drilled for a total of 78.5 meters.

During the mining test, approximately 8,500 tonnes of mineralized material was mined and shipped for processing to Richmond’s Camflo mill. This produced 2,596 oz of gold. At the completion of the gold pour, the mining test was suspended and work turned toward planning a drill program that would define and prove up additional resources and reserves. In November 2004, the project was shut down due to the legal action brought against Taurus by Fairstar and pending additional financing.

Pursuant to an option agreement (the “Majescor Option”) among Taurus, Fairstar and Majescor Resources Inc. (“Majescor”) dated December 19, 2002, Fairstar and Taurus, as parties to the Joint Venture Agreement, granted to Majescor an option for a period of three years to explore for diamonds on the Fenelon Property, and, if warranted, to put the Fenelon Property into diamond production, excluding Fairstar’s and Taurus’ rights and interests in all other mineral substances (including gold) on the Fenelon Property. Upon exercise of the Majescor Option, Majescor would acquire 100% of Fairstar’s and Taurus’ rights and interest in diamonds on the Fenelon Property. In the event that Majescor exercised the option, Majescor agreed to pay a gross overriding royalty to Fairstar’s and Taurus’ equal to 5% of the average appraised value of all gem and industrial diamonds recovered, sorted and graded from the Fenelon Property, free and clear of all costs of development and operations. Majescor failed to meet its work commitment in 2005. The Majescor option has terminated unexercised.

Pursuant to a loan agreement between Taurus and Stonegate Management Limited (“Stonegate”) dated December 1, 2003, as amended on April 29, 2004, Stonegate advanced the sum of US\$1 million to Taurus in installments to provide financing for the open-pit Bulk-Sample on the Fenelon Project with interest accrued at 15 percent per annum. In addition, Stonegate was granted a 6% net profits interest royalty interest in the Fenelon Project, to be

paid subsequently from the Corporation's share of production, and 600,000 warrants to purchase common shares of Taurus at \$1.50 per share.

Pursuant to the terms of a loan restructuring agreement dated April 1, 2005 with Stonegate, a company operating at arms length to the Corporation, Stonegate agreed to revise the terms of a US\$1.0 million loan made by Stonegate to the Corporation's subsidiary, Taurus. In connection with the restructuring of the loan, Stonegate also agreed to reduce the net profits interest it holds over the Fenelon project to 2%, down from 6% of the 62% of the project owned by Taurus.

In accordance with the terms of the Agreement dated April 1, 2005, the Corporation repaid US\$400,000 of the principal and US\$231,813 in outstanding interest on the loan through the issue of 1,224,551 common shares at a deemed price of \$0.65 per common share. The Corporation had the right to repay the balance of the loan at any time, and had to repay the loan upon the earlier of its next financing or December 1, 2005. As a result of the private placement completed on August 5, 2005, the Corporation completely repaid on August 12, 2005, the remaining balance of the Stonegate loan totaling US\$600,000 of principal and accrued interest of US\$17,942. As additional consideration, the Corporation agreed to extend the expiry of warrants to purchase 600,000 common shares of the Corporation at \$1.50 per share held by Stonegate to December 1, 2007.

Past Exploration

In 1999, Taurus produced a planning document for the Fenelon Project, which indicated significant potential to develop the deposit as an underground mine using selective mining techniques. Taurus conducted the open-pit Bulk-Sample Program during the period February 5 to June 28, 2001 using local contractors. A total of 101,727 cubic metres of unconsolidated overburden was removed, followed by the mining of 72,960 tonnes of rock, including approximately 14,000 tonnes of mineralized material that was treated to extract the contained gold and silver. The geology was mapped and many samples taken, improving the understanding of the occurrence and distribution of the mineralization.

The open-pit Bulk-Sample Program provided direct mining experience necessary in the development of an economic open-pit mine plan. The metallurgical response of the mineralization to the conventional cyanidation mill flow sheet was as predicted in previous tests, with an excellent gold recovery of over approximately 97 percent. Final production numbers from the mining and milling of the bulk sample totalled 14,000 tonnes milled producing 4,213 ounces of gold. Taurus received payments for this gold, net of milling and refining costs, of over \$1.3 million. This sum essentially covered the cost of completing the Bulk Sample Program.

Between October 2003 and October 2004, design and partial construction of a decline ramp and underground workings was completed, which provide access to the known high-grade gold resources at levels of 25 and 50 metres below bedrock surface. The ramp was designed to allow continuous development of the deposit laterally and to depth. Site facilities and a full camp were built. More than 250 metres of ramp and 550 metres of underground development were accomplished. The ramp has advanced to the 5195 elevation (55 metres below surface). About 8,300 tonnes of mineralized material, extracted as part of a mining-test and metallurgical confirmation program and consisting of half stoped and half development rock, were milled, as an underground bulk sample, at the Camflo mill near Val-d'Or, Quebec. In September, 2004 a total of 3,428 ounces of gold doré was shipped to the refinery. This produced approximately 2,596 ounces of gold. Following completion of the mining, milling and refining of the underground bulk sample, Taurus determined that the mining test was successful and had gathered sufficient mining and metallurgical engineering data. The focus of the program then turned to drilling and defining further resources to support the feasibility study. Taurus then suspended work on the Fenelon Project pending additional financing and resolution of the litigation commenced against Taurus by Fairstar which has now been settled.

Past Mineral Processing and Metallurgical Testing

In 2001, a bulk sample metallurgical test was performed on the Fenelon Project's ore. Approximately 72,960 t of rock was mined from a small pit and 13,835 t of ore was hauled to and treated at Richmond's Camflo mill located

near Malartic, Quebec. A total of 4,213 oz of gold was recovered. The final recovery was calculated to be 97.1% of the contained gold using conventional cyanidation techniques. The final head grade was 9.84 g/t gold. In September 2004, a second milling test was conducted in the Camflo mill facility. A total of 9,005 short tons of ore from the Fenelon Project was milled. The high grade ore represents 6,354 short tons grading 0.362 ounce/ton. The low grade ore represents 2,651 short tons grading 0.148 ounce/ton. A total of 2,596 ounces of gold was recovered. For the total of 9,005 short tons the mill feed grade was estimate at 0.299 ounce/ton, with a recovery of 95.5%. After the final inventory from the mill, the grade was calculated at 0.312 ounce/short ton, including gold lost in the tails during the milling. If the 90 ounces lost to the mill malfunction is included in the mill reconciliation, total gold recovery is close to 97%.

Environmental Concerns

There are minimal environmental liabilities related to the work conducted at Fenelon to date. These consist mainly of the smoothing of overburden waste piles and distribution of humus as a top covering. The audited consolidated financial statements of the Corporation as of December 31, 2007 estimate the asset retirement obligation to be a discounted value of \$32,816.

Mineral Resource and Mineral Reserve Estimations

In 2004 Taurus and Fairstar commissioned Innovexplo Inc. to prepare an updated geological assessment and mineral resource estimate for the Fenelon Project. The report was entitled “Technical Report on the Resources Evaluation, Fenelon Project,” and was prepared by Carl Pelletier, P.Geo. and Yves Gagnon, P.Eng. (the “2004 Innovexplo Report”) dated September 14, 2004. The 2004 Innovexplo Report provides a geological assessment and mineral resource estimate for the Fenelon Project and is based on information developed during the mining-test and feasibility-program and contained in earlier reports. The 2004 Innovexplo Report complies with the requirements of NI 43-101. The resource estimate is confined to a volume of the central Discovery zone which is approximately 160 metres long to a depth of 175 metres. This volume has been exposed in test-mine workings and drilled in sufficient detail to allow estimation of a Measured and Indicated Mineral Resource. Approximately 80% of the reported resource occurs within 100 metres of the surface. The six veins that comprise this resource remain open to the east and at depth. Further drilling is planned to augment the current resource.

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF MEASURED AND INDICATED RESOURCES

The following section and the first table below use the terms “measured” and “indicated” resources. The Corporation advises U.S. investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. **U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves.**

CAUTIONARY NOTE TO U.S. INVESTORS CONCERNING ESTIMATES OF INFERRED RESOURCES

The following section and the second table below use the term “inferred resources”. The Corporation advises U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. **U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable.**

In 2005, Taurus and Fairstar commissioned Innovexplo Inc. to prepare a further geological assessment and mineral resource estimate for the Fenelon Project. The report was entitled “Technical Report on the Resources Evaluation, Fenelon Project,” and was prepared by Carl Pelletier, P.Geo. and Yves Gagnon, P.Eng. (the “2005 Innovexplo Report”) dated January 31, 2005. An update of the resource estimate presented in the 2004 Innovexplo Report is set out in the 2005 Innovexplo Report. The update of the resource is based upon the same criteria as that set out in the 2004 Innovexplo Report. Total resources were estimated at 55,684 tonnes grading 19.61 g/t gold in the measured and indicated categories (4,002 t grading 18.36 g/t gold measured and 51,682 t grading 19.71 g/t gold indicated). This represents 35,107 contained ounces of gold. In addition, inferred resources are estimated at 27,245 t grading 12.79 g/t gold for a contained gold content of 11,203 ounces. These figures are estimated on the basis of a 5 g/t gold lower cut-off grade, with high-grade assays cut to 50 g/t gold for the Measured Mineral Resources and to 75 g/t gold for the Indicated and Inferred Mineral Resources. From the total of measured and indicated resources, 7,757 tonnes have been removed due to mining, which means a total of measured and indicated resources of 47,927 tonnes grading at 19.61 g/t gold (including 3,098 tonnes of on site broken ore). Inferred resources have not changed. Measured resources were not recalculated based on the sampling of the new development.

Table 3A. FENELON MINERAL RESOURCE

Classification	Tonnes	Average Grade (grams/tonne Gold)	Contained Ounces of Gold
Measured & Indicated	47,927	19.61	30,217

Table 3B. FENELON MINERAL RESOURCE

Classification	Tonnes	Average Grade (grams/tonne Gold)	Contained Ounces of Gold
Inferred	27,245	12.79	11,203

Funds Expended on the Fenelon Project

As at December 31, 2007, a total of approximately \$15 million had been expended on the Fenelon Project, which includes acquisition cost allocations.

Phase I Drilling Program

The 2005-2006 program at the Fenelon Property was designed to diamond drill: (1) the Fenelon (Discovery) Deposit to add gold resources by testing the immediate extensions of the Deposit, as well as the eastern and western lateral extensions of the Deposit, 1 kilometer away from the known mineralization; (2) the four first priority target areas, two of which are Iron Formations, one is an Ultramafic - Felsic Tuffs Contact, and the Jérémie Batholith contact (Margin) zone; and (3) the second and third priority targets around the Discovery Deposit and at the regional scale (Phase 2C). A total of 13,201 meters was drilled to complete this program.

Highlights from the 2005 and 2006 Phase I drill program include drill hole FA-06-297 which intersected an 11.5 meter zone grading 15.65 grams per tonne gold (37.7 feet grading 0.457 ounces per ton) (see Bonanza news release dated July 19, 2006). FA-06-297 offsets a high grade part of the Discovery Zone and confirms the high grade and continuity of the Discovery Zone.

Drill hole FA-270 identified a new parallel gold zone about 500 meters west of the Discovery Zone (see Bonanza news release dated March 1, 2006) in what has been termed the West Discovery Zone. The drill hole encountered a 1 meter zone grading 14.5 grams per tonne gold (3.3 feet grading 0.423 ounces per ton) within a three meter

zone grading 6.2 grams per tonne gold (9.8 feet grading 0.181 ounces per ton). This new gold zone is hosted by a structure that is parallel to, and 100 meters south of, the Discovery Zone structure.

A third highlight from the Phase I drilling was the discovery of a significant base metals target to the northeast of the Discovery Zone. The discovery drill hole is hole FA-06-284 which contains a drilled intercept of 14 meters (45.9 feet) grading 0.43% nickel and 0.14% copper. The zone is several kilometers long and nearly half a kilometer wide.

During Phase I drilling a total of 42 holes with a combined length of 13,200 meters was drilled to explore for down dip and strike extensions of the Discovery Zone and test for continuity of mineralization. The drilling was successful in identifying new parallel gold zones while confirming the continuity of gold mineralization.

The Corporation recommenced drilling at the Fenelon Project in December, 2006. This second phase of drilling followed up new gold zones discovered during Phase I drilling during 2005 and 2006. Phase II drilling continued through late spring, 2007 and consisted of 12 drill holes with an estimated combined length of 5,000 meters. Four drill holes have been completed in the West Discovery Zone, with assays pending.

Highlights include:

- The lateral extension of the Discovery Deposit continues to generate gold intersections, including 6.16 g/t gold over 3.0 meters (FA-270), located 500 meters west of the deposit;
- Down dip extension and/or detection of gold intersections 200 meters below the Discovery Deposit in drill holes FA-264 and FA-266;
- Pyrite-pyrrhotite and sphalerite mineralization, and important volcanic stratigraphy in recent drill holes indicative of a Matagami-type Volcanogenic Massive Sulphide system, over a 5.5 kilometer strike length.

Significant Gold Intercepts

Drill Hole #	From (meters)	To (meters)	Weighted Average Grade (g/t Au / meters)		Weighted Average Grade (oz/t Au / feet)	
FA-250	40.7	41.8	1.57	1.1	0.05	3.6
FA-254	115.0	116.2	1.70	1.2	0.05	3.9
FA-255	179.0	188.0	2.49	9.0	0.07	29.5
incl.	180.1	180.9	4.44	0.9	0.13	2.9
incl.	184.1	185.6	4.52	1.5	0.13	4.9
incl.	186.7	188.0	6.24	1.3	0.18	4.3
	197.2	198.2	3.41	1.0	0.10	3.3
FA-256	123.7	124.2	1.26	0.5	0.04	1.6
	174.7	175.2	10.75	0.5	0.31	1.6
	179.5	180.0	42.80	0.5	1.25	1.6
FA-257	89.0	89.7	3.82	0.7	0.11	2.3
FA-258	181.5	182.5	1.18	1.0	0.03	3.3
	230.5	234.0	5.42	3.5	0.16	11.5
incl.	231.0	232.9	9.70	1.9	0.28	6.2
FA-261	250.0	253.0	2.91	3.0	0.09	9.8
incl.	251.0	252.0	5.05	1.0	0.15	3.3
FA-264	52.6	54.6	3.61	2.0	0.11	6.6
incl.	53.5	54.6	5.98	1.1	0.17	3.6
FA-270	180.0	183.0	6.16	3.0	0.18	9.8
incl.	182.0	183.0	14.50	1.0	0.42	3.3
	272.8	273.9	1.88	1.1	0.06	3.6
FA-274	208.3	209.2	2.12	0.9	0.06	2.9
FA-275	143.9	145.4	1.40	0.5	0.04	1.6

* Grades are uncut. Lengths are measured along the core axis and are not true widths. Results highlighted in bold are new assay intervals. Other assay intervals were previously outlined in a Press Release dated January 15, 2006.

The Phase II drilling confirmed the presence of two nickel rich zones at the Fenelon nickel target, with every hole drilled in the zones encountering strong nickel mineralization in massive sulfide horizons. The southern target is 1.3 kilometers long and the northern target is 800 meters long. Both targets strike along a northwest trend, and lie approximately one kilometer apart. The southern target is identified by five drill holes and the northern target is identified by four drill holes. All drilling has focused on the strike extent of the nickel mineralization that is located between 100 meters and 300 meters from surface. Drilling up dip and down dip has yet to be completed, and the targets remain open everywhere in these directions. The winter, 2008 drilling program will test this potential.

The northern nickel zone at Fenelon is identified by four drill holes. One hole, FA06-284 was drilled during 2006, and as previously announced contains 28 meters grading 0.28% nickel, along with other base metals. Within this zone lies 14 meters grading 0.43% nickel, which contains three (3) 0.5 meter zones grading 1.7% nickel, 1.6% nickel and 1.6% nickel. Three drill holes have been completed in the target to date.

Drill hole FA07-305 is 700 meters southeast of FA06-284 along strike, and contains 14.2 meters grading 0.24% nickel, including a 0.5 meter zone grading 1.4% nickel, and a 20.0 meter zone grading 0.15% nickel. Drill hole FA07-307 is 100 meters northwest of FA06-284 along strike, and is the last hole drilled in this direction. Drill hole FA07-307 contains 22.4 meters grading 0.12% nickel and another 11.0 meter zone grading 0.18% nickel. The mineralization remains open to the northwest. Drill hole FA07-308 was drilled 100 meters southeast of FA06-284 and contains 2.8 meters grading 0.18% nickel.

The southern nickel zone at Fenelon is identified by five drill holes. Three holes were drilled during 2006 and were drilled approximately 650 meters apart, along strike on a northwest trend. As previously announced, the southern hole, FA06-273 contains 15.2 meters grading 0.31% nickel and 2.5 meters grading 0.49% nickel. FA06-285 was drilled 1,300 meters northwest of FA06-273 and contains 10 meters grading 0.15% nickel, including 2 meters grading 0.6% nickel, including 0.6 meters grading 0.81% nickel, and 2.4 meters grading 0.16% nickel. FA06-272 was drilled approximately midway between FA06-273 and FA06-285, and contains 11.6 meters grading 0.042% nickel and 0.5 meters grading 0.11% nickel. These drill holes also contain other base metal mineralization.

Drill hole FA07-304 was drilled 150 meters southeast of FA06-273 and contains 3.3 meters grading 0.1% nickel and 1.5 meters grading 0.18% nickel. Drill hole FA07-303 was drilled 100 meters northwest of FA06-273 and contains 1 meter grading 0.23% nickel with anomalous other metals.

The Corporation also completed additional down hole geophysics during 2007 that has better defined the extent, magnitude and location of previous geophysical anomalies. This data will help guide the current drilling to further define the exciting potential of these nickel targets.

Summary of 2007 Drill Hole Nickel Results

Drill Hole #	From	To	Interval	Interval	Average Grade		
	Meters	Meters	Meters	Feet	Cu %	Zn %	Ni %
FA-07-303	185.9	186.9	1	3.28			0.23
	429	430.9	1	3.28		0.1	
	469.5	470	0.5	1.64	0.09		
FA-07-304	96.9	100.2	3.3	10.83			0.1
	174.5	176	1.5	4.92			0.18
FA-07-305	113.8	114.35	0.55	1.80	0.1		1
	120	121	1	3.28			0.34
	269	278.45	9.45	31.00			0.1
	322	342	20	65.62			0.15
including	338.5	339	0.5	1.64	0.42		
	373	387.2	14.2	46.59			0.24
including	385	387.2	2.2	7.22	0.23		
including	386.73	387.2	0.47	1.54			1.39
	404	411	7	22.97			0.07
FA-07-307	215	216.2	1.2	3.94		0.26	
	237	238	1	3.28			0.33
	374	396.5	22.4	73.49			0.12
	441	452	11	36.09			0.18
including	448	451	3	9.84	0.13		
FA-07-308	184.3	186	1.7	5.58		0.27	
	195	199.2	4.2	13.78		0.25	
	390	392.8	2.8	9.19			0.18

Platinum and palladium assays for select portions of drill holes FA06-273, FA06-284, and FA06-285 show a strong correlation between nickel and platinum and palladium. Maximum PGE grades were encountered in FA06-284 from 405.72 to 406.22 meters depth, where the 1.7% nickel is associated with 0.6 grams per tonne platinum and 1.1 grams per tonne palladium.

HOLE-ID	FROM	TO	Meters	Ni (%)	Pt (g/t)	Pd (g/t)
FA-06-284	390	391	1.0	0.23%	0.06	0.10
FA-06-284	391	392	1.0	0.22%	0.06	0.09
FA-06-284	393	394	1.0	0.28%	0.09	0.15
FA-06-284	394	394.5	0.5	1.57%	0.27	0.63
FA-06-284	395.7	396.9	1.2	0.21%	0.06	0.11
FA-06-284	396.9	397.4	0.5	1.60%	0.24	0.90
FA-06-284	405.72	406.22	0.5	1.70%	0.61	1.14
FA-06-284	411.03	411.6	0.6	0.59%	0.12	0.24
FA-06-285	384.43	385	0.6	0.24%	0.03	0.15
FA-06-285	445.75	446.43	0.7	0.53%	0.08	0.20
FA-06-285	446.43	447.11	0.7	0.54%	0.11	0.19
FA-06-285	447.11	447.7	0.6	0.81%	0.10	0.27
FA-06-273	112.37	112.87	0.5	0.47%	0.09	0.09
FA-06-273	201.34	201.84	0.5	0.22%	0.12	0.26

FA-06-273	105.56	106.46	0.9	0.25%	0.04	0.06
FA-06-273	150.05	151.25	1.2	0.21%	0.05	0.07

Planned Exploration Expenditures

The Corporation is conducting a drill program which will focus on the nickel potential described above. The drilling began in early 2008 and will be completed by the end of winter freeze. The total budget is estimated at Cdn\$0.6 million. Additional work will be dependent on the outcome of this program.

The Taurus Gold Project

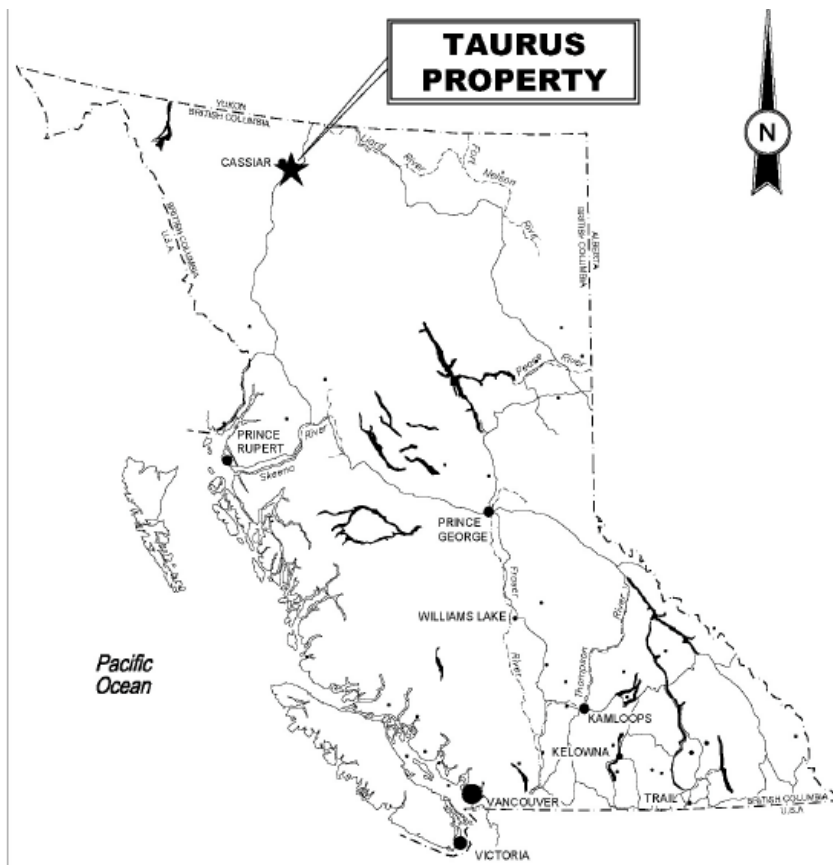
Property Description and Location

The Taurus project (the “Taurus Project”) is a large disseminated gold deposit that covers 800 hectares and is located near the town of Cassiar, in north western British Columbia.

The Taurus Project consists of 46 mining claims (the “Taurus Property”). All of the claims are registered in the name of the Corporation. The claims are all in good standing.

Pursuant to an agreement (the “Sable Agreement”) between Sable Resources Ltd. (“Sable”) and Medallion Resources Ltd (formerly Hera Resources Inc.) dated August 26, 1993 certain mining claims in which Sable had a 100% interest were transferred by Sable to Taurus. At the date of the Sable Agreement, Taurus was already the owner of certain other mining claims in this area which together with the mining claims acquired under the Sable Agreement constitute the Taurus Project. Ten of the Taurus mining claims are subject to a 2.5% NSR royalty payable to Sable. The following map sets out the location of the Taurus Project.

In March of 2007, the Corporation entered into an agreement in principle to option the Taurus Property to Cusac Gold Mines Ltd. As part of Hawthorne Gold Corporation's ("Hawthorne") proposed merger with Cusac Gold Mines Ltd. ("Cusac"), Bonanza has agreed to the assignment to Hawthorne of the option agreement dated June 7, 2007 between Bonanza and Cusac. See “Agreement in Principle with Cusac Gold Mines Ltd.” below.



Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Taurus Project is by Highway 37 approximately 120 km south of Watson Lake, Yukon and via unpaved roads and trails on the property.

The region experiences cold winters and short summers. Average daily mean temperatures range from -17.7 degrees centigrade in January to mid 12 degrees centigrade in July. Snowfall can be expected between October and May. Snow can persist on the Taurus Property until late May, however, snow removal is relatively simple, allowing for year-round operation on the property.

The Taurus Property is situated at the confluence of Quartzrock and Troutline Creeks immediately north of McDame Creek. The latter forms a broad valley in moderate terrain with shallow lakes and swampy sections, ranging in elevation from 1000 metres in the valleys to 2200 metres on local peaks. Vegetation consists of forests of jackpine, lodgepole pine, black spruce, and poplar thinning to buckbrush and alpine meadows above treeline, around 1400 metres.

Power for the region is provided by diesel generation. There are numerous creeks in the area that have sufficient year-round flow for any exploration or mining operation. The Taurus Property itself affords space for the development of tailings storage areas, waste disposal sites, heap leach pads, if required, and expanded processing facilities.

Geological Setting and Deposit Types

The Taurus Property is located in the Cassiar mining district where significant placer and hardrock gold mines have operated in the past.

The Taurus Property hosts numerous mineralized quartz veins. These veins were exploited in the early 1980's as individual sources of ore for a small 150 tonne per day operation. The veins found to date on the Taurus Property tend to be narrow, roughly one metre in thickness. The veins contained coarse gold.

Taurus and a neighbouring operator exploited well-defined mesothermal quartz-carbonate-gold veins, similar to other volcanic-hosted vein systems at Bralorne and in the Mother Lode district of California. These vein systems are characterized by white to clear bull quartz and lesser iron-magnesium carbonate, calcite and traces of sericite. Drilling in 1994 highlighted the potential for low grade, bulk tonnage gold production. Mineralization in this setting falls into two types: pyritic quartz veining and disseminated pyrite.

Mineralization

The seven known zones on the Taurus Property all host mineralization that contains gold values that range over 2 grams per tonne. Intercepts of more than 1 g/t can be obtained over five to ten meter thicknesses in any of the zones. The nature of the mineralization in the vein swarms makes the reproducibility of individual results difficult but the general location of increases in gold mineralization seems reasonably predictable. Further work compiling all of the existing data on the property is needed to enable a better understanding of the geometry of the zones.

History

The Taurus Property was originally covered by seven claims of the Cornucopia Group staked by J.C. Simpson in 1935. Simpson carried out stripping, trenching and rock sampling until 1944. The following year, Benroy Gold Mines Ltd. optioned the property and completed more than 700 metres of trenching and 1500 metres of diamond drilling.

The claims were restaked in 1959 by Couture and Copeman who hand-mined 25 tons of high-grade ore from a short adit. In 1960, Taurus was incorporated to acquire the property and in 1961 proceeded with 1180 metres of drifting and crosscutting, and 1000 metres of diamond drilling.

In 1964, Newconex Canadian Exploration Ltd. optioned the property and completed an additional 180 metres of drifting and crosscutting and 210 metres of drilling. Taurus rehabilitated and resampled the main 3600 level adit, and completed another 223 metres of underground diamond drilling between 1973 and 1975. In 1978, Ashlu Gold Mines Ltd. optioned the property and completed 7.2 kilometres of ground-based magnetometer and electromagnetic surveys.

A 135 tonne per day mill was constructed at the Taurus Property in 1980-81, treating 220,000 tones of ore, averaging 5.14 grams per tonne gold prior to closing in 1988. During the time of the mine operation exploration was limited to gaining information on accessible mineralization from existing workings. This meant primarily the veins located above the Decline Fault. A few holes did however penetrate the decline fault and several pyrite veins were intersected in addition to a unit described as rhyolite.

In 1988, Sable Resources Ltd. conducted an Induced Polarization ("IP") survey that outlined 33 anomalies on the "Main Grid" area. Subsequently, a small open pit extracted 2600 tonnes grading 2.06 grams per tonne from one of the veins.

In 1993, Sable extended IP coverage and completed additional trenching. Late in 1993, Sable sold its controlling block of shares in Taurus, to Hera Resources Inc. who finished a trenching and 26-hole diamond drilling program totaling 1554 metres (5099 feet). Trenching tested 6 of 42 geophysical (IP) targets, discovering 3 gold-bearing vein systems (1993-1 to 3), which were subsequently drill-tested. A mineral inventory was calculated by averaging the grades (weighted) and thicknesses for each panel outlined on a specific vein structure. Strike lengths for these panels ranged up to 725 feet with depths up to 325 feet. These resource estimates were not created using the standards outlined in NI 43-101, although the reserve estimates have been obtained from reliable

sources and are relevant. No effort has been made to refute or confirm these estimates and they can only be described as historical estimates.

A second resource calculation, was completed by A. Beaton, P.Eng., in May 1994. The estimate includes data from the portion of the trenching and diamond drilling completed in 1994. That portion of the program consisted of extensive trenching and diamond drilling along the south and north margins of the area explored in 1993.

In 1994, Taurus moved to the north side of the highway, completing 88 diamond drillholes totalling 7517.5 metres and an IP survey over 26.68 kilometres of grid, along strike to the west of the Taurus mine workings. In addition, 220 metres of drifting and 47 metres of raising were completed in the existing underground workings to define additional mineral resources.

Cyprus Canada Inc. signed a joint venture agreement with Taurus and Cusac in January 1995, and Douglas Busat in May 1995, assembling a claim package of approximately 4000 hectares.

In March 1995, Cyprus began diamond drilling on the Taurus Property. Mapping of the central portion of the Taurus Property commenced in mid June 1995 with limited trenching on the property. A soil geochemical survey was completed. Preliminary metallurgical testing on 11 composite samples from Taurus Property was designed to test the characteristics of two dominant types of mineralization. Leach tests utilizing cyanide and froth flotation tests were run. A noncompliant 43-101 preliminary resource estimation was completed to quantify potential resources for economic analyses.

Exploration

Cyprus returned the property to Taurus in July 1996 and in the fall of 1996, Taurus completed a program of 36 reverse-circulation holes, totalling 3869 metres, drilled on 50-metre centres and five diamond drillholes, totalling 582 metres, extending the zone approximately 300 metres to the west.

A further six holes totalling 790 metres were completed by Taurus in 1997.

No significant work programs were completed by Taurus in 1998. In September, Cusac Gold Mines (“Cusac”) entered into an agreement with Taurus to earn up to 70% interest in the Taurus Property by performing a certain minimum amount of exploration and development work over a four-year period and completing a positive feasibility study. In 1999, Cusac defined six distinct zones using factors including geography, geology, data density, and amenability to open pit mining methods. Taurus’ agreement with Cusac was terminated on June 8, 2000.

In late 2003, Navasota Resources Limited conducted a two phase program (the “Navasota Program”) consisting firstly of general geological compilation with some geochemistry as well as limited remapping and relogging of specific core. Phase II of the program consisted of a drill hole program including 13 NQ holes totalling 1,974 meters in length. The holes were designed to test the zones identified in work conducted post 1994. These results confirm the results reported in previous programs on the Taurus Property. The zones intersected in the 2003 program do not appear to match up identically with those from previous work and therefore more work is needed to understand the nature of the zones on the Taurus Property. The difficulty of the nuggety nature of the mineralization may be the cause of this and some small test pits and/or underground sampling may be needed to understand the geology better.

Drilling

A total of 28,956 metres has been drilled on the Taurus Property since 1993 by various companies including Taurus and Cyprus Canada. Most of this drilling was diamond core drilling but some reverse circulation percussion drilling was also successful in defining mineralized zones. The most recent program was performed by Navasota Resources Ltd. in 2003 consisting of 1974 meters in 13 holes which was successful in confirming the style and grade of mineralization on the Taurus Property.

Environmental

There are currently no known environmental liabilities on the Taurus property as the past Taurus Mine has been reclaimed.

The largest environmental risks present from open pit mining operations are acidic and/or metal laden effluent from tailings and waste rock dumps. Some preliminary acid/base accounting work has been done on various rock types on the Taurus Property. This data indicates that low grade portions of mineralization may need to be disposed of carefully, perhaps commingled with waste rock as regulators prefer average neutralization potential ratios in excess of two.

Tailings and waste rock dumps are located on the Taurus property. Having been an underground operation, as opposed to open pit, the waste rock dumps are not very substantial and are located next to underground portals. Tailings are located in two locations. The flotation tailings are primarily quartz with carbonate and hence are quite inert. For the last two years of its operation, the Taurus mine leached flotation concentrate on site. The leach tailings were treated using a method of cyanide destruction and were buried within the phase I tailing impoundment. The mine was reclaimed after closure and there is a \$10,000 bond in place to cover any environmental work that may be required in the future. A \$22,000 bond is in place to cover the reclamation costs of current exploration programs. Water quality monitoring programs are ongoing.

Mineral Resource and Mineral Reserve Estimations

Subsequent to December 31, 2005, Wardrop Engineering (“Wardrop”) was commissioned by the Corporation to develop a NI 43-101 compliant resource estimate, which included the seven known zones on the property (Sable, 88 Hill, 88 West, Highway, Taurus West, Taurus Mine and Plaza). The report titled “Technical Report on the Taurus Project, Liard Mining District, British Columbia Resource Estimate and Metallurgical Review” dated February 6, 2006 (the “Wardrop Report”) also included a metallurgical review of the historical testwork conducted to date. The Wardrop Report has been filed and is available on SEDAR at www.sedar.com.

Verification of the database carried out by Wardrop indicates that the database is of a quality that meets industry standards for post 1994 drill holes. These drill holes make up the larger portion of the database. The sampling of the pre-1995 drill holes concentrated on the higher-grade intersections. The database contains a total of 370 drill holes of which approximately 330 lie within the Corporation’s claims. The site review indicated that portions of the core that are logged as either T4 or T2 mineralization contain significant amounts of T3 mineralization. Also, the abbreviations used for the rock codes differ in these earlier drill holes.

Documentation made available to Wardrop indicates that the sampling procedures for the 1995 drill holes onwards meet industry standards. The Wardrop Report advises that it is not possible to comment on the earlier drill holes, as no documentation was available for the pre-1994 drill holes.

The resource estimate in the Wardrop Report is based on drill hole data from the property. Trends of mineralization were established using categorical indicator techniques. A bulk density of 2.7 tonnes per cubic metre was used for determining tonnage.

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The following section and table use the term “inferred resources”. The Corporation advises U.S. investors that while this term is recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize it. “Inferred resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of

feasibility or pre-feasibility studies, except in rare cases. **U.S. investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally minable.**

During the resource estimate unsampled intersections have been set to zero grade. This is likely to result in a conservative estimate, particularly in areas comprised predominantly of pre-1995 drilling. At a cut off grade of 0.50 g/t Au the Wardrop Report calculates that there is an Inferred Mineral Resource of 21.2 million tones at an average Au grade of 1.07 g/t, which equates to a metal content of 724,539 troy ounces of Au. Table 4 summarizes the total mineral resource for the property by area.

Table 4: Summary of Inferred Mineral Resource Estimate

	Sable			88 Hill			88 West			Highway		
Cut Offs	Tonnes*1,000	Au g/t	Au Troy oz	Tonnes* 1,000	Au g/t	Au Troy oz	Tonnes* 1,000	Au g/t	Au Troy oz	Tonnes* 1,000	Au g/t	Au Troy oz
0.50	1,349	1.32	57,306	7,405	1.19	283,969	3,535	0.87	99,219	1,891	1.00	60,611
	Taurus W			Taurus			Plaza			Total		
Cut Offs	Tonnes*1,000	Au g/t	Au Troy oz	Tonnes* 1,000	Au g/t	Au Troy oz	Tonnes* 1,000	Au g/t	Au Troy oz	Tonnes* 1,000	Au g/t	Au Troy oz
0.50	3,706	1.02	120,996	2,346	0.99	74,441	917	0.95	27,997	21,150	1.07	724,539

Mineral Processing and Metallurgical Testing

The Taurus concentrator was constructed in 1981 and commissioned in 1982 running until accessible ore reserves in the Taurus mine area were exhausted in 1988. The concentrator consisted of two-stage, closed circuit crushing and closed circuit single stage grinding. Ball mill discharge passed over a mineral jig to produce a gravity concentrate upgraded using a small shaking table. A single bank of flotation cells was used to produce a bulk flotation concentrate. The following table summarizes production data from the Taurus mine during 1986.

Production(1)	Tons	Grade oz/ton	Ounces Gold	Distribution
Mill feed	37,145	0.122	4,538	100.0%
Jig con			1,770	39.0%
Flotation con	1,002	2.330	2,334	51.4%
Cyanide dore			1,746	38.5%
Cyanide tails	1,002	0.587	588	13.0%
Flotation tails	36,143	0.012	434	9.6%

(1) In 1986 Taurus custom milled Cusac ore after the Erickson mill caught fire.

It can be seen from the table above that gravity and flotation combined to recover 90% of the gold from the mill feed. The cyanidation recovery of 75% of the contained gold within the flotation concentrate, although not tremendous, made a significant improvement to the cash flow by reducing trucking costs and costs associated with refining relatively low grade concentrates (3 ounce per ton gold) in Montana.

These operating statistics represent the best metallurgical data for Taurus T4 material. Subsequent work has been performed by Westcoast Mineral Testing (G. Hawthorn, Dec., 1994), Beattie Consulting, (M. Beattie, March, 1995), and Hazen Research, (April 1996). In a letter to Cusac Gold Mines Ltd. from Hawthorn in 1999 it was stated that: "The material T4 responds very well to bulk sulphide flotation to produce a low-grade (10-15 g/t Au) pyritic rougher concentrate. Gold recovery (Hazen pg. 20/ 8 tests on 8 composites) averaged 94.6% into a 20% by weight rougher concentrate from feed grading 1.7 g/t Au." Hawthorn also reports that the material responded to direct cyanidation with 67.5% recovery at minus 200 mesh grind for the same composites as above. Leaching

is rapid with completion in a few hours. Heap leach tests at one half inch crush produced only 25% recovery. Hazen also reported a 73.4% recovery from minus 400 mesh grinded material.

The first metallurgical information on T3 material is from 1987 when a sample of the “pyrite zone” found on the 3275 level was tested by Westcoast Mineral Testing. The flotation test resulted in 94% recovery of gold in 30 weight percent concentrate from feed with a calculated head grade of 0.068 opt. Another portion of the same sample was treated by cyanidation with 48% recovery. A second higher grade sample (0.129 opt calculated grade) of similar material was collected with cyanidation recovery of 60%. It does not appear that any consideration was given to either pressure or bacterial oxidation of T3 concentrates and, although the carbonate content of the rocks seems to make this an unlikely success, it may be worth at least cursory investigation.

Future Work

Wardrop made the following comments and recommendations for future work at Taurus: The refractory nature of the T3B-type ore has not been fully researched mainly because of the low grades found during the exploration phase. Further testwork is recommended to fully characterize this ore type, and provide more information about the T4 and T3 material, as well as the T2 and T1 types. The recommended tests include the following:

- A detailed mineralogical study to identify the minerals present and to determine the liberation sizes and characterise the mineral associations;
- A systematic sequence of heap leach tests to characterise the extraction potential of gold from this material under heap leach conditions;
- Bioleaching amenability tests on each of the ore types, but particularly on the respective bulk sulphide flotation concentrates;
- Gravity concentration tests using the centrifugal gravity concentrator particularly if coarse gold is present. These tests should then be extended to include cyanidation of the gravity tailings at different cyanide concentrations;
- Cyanide destruction tests on the tailings after the most suitable processing option routes have been identified;
- ABA tests on the tailings of cyanided flotation concentrates;
- Pressure oxidation tests on each of the ore types, as well as the respective bulk flotation concentrates;
- The economic implications of the flotation of cyanidation leach tailings for the recovery of gold into a pyritic concentrate, and the subsequent sale to a smelter, roaster or bioleach plant with credit for the gold content, should be evaluated. This option would be of particular interest in the treatment of T3-type material; and
- Carbon-in-pulp, and/or carbon-in-leach tests on whole-ore T4-type samples, or gravity concentration tailings. These tests would also indicate whether preg-robbing would be expected to occur during the cyanidation process.

A recommended test program outlining the first phase of metallurgical testing would cost approximately \$172,500 including metallurgical sample drilling. The T4-type of ore requires metallurgical characterisation in order that process selection and development may follow. However, some basic tests on the other ore types are also recommended. A further, more detailed, phase of the testing of the Taurus ore types will be required should the project develop to the engineering design and pre-construction feasibility stage.

In order to improve the confidence in future resource estimates and to establish a uniform sampling method, Wardrop recommended the following:

- Sampling of low grade intersections and verification of high grade intersections in the pre-1994 drill holes;

- Re-logging of core to establish a common lithological nomenclature and to identify high grade veins and envelopes of low grade mineralization;
- Confirm geological interpretation and correlate with mineralization of high- and lowgrade zones;
- Investigate the grade differences between the various types of drilling; and
- Document/obtain bulk density and recovery information based on lithological and grade criteria.

Further drilling would be based on results from the above program and may be required prior to recalculating the resource estimate. Further, it is recommended that 1,000 metres of infill drilling be carried out in the 88 Hill area to improve the understanding of the mineralization in that area.

Summary of Estimated Costs

Relogging and Sampling	\$60,000
Interpretation	24,000
Sample Analysis	30,000
Travel and Accommodation	20,000
Subtotal	134,000
Metallurgical Drilling	112,500
Metallurgical Testwork	50,000
Subtotal	162,500
Logging and Sampling	20,000
Infill Drilling	125,000
Subtotal	145,000
Total	441,500
Contingency at 10%	44,150
Grand Total	\$485,650

The Corporation has entered into an agreement for the sale of the Taurus Property and does not plan to conduct the above work program.

Agreement in Principle with Cusac Gold Mines Ltd. and Assignment to Hawthorne Gold

On March 2, 2007 the Corporation announced it had reached an agreement in principle with Cusac Gold Mines Ltd. ("Cusac") for the sale of the Taurus Property for total cash consideration of up to Cdn. \$11 million plus up to 3 million common shares of Cusac.

The transaction was subject to regulatory approval and the execution of a definitive agreement. The sale consideration consists of total cash payments of \$6,000,000 over a two year period, 3 million common shares of Cusac over a two year period, and a further cash payment of \$3,000,000 payable within 60 days of the earlier of Cusac receiving a bankable feasibility study to place the Taurus project into commercial production ("Bankable Feasibility Study") and the date the property is placed into commercial production.

If gold prices trade at or above US\$800 for a period of 100 consecutive trading days during this two year period, the cash payment will be increased by \$2,000,000 with \$1,000,000 being added to the cash consideration and a further payment of \$1,000,000 upon receipt of a Bankable Feasibility Study or commencement of commercial production, whichever is earlier.

In the event that Cusac completes all cash payments within 12 months of regulatory approval the total purchase price will be capped at \$6 million in cash payments, plus \$3 million upon the earlier of receipt of a Bankable Feasibility Study and the commencement of commercial production, and 1.5 million common shares of Cusac.

As part of Hawthorne Gold Corporation's ("Hawthorne") proposed merger with Cusac Gold Mines Ltd. ("Cusac"), Bonanza has agreed to the assignment to Hawthorne of the option agreement dated June 7, 2007 between Bonanza and Cusac.

The assigned agreement amends the terms of the original option agreement and requires Hawthorne to pay \$6 million over two years, consisting of \$1 million by December 22, 2007, \$2 million by June 22, 2008, \$1.5 million by June 22, 2009 and \$1.5 million by December 22, 2009. A further \$3 million is payable upon completion of a positive feasibility study recommending production, or production, whichever comes first. Pursuant to the agreement, Hawthorne is required to issue 250,000 common shares to Bonanza on or before December 22, 2008. Bonanza agreed to the removal of the \$2 million bonus payment which would have been payable if the price of gold closes above US \$800 per ounce for a period of 100 consecutive days.

In December 2007, Hawthorne paid Bonanza the \$1million payment then due. The next payment is due on June 22, 2008 and consists of \$2 million.

Other Properties

The properties set out below are not sufficiently advanced to be considered material to the Corporation. Consequently, only a brief description of these properties is included here.

Casa Berardi Exploration Portfolio Including Martiniere and Northway

Pursuant to the Option Agreement, described under Fenelon – Property Description, Cyprus granted to Taurus the right to explore certain mineral properties (as described below) and granted to Taurus an option to purchase all of Cyprus' interest in Cyprus' entire Casa Berardi exploration portfolio in the province of Quebec, Canada (the "Cyprus Properties"). The Cyprus Properties now owned by the Corporation comprise four properties: the Fenelon Project, La Martiniere, Northway-Noyon and La Peltrie located within the Casa Berardi sector of the Abitibi Greenstone belt. In addition, the Corporation has the option to acquire Cyprus' interest in the Casa Berardi airborne geophysical survey (the "Survey"), a 77,000-line-kilometre, ultra-high-resolution helicopter survey, held jointly with Fairstar. To earn a 100% interest in the Cyprus Properties and the Survey, the Corporation must make a future payment of US\$450,000 in three equal installments of US\$150,000 at six month intervals. The first installment is due to be paid on the achievement of Commercial Production from any one of the four properties, the second installment is due to be paid on or before the day that is six months after the achievement of Commercial Production, and the third installment is to be paid on the first anniversary of the achievement of Commercial Production. Upon payment of the US\$450,000, the Corporation will have exercised the option and pursuant to the Option Agreement, Cyprus is entitled to certain royalties from the properties that are the subject of the Option Agreement. The Corporation intends to make the required payments when due under the amendment to the Option Agreement. Once these payments are made, Cyprus will relinquish all of its rights in respect of all of the properties in exchange for a minimum 1% NSR royalty from properties having an underlying royalty and a maximum 2% NSR royalty on those properties not subject to other royalty burdens. This royalty is only applicable to the Corporation's interest in the properties.

La Martiniere

Property Description and Location

The La Martiniere Property is located 600 kilometers northwest of Montreal and consists of 226 unpatented crown mining claims covering approximately 3,000 hectares, which are subject to a 2% Net Smelter Return royalty. The Corporation's Fenelon Gold Project is 30 kilometers to the east.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The La Martiniere Project is located in the northwest corner of Fenelon Township in Northwestern Quebec. It also encompasses portions of the J r mie, Gaudet and Caumont townships.

The La Martiniere Project is located approximately 100 kilometres west-north-west of Matagami and 155 km north of Amos, Quebec. The Fenelon camp is accessible from Amos by Highway 109 leading north to Matagami and Radisson. Access to the La Martiniere Project from the Fenelon camp is by helicopter or all terrain vehicle.

The area surrounding the La Martiniere Project is covered by extensive, thick Pleistocene glacial and glacio-lacustrine sediments. Areas of bedrock exposures are very limited and scarce. Outcrops form some small ranges of hills and appear along major rivers. Most of the area is covered with swamps and flat forests. It has recently been logged and in part re-vegetated.

A network of logging roads provides easy access to the different parts of the property. The nearest power line (also connecting to the Selbaie Mine site) is located about 30 km southwest of the project. A working railroad connects Matagami to Lebel-sur-Qu villon and Senneterre. Matagami is located at about 75 km from the project.

The region experiences cold winters and generally dry and warm summers. In January, temperatures are often below -30 C while the peak in summer can reach 35 C. Snow accumulation generally begins in November and remains until early May.

History

Previous explorers, International Taurus Resources Inc. and Cyprus Canada Inc. completed 23 holes (4,100 meters) at La Martiniere before 2001, (predating National Instrument 43-101) defining high grade gold intercepts associated with quartz-carbonate veining. This drilling was located on wide spaced centers. The Corporation's 2006 drill program was designed to test the gold intercepted by previous drilling, to test undrilled geophysical anomalies, and to fill in between previous significant gold intercepts along strike and down dip. The original discovery at La Martiniere was the test of an IP anomaly and other IP anomalies on the property remain to be drill tested.

Geology

La Martiniere is 30 kilometers west of the Corporation's Fenelon Project on the Detour Lake-Fenelon Break. The Detour Lake-Fenelon Break is part of the Abitibi Greenstone Belt. The Detour Lake-Fenelon Break is hosted within altered Archean metasedimentary and metavolcanic rocks that are very similar to those hosting the McIntire Porcupine Break. These Archean sequences have been known to host massive sulfide deposits and high grade gold deposits.

Gold Mineralization

Gold mineralization at La Martiniere is hosted in quartz veins and quartz stockwork fractures in Archean metasedimentary and metavolcanic rocks. The veining and stockwork formation is post metamorphism and has been interpreted as epithermal in nature. Gold values range in value as high as 30 grams per ton from select drill hole samples along a strike length of 1.3 kilometers.

Drilling

A total of 1407 meters was completed by the Corporation in 9 core holes during the early spring of 2006. Drilling and mobilization of equipment and personnel was supported by helicopter due to poor weather conditions and generally poor accessibility of the project to roads. Quartz stockwork veining was encountered in all 9 core holes associated with anchorite, fuchsite, chlorite, albite, and up to 15% disseminated pyrite in silicified host rock

adjacent to veins. Banding, open-space filling textures, and cross cutting veins emphasize multiple pulse mineralization.

Gold Intercepts

Drill Hole #	From meters	To meters	Weighted Average		Weighted Average		
			Grade		Grade		
			(g/t Au)	meters	oz/t	feet	
MD-06-01	124	126	1.79	2	0.05	6.56	
	131.6	132.6	1.23	1	0.04	3.28	
	138	138.6	1.02	0.6	0.03	1.97	
	160	160.6	1.72	0.6	0.05	1.97	
MD-06-02	96.4	97.4	2.53	1	0.07	3.28	
	110.15	111	1.8	0.85	0.05	2.79	
	116.3	117.25	4.23	0.95	0.12	3.12	
MD-06-03	112.6	114.06	3.05	1.56	0.09	5.12	
	198.5	199	1.33	0.5	0.04	1.64	
MD-06-05	53.1	60.2	3.78	7.1	0.11	23.29	
	Includes	53.1	54.2	13.45	1.1	0.39	3.61
		56.1	57.9	4.59	1.8	0.13	5.91
MD-06-09	59.5	60.2	4.79	0.7	0.14	2.30	
	29.6	30.3	2.12	0.7	0.06	2.30	
	85.9	86.8	1.16	0.9	0.03	2.95	
Includes	126.9	128.5	1.74	1.6	0.05	5.25	
	131.5	133.1	18.45	1.6	0.54	5.25	
	131.5	132.3	31.6	0.8	0.92	2.62	

A Phase II drilling program was completed by May 2007, and was designed to explore for the continued strike and down dip extensions of the mineralized zones intersected during Phase I drilling. Phase II was supported by helicopter and all terrain vehicles. The budget for this 2007 drilling program was Cdn\$550,000.

Bonanza's Phase I and Phase II drill results outline a continuous 1.3 kilometer long zone of high grade gold mineralization at the 100% owned La Martiniere property in Quebec. The property is located between Fenelon and the multi-million ounce Detour Lake Gold Mine.

Bonanza's drilling to date (Phase I and Phase II) consists of 22 drill holes with a combined length of 4,763 meters, effectively doubling the drilling that has ever been completed on the project. Bonanza's drilling successfully expanded the known mineralized zones, demonstrates the continuity of gold mineralization, and indicates the substantial size potential of this mineralized system.

The gold mineralization is open along strike and down dip, with most drilling encountering the gold bearing structures within 100 meters from surface. Preliminary resource estimations are planned in advance of preparation of the next phase of drilling, which will be designed to explore to further expand the known gold mineralization. Highlights from Bonanza's drilling include:

- 1.0 meter grading 44.3 grams per tonne gold in drill hole MD-07-20
- within a 28.4 meters grading 2.3 grams per tonne gold.

- 3.0 meters grading 7.2 grams of gold per tonne in drill hole MD-07-12
- within 4.8 meters grading 5.1 grams per tonne gold

- 1.1 meters grading 13.5 grams of gold per tonne in drill hole MD-06-05
- within a 7.1 meters grading 3.8 grams of gold per tonne

- 1.0 meters grading 10.9 grams of gold per tonne in drill hole MD-07-13
- within a 2.0 meters grading 6.5 grams per tonne gold

- 5 meters grading 5.1 grams per tonne gold in drill hole MD-07-14
- and 4.4 meters grading 4.4 grams per tonne gold.

- 1.6 meter zone grading 18.45 grams per tonne gold in drill hole MD-06-09
- including 0.8 meters grading 31.6 grams per tonne gold.

- 11.0 grams per tonne gold over 0.7 meters in drill hole MD-06-07

- 4.1 meters grading 6.2 grams per tonne of gold in drill hole MD-06-08
- including 2.1 meters grading 11.2 grams per tonne of gold
- and 1.0 meters grading 18.7 grams per tonne of gold

The best intercepts from historic drilling programs include:

- 14.4 grams per tonne of gold over 4.2 meters
- 17.5 grams of gold per tonne over 1.5 meters
- 9.3 grams per tonne of gold over 0.7 meters
- 9.2 grams per tonne gold over 1.0 meters, and
- 5.9 grams per tonne of gold over 6.5 meters.

Future Work

The planned 2008 drilling campaign is designed to fill in certain areas along strike in the mineralized zone, and to explore the dip extent of the gold mineralization. Estimated budget for the current drilling program is Cdn\$0.4 million, and the Corporation is fully funded to complete this drilling program.

Northshore Project

Location and Access

The Northshore Project is located on the north shore of Lake Superior in the Province of Ontario, Canada. Schreiber the nearest town is located 7 kilometers to the north on the Trans Canada Highway. An unimproved road connects from the highway to the east border of the property. Bonanza controls a total of 872 acres (353 hectares) via patented, staked and leased lands.

History

During the late 1980s and 1990s Noranda Inc. and Cyprus Minerals conducted geologic mapping, trenching, and core drilling in the general area of the Northshore Project due to its proximity and geologic similarity to the Hemlo gold deposit that had been discovered 70 kilometers to the east. They concentrated on quartz veins and prospects that had been worked during various times in the past by prospectors. A total of 18 trenches and 27 core holes were completed during this time. Several parallel quartz veins and areas of stockwork quartz fractures were defined by this work over nearly a square mile of surface.

Geology

Northshore is located within the Schreiber-Hemlo greenstone belt of the Archean Superior Province with similar intrusive, metasedimentary and metavolcanic rocks as Hemlo.

Drilling

The Corporation completed an 11 hole, 3145 meter core drilling program during the fall of 2006 that was designed to verify gold intercepts in the Noranda-Cypress drilling and trenching programs, and extend the zones along strike and down dip. Core holes were also placed to intercept parallel quartz veins to the north of previous drilling where surface sampling had detected bonanza grade gold values. The Bonanza program was successful in all phases of this program by verifying and extending the old zones and intercepting bonanza grades at depth in new veins to the north.

Drill holes NS-06-01, 02 and 04 were designed to verify gold mineralization reported by past workers and explore for down dip extensions of that mineralization. Drill Hole NS-06-01 encountered 10 meters grading 3.0 grams per tonne gold (0.09 ounce per ton) including 0.2 meters grading 99.4 grams per tonne gold (2.90 ounce per ton) within the known zone. Drill hole NS-06-04 intersected 1 meter grading 5.7 grams per tonne gold (0.17 ounce per ton) at 259 meters depth, over 100 meters below known gold mineralization, thus extending the known mineralized zone significantly.

Northshore 2006 Drill Hole Summary					
Hole ID	From	To	Intercept	Gold	Gold
	Meters	Meters	Meters	G/T	OU/T
NS-06-01	16.0	26.0	10.0	3.0	0.09
Includes	19.6	19.8	0.2	99.4	2.90
	19.8	21.0	1.2	5.6	0.16
NS-06-02	84.0	92.0	8	1.4	0.04
	108.7	110.8	2.0	1.2	0.04
NS-06-03	206.9	209.1	2.2	1.8	0.05
	221.0	222.0	1.0	11.1	0.32
	236.3	237.5	1.2	43.5	1.27
	272.0	276.0	4.0	5.5	0.16
Includes	273.0	274.0	1.0	19.2	0.56
NS-06-04	182.0	184.0	2.0	1.5	0.04
	246.0	248.0	2.0	1.6	0.05
	259.0	260.0	1.0	5.7	0.17

Initial Phase I drill result are highlighted by drill hole NS-06-03 containing 1.2 meters grading 43.5 grams per tonne gold (1.27 ounce per ton). Drill hole NS-06-8 intercepted 1.0 meter grading 10.29 grams per tonne gold (0.30 ounces per ton) and 1.0 meter grading 3.26 grams per tonne gold (0.1 ounces per ton). NS-06-08 encountered these gold horizons 200 meters below previously drilled mineralization, representing a down dip extension of these veins. Drill hole NS-06-10 intercepted 1.0 meter grading 4.05 grams per tonne gold (0.12 ounces per ton) in a vein located 500 meters to the north of known mineralization. Numerous lower grade intercepts demonstrating the prolific nature of gold/quartz veining on the property are shown in the table below.

Northshore Drill Hole Summary					
Hole ID	From (m)	To (m)	Intercept (m)	Gold (g/t)	Gold (Oz/t)
NS-06-05	30	32	2.0	1.17	0.03
	170	173	3.0	2.35	0.07
	182	183	1.0	1.79	0.05
	184	188	4.0	1.07	0.03
	191	192	1.0	2.29	0.07
NS-06-07	55	56	1.0	1.41	0.04
	118	120	2.0	1.05	0.03
NS-06-08	154	155	1.0	1.63	0.05
	208	209	1.0	1.08	0.03

	234.22	234.49	0.27	5.95	0.17
	244	245	1.0	1.23	0.04
	247	248	1.0	3.26	0.10
	252	253	1.0	10.29	0.30
NS-06-09	111.5	115	3.5	1.4	0.04
	140	144	4.0	1.04	0.03
	180	181	1.0	1.22	0.04
	189	190	1.0	1.96	0.06
	196	197	1.0	1.19	0.03
	294	294.1	0.1	1.63	0.05
NS-06-10	103	104	1.0	1.64	0.05
	116	117	1.0	1.59	0.05
	152	153	1.0	4.05	0.12
	221	223	2.0	1.8	0.05

Future Work

Bonanza's geologists are encouraged by the fact that only 2 of the 11 holes drilled during Phase I (NS-06-6 & 11) did not contain significant gold mineralization or quartz veining. Bonanza plans to continue drilling the Northshore property during 2008 upon completion of a geologic evaluation of all recent and previous drill hole data and further surface trenching to elucidate the structural controls on gold mineralization. The estimated budget for this 2008 drilling program is Cdn\$300,000, and the Corporation is fully funded to complete this program.

Gold Bar

The Gold Bar project in Nevada comprises 70 patented and unpatented claims covering 5 square kilometres which are prospective for gold. Gold Bar is subject to a 2 percent net smelter royalty capped at US\$1,000,000 on future production. The Gold Bar properties are located in the Battle Mountain/Eureka mineral trend in Eureka County, 50 kilometres northwest of Eureka, Nevada. They are accessible by vehicle, travelling 33 kilometres west on US 50, then north, 25 kilometres on dirt roads.

The Gold Bar properties cover a past-producing bulk tonnage gold mine. The Corporation has data about the Gold Bar properties from the previous owners of the properties in the 1970s and 1980s. These data are used to focus the Corporation's exploration efforts onto high-grade underground mineable targets low-grade bulk mineable mineralization. Several potential drill targets have been identified and may be drilled by the Corporation in the future depending on the size of its exploration budget and which of the Corporation's various projects appears to management to be of the highest priority.

The Corporation has been in discussions with several parties interested in a Joint Venture or acquisition to explore the project during 2007. These discussions are ongoing in 2008.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The Corporation has no producing properties and, consequently, has no current operating income or cash flow from its mineral projects.

The Corporation did not engage, does not currently engage, nor does it expect to engage, in any hedging transactions to protect against fluctuations between the Canadian dollar and the U.S dollar. The Corporation's financial statements are denominated in Canadian dollars and all references to dollars herein are in Canadian dollars unless otherwise indicated.

The following discussion of operating results and financial position of the Corporation should be read in conjunction with the Corporation's consolidated financial statements and related notes (see Item 17).

A. Operating Results

The Corporation's working capital as at December 31, 2007 was \$5,963,158 compared with a working capital position of \$6,980,811 as at December 31, 2006. The decrease in working capital was the result of the exploration expenditures at the Copperstone, Fenelon and other properties totalling \$2,886,599. These expenditures were offset by the financing in December raising a net proceed of \$2,848,289. Funding for the operating activities in the period was \$1,842,272. The loss for the twelve months ended December 31, 2007 was \$946,457 or \$0.01 per share compared with a net loss of \$1,740,706 or \$0.02 per share for the twelve months period ended December 31, 2006.

Selected Information

The following table sets forth selected consolidated annual financial information of the Corporation for, and as of the end of, each of the last three fiscal years. The selected consolidated financial information should be read in conjunction with the consolidated financial statements of the Corporation:

	December 31,		
	2007	2006	2005
	\$	\$	\$
Net loss	(946,457)	(1,740,706)	(4,215,960)
Net loss per share	(0.01)	(0.02)	(0.06)
Total cash and cash equivalents	4,266,063	6,150,005	5,413,900
Working capital	5,963,158	6,980,811	5,177,422
Total liability	1,626,804	1,951,981	2,166,830
Total assets	60,963,361	59,751,226	54,428,595
Shareholders' equity	59,336,557	57,799,245	52,261,765

Year Ended December 31, 2007

For the year ended December 31, 2007, the Corporation had a net loss of \$946,457 or \$0.01 per share compared to a net loss of \$1,740,706 or \$0.02 per share with the corresponding period in 2006. Stock-based compensation expense for this period was \$459,800 (2006 - \$748,300). Interest income decreased to \$134,163 from \$214,474 which was the direct result of decreased cash balances for the current period compared to the same period during 2006. General and administrative costs decreased to \$1,046,378 from \$1,079,642 in 2006. Public company expenses decreased to \$278,386 from \$402,559. Office and administration expenses increased to \$123,878 from \$43,707 primary because of the inclusion of interest expense. Business development expenses decreased to \$67,995 from \$187,531 resulting from lower business acquisition activities compared to 2006. In 2007, there was no write-down of mineral properties (2006 - \$79,283). Future income tax recovery provision for 2007 was \$637,694 (2006 - \$649,777).

Exploration office expenses decreased to \$111,467 in the year from \$466,320 in 2006. Activities relating to property evaluations and investigations are ongoing. Exploration expenses in the period also include all costs associated with maintaining the Corporation's exploration offices in Reno, Nevada. In 2005, the Corporation

recorded a gain on debt settlement with Stonegate Management Ltd. of \$306,392 and no such gain is recorded in 2006 and 2007.

Year Ended December 31, 2006

For the twelve months ended December 31, 2006, the Corporation had a net loss of \$1,740,706 or \$0.02 per share compared to a net loss of \$4,215,960 or \$0.06 per share with the corresponding period in 2005. Stock-based compensation expense for this period was \$748,300 (2005 - \$733,248). Interest income increased to \$214,474 from \$128,185 which was the direct result of increased cash balances for the current period compared to the same period during 2005. General and administrative costs decreased to \$1,079,642 from \$1,288,724 in 2005 which was the result of cost recovery from related parties under share management agreements. Public company expenses increase to \$402,559 from \$357,963 primary as a result of increased investor relations spending. Business development expenses decreased to \$187,531 from \$262,589 resulting from lower business acquisition activities compared to 2005. In 2006, the loss includes a write-down of mineral property for \$79,283 (2005 - \$1,742,720) and off-set by future income tax recovery provision of \$649,777 (2005 - income tax expense was \$84,965).

Exploration office expenses increased to \$466,320 in the twelve months period from \$384,020 in 2005. Activities relating to property evaluations and investigations are ongoing. Exploration expenses in the period also include all costs associated with maintaining the Corporation's exploration offices in Reno, Nevada. In 2005, the Corporation recorded a gain on debt settlement with Stonegate Management Ltd. of \$306,392 and no such gain is recorded in 2006.

Year Ended December 31, 2005

For the twelve months ended December 31, 2005, the Corporation had a net loss of \$4,215,960 or \$0.06 per share compared with a net loss of \$1,219,731 or \$0.03 per share for the corresponding period in 2004. The increase from the comparable period was primarily attributable to write down of the mineral properties totalling \$1,742,720 and stock based compensation expense of \$733,248 and increased expenditures levels resulting from the Arrangement in both the general and administrative and business development expenditures categories due to increased activity and personnel.

Interest income decreased to \$128,185 from \$305,827 which was the direct result of decreased cash balances from the comparable period in 2004. General and administrative expenditures increased to \$1,228,724 from \$993,938 in the comparable period which was the direct result of severance costs totaling \$82,500 while office costs increased from \$32,215 to \$93,546; Legal and accounting increased from \$102,276 to \$188,643 and insurance costs increased from \$41,580 to \$93,228 all of which were the direct result of the Arrangement. Public company expenses increased slightly to \$357,963 from \$343,100 for comparable period due primarily to investor relations initiatives in the year. Increased activity also contributed to increased business development expenses which increased from \$108,455 to \$262,589 in the year which resulted from the ongoing review of various corporate opportunities.

Exploration expenditures remain at consistent levels from the comparable period and include activity relating to ongoing property evaluations and investigations. Exploration expenditures in the period also include all costs associated with maintaining the Corporation's exploration offices in Reno, Nevada and Val d'Or, Quebec.

Critical Accounting Estimates

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

The Corporation's impairment determination and resulting estimated net recoverable value on its mineral projects are 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 estimates include assumptions that 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.

B. Liquidity and Capital Resources

The Corporation's working capital as at December 31, 2007 was \$5,963,158 compared with a working capital position of \$6,980,811 as at December 31, 2006. Flow-through funds of \$1,271,575 are included in the current working capital. Flow-through funds are restricted to Canadian Exploration Expenditures, as defined in the Canadian Income Tax Act. The decrease in working capital in the period was the result of the expenditures in the period at the Copperstone, Fenelon and other gold properties totalling \$2,886,599 and support for operating activities totalling \$1,842,272. These expenditures were offset by the private placement financing of \$2,848,289. As of December 31, 2007 \$1,747,876 accrued receivable from Revenue Quebec and the Ministry of Natural Resources of the Government of Quebec related to exploration expenditures occurred in that province during the previous years and up to the current quarter remained outstanding. As of December 31, 2007, interest payable related to a 2002 and 2003 reassessment by Revenue Quebec amounts to \$12,191. The Corporation is contesting the interest portion of the 2002 and 2003 assessments.

During 2006 and 2007, the Corporation continued its surface and underground drilling program at the Copperstone project. This program phase was completed and the result of the preliminary assessment prepared by AMEC was filed on SEDAR on March 28, 2006. In August, 2006, the Corporation began a large drilling campaign designed to expand the high grade gold resources at the 100% owned Copperstone gold project in Arizona. The drilling was completed ahead of schedule, consisting of 27 drill holes with a combined length of 7,695 meters. In April of 2007, the Corporation began Phase II drilling. In September, 2007 Phase II drilling was completed consisting of 16 drill holes and a combined length of 5,238 meters (17,180 feet). This drilling phase was designed to test the continuity, geometry, and overall significance of the gold intercepted in several targets during Phase I drilling. Re-interpretation of previous geophysical data and a new ground magnetic survey also contributed to the targeting for the Phase II drilling. Total development and exploration expenditures at the Copperstone project during the twelve months period ended December 31, 2007 totalled \$2,033,980 or \$18,139,759 since the program began in 2003.

On May 31, 2006 the Corporation completed a private placement of flow-through shares and units with Dundee Securities Corporation and Haywood Securities Inc. (the "Agents") in the amount of \$8,140,000. The private placement consists of 7,400,000 flow-through shares at a price of \$0.55 per share, for gross proceeds of \$4,070,000, and 7,400,000 units at a price of \$0.55 per unit, for gross proceeds of \$4,070,000. Each unit is comprised of one common share and one half of one transferable common share purchase warrant with each full warrant entitling the holder to acquire one common share at a price of \$0.65 for a period of 18 months after the closing date

The Agents were paid a cash fee equal to 7.0% of the total gross proceeds raised in the private placement. In addition, the Agents received compensation warrants exercisable for non-flow-through common shares of the Corporation equal in number to 7.0% of the number of flow-through shares and units sold under the private placement. The compensation warrants will be exercisable at a price of \$0.65 per compensation share for a period of 18 months after the closing date.

In November 2007, upon TSX approval, 4,736,000 share purchase warrants were re-priced from \$0.65 to \$0.30 and the expiry date were extended from November 30, 2007 to June 2, 2008.

On June 22, 2007 the Corporation reached an option agreement in principle with Cusac Gold Mines Ltd. (“Cusac”) for the sale of its Taurus Project for total cash consideration valued of up to \$11 million plus up to 3 million common shares of Cusac.

The sale consideration consists of total cash payments of \$6,000,000 over a two year period, 3 million common shares of Cusac over a two year period, and a further cash payment of \$3,000,000 payable within 60 days of the earlier of Cusac receiving a bankable feasibility study to place the Taurus project into commercial production (“Bankable Feasibility Study”) and the date the property is placed into commercial production.

If gold prices trade at or above US\$800 for a period of 100 consecutive trading days during this two year period, the cash payment will be increased by \$2,000,000 with \$1,000,000 being added to the cash consideration and a further payment of \$1,000,000 upon receipt of a Bankable Feasibility Study or commencement of commercial production, whichever is earlier.

In the event that Cusac completes all cash payments within 12 months of regulatory approval the total purchase price will be capped at \$6 million in cash payments, plus \$3 million upon the earlier of receipt of a Bankable Feasibility Study and the commencement of commercial production, and 1.5 million common shares of Cusac.

On June 22, 2007, the Corporation received its first instalment of 1,500,000 common shares from Cusac. On December 19, 2007 Cusac and Hawthorne Gold Corp. (“Hawthorne”) entered into a definitive merger agreement (the “Agreement”) entitling 19 Cusac common shares in exchange for 1 Hawthorne common share. As part of the Agreement, Cusac assigned to Hawthorne all its rights to the option to acquire the 46 mineral claims of the Taurus Gold property near Cassiar from the Corporation dated June 7, 2007. The assigned agreement amends the terms of the original option agreement and requires Hawthorne to pay \$6 million over two years, consisting of \$1 million by December 22, 2007, \$2 million by June 22, 2008, \$1.5 million by June 22, 2009 and \$1.5 million by December 22, 2009. A further \$3 million is payable upon completion of a positive feasibility study recommending production, or production, whichever comes first. Pursuant to the Agreement, Hawthorne is required to issue 250,000 common shares to the Corporation on or before December 22, 2008. The Corporation agreed to the removal of the \$2 million bonus payment which would have been payable if the price of gold closes above US \$800 per ounce for a period of 100 consecutive days.

On December 22, 2007 the Corporation received the \$1,000,000 option payment from Hawthorne as per the Agreement.

Effective November 15, 2007, the Corporation entered into an agreement with Agnico-Eagle Mines Limited (“Agnico-Eagle”) for the joint exploration and development of the Corporation’s Northway property and Agnico-Eagle’s Vezza property.

The agreement provides that the Corporation will grant Agnico-Eagle the option to acquire a 70% interest in the Northway property. To exercise the option, Agnico-Eagle must expend \$1,699,500 in exploration expenditures on the Northway property over a three year period and must assign a 30% interest in the Vezza property to the Corporation. After exercise of the option, the combined Northway and Vezza properties will be operated on a joint venture basis with the Corporation initially holding a 30% interest in the joint venture. Agnico-Eagle will be the operator during the initial option period and under the joint venture.

The Corporation has agreed to fund \$160,500 in exploration expenditures during the first year, and a total of \$555,000 during the remaining two years. Failure by the Corporation to contribute the required expenditures in the following two years will result in the dilution of its ownership interest percentage in both the Vezza and the Northway properties upon exercise of the option by Agnico-Eagle, who has agreed to fund \$374,500 towards the first year expenditures. However, if Agnico-Eagle fails to contribute the balance of their projected expenditures, they will not acquire any interest in the Northway property and each party will recover their original 100% interest in their respective properties.

After the exercise of the option, Agnico-Eagle will have the right to increase its interest in the property by 10% by solely financing expenditures required to complete a feasibility study on the property. Should either party be diluted to less than a 10% interest in the properties, their interest will be converted to a 1% net smelter return royalty, of which up to one half may be purchased for \$1,000,000. The transaction is subject to execution of a formal option and joint venture agreement and regulatory approval.

On December 19, 2007 the Corporation completed a private placement of selling 3,267,000 units through Dundee Securities Corporation (the "Agent"), and 1,750,000 units on a non-brokered basis, at a price of \$0.40 per unit for gross proceeds of \$2,006,800. Each unit consisted of two common shares, of which one was designated as a "flow-through share" for the purposes of the Income Tax Act (Canada) and one common share which was not designated as a flow through share, and one half of one transferable common share purchase warrant with each full warrant entitling the holder to acquire one common share at a price of \$0.30 until June 19, 2009.

The Agent was paid a cash fee of equal to 8% of the proceeds raised pursuant to the brokered portion of the financing. In addition, the Agent received warrants exercisable to purchase 522,720 common shares of the Corporation at a price of \$0.30 per share until June 19, 2009. Using the Black-Schole valuation model, a value of \$33,100 was assigned to the 522,720 share purchase warrants with a weighted average price of \$0.06 per warrant, 1.5 year expected life, 63% volatility and 3.87% risk free rate. No commission was paid on the non-brokered portion of the financing.

All securities issued in connection with the private placement are subject to four month hold period expiring April 19, 2008. The proceeds from this financing will be used primarily to fund ongoing exploration at the Corporation's Copperstone project in Arizona, USA and at its projects in Quebec and Ontario, and for general working capital.

On December 31, 2007 the Corporation entered into a non-brokered private placement to which it has agreed to issue 2,500,000 units with the same term as the December 19, 2007 financing for total proceeds of \$1,000,000.

As at December 31, 2007, the Corporation had cash of \$4,266,063 compared to \$6,150,005 as at December 31, 2006.

As a mining company in the exploration 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 programs in 2008.

C. Research and Development, Patents and Licenses, etc.

None.

D. Trend Information

Management is not currently aware of any trends, commitment, event or uncertainty that may reasonably be expected to have a material impact on the Corporation's business other than the summary of risk factors, included in Item 3.D. "Risk Factors", that are typically inherent in the business of precious metals exploration.

E. Off-Balance Sheet Arrangements

The Corporation does not utilize off-balance sheet arrangements.

F. Contractual Obligations

The following table sets forth the Corporation's know contractual obligations as at December 31, 2007:

	Payments due by period				
	Total	Less than	1-3 years	3-5 years	More than
Contractual Obligations	\$	1 year	\$	\$	5 years
		\$	\$	\$	\$
Long-Term Debt Obligations ⁽³⁾	Nil	Nil	Nil	Nil	Nil
Lease Obligation – Payment to The Patch Living Trust on Copperstone Property ⁽¹⁾⁽⁴⁾	240,000	30,000	60,000	60,000	90,000
Mineral Property Interests – Filing Fees ⁽²⁾	931,000	186,000	621,000	30,000	94,000
Office Rental Agreement	101,020	74,120	26,900	Nil	Nil
Total	\$1,272,020	\$290,120	\$707,900	\$90,000	\$184,000

(1) Amount in U.S. dollars.

(2) Mineral property interest costs are contingent on retaining an interest in the property. All agreements are subject to cancellation without penalty. Filing fees, which include claim rental fees, do not have to be paid if the property is forfeited to the appropriate government authority. Filing fee amount may vary subject to the acquisition or disposal of mineral properties.

(3) The Corporation has entered into Employment Agreements with each of Brian Kirwin and Giulio Bonifacio. In the event of termination without cause, or any change in the effective control of the Corporation that occurs, the Corporation must pay Mr. Kirwin an amount equal to three years' salary and benefits of US\$570,000 and Mr. Bonifacio an amount equal to one year salary of CDN\$100,000, respectively.

(4) Old Bonanza holds a 100 percent 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 and was renewed on June 12, 2005. The lease is renewable by Old Bonanza for one or more ten-year terms at Old Bonanza's option under the same terms and conditions. Old Bonanza is obligated to pay for all permitting and state lease bonding, insurance, taxes, and to pay a 1 percent production gross royalty so long as the price of gold in US dollars is less than US\$350 per ounce (royalty increases to 6 percent as price of gold increases to over US\$551 per ounce), with a minimum advance royalty per year of US\$30,000.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following is information as at December 31, 2007:

Directors and Officers

Ronald K. Netolitzky, Director

Mr. Netolitzky, Victoria, British Columbia, age 65, holds a M.Sc. in Geology, and has a wealth of experience in the mining industry and has achieved exploration success on three major gold deposits which have subsequently been put into production: the Snip, Eskay Creek and Brewery Creek mines. He was chairman of Viceroy Exploration Ltd. until its acquisition by Yamana. Previously he was Chairman of Viceroy Resources Corporation, after serving as its President and Chief Executive Officer. Mr. Netolitzky is also the former Chairman of both Loki Gold Corporation and Baja Gold Inc. Mr. Netolitzky has not entered into a non-competition agreement with the Corporation.

Robert T. McKnight, Director

Mr. McKnight, North Vancouver, British Columbia, age 58, holds an MBA, is a registered Professional Engineer and is Vice-President, Corporate Development & Chief Financial Officer, Yukon Zinc Corporation, Vice President & Director of Selwyn Resources Ltd. and Vice President of StrataGold Corporation, Feb 2004 to Present; Director of Savant Resources Ltd, May 2007-Present (resigned as CFO Jan 2008); Manager, Financial Services, AMEC Americas Ltd, September 2003 to January 2004; President, Finisterre Holdings Inc., a private company, 1996 to Dec 2007; Vice President of Pincock Allen & Holt Ltd. from September 1998 to June 2001; Director and Principal of Endeavour Financial Corporation from February 1990 to November 1997 and prior thereto various senior corporate development roles with TOTAL CFP Group Minerals, Getty Resources Ltd,

Cassiar Resources, and Brascan Resources Ltd. Mr. McKnight is the Chairman of the Corporation's Audit Committee. Mr. McKnight is also currently a director of Yukon Zinc Corporation, Selwyn Resources Ltd. and Savant Explorations Ltd, all of which are currently listed on the TSX Venture Exchange. Mr. McKnight has not entered into a non-competition agreement with the Corporation.

James Bagwell, Director

Mr. Bagwell, Tampa, Florida, age 60, holds a B.Sc. degree in Economics and Business Administration, and was a director of Taurus since 1996. He is a business executive and entrepreneur with a career spanning over 38 years. He has been involved in many new company formation, management, financial and as an investor in industries including retail, wholesale, manufacturing, real estate, mining, farming, medical, and charitable groups. He is currently serving as a director to MIT Holding. He is also a partner with ABBA Corp. and Viking Development Partners. Mr. Bagwell is a member of the Corporation's Audit Committee. Mr. Bagwell has not entered into a non-competition agreement with the Corporation.

Donald Lay, Director

Mr. Lay, Vancouver, British Columbia, age 48, holds a B.Sc. and is currently President & CEO of Contec Innovations, a publicly listed mobile software firm. He is a director of Medallion Resources (TSX-V) and from 2001 to 2005 served as a director of International Taurus Resources Inc. prior to the plan of arrangement with American Bonanza. Mr. Lay has extensive public market experience in both capital raising and communications disciplines. Mr. Lay is a member of the Corporation's Audit Committee. Mr. Lay has not entered into a non-competition agreement with the Corporation."

Brian P. Kirwin, President and Chief Executive Officer ("CEO"), Director

Mr. Kirwin, Reno, Nevada, age 46, holds a M.Sc. in Mineral Exploration and has been the President and Chief Executive Officer of Bonanza since December 2000; President of the Corporation June 2000 - December 2000; Vice President, Exploration of Vengold Inc. May 1996 to June 2000. From 1989 to April, 1996 he was employed by Placer Dome Inc. in various capacities; most recently as Senior Evaluations Geologist in the Corporate Development group from February 1994 to April 1996. Mr. Kirwin has not entered into a non-competition agreement with the Corporation.

Giulio T. Bonifacio, Chief Financial Officer ("CFO"), Director

Mr. Bonifacio, Vancouver, British Columbia, age 47, is a Certified General Accountant and has been Chief Financial Officer of the Corporation since July 2001; Executive Vice President of the Corporation July 2001 to May 2007; Vice President, Finance, Treasurer and Secretary of Vengold Inc., from 1994 until June 2001 and prior thereto various senior financial roles with TOTAL CFP Group Minerals and Getty Resources Limited. Mr. Bonifacio is also currently a member of the board of directors and audit committee of companies listed on the TSX and TSX Venture Exchange. Mr. Bonifacio has not entered into a non-competition agreement with the Corporation.

Joe Chan, Vice President, Controller

Mr. Joe Chan, Vancouver, age 59, is a Certified Management Accountant, and has been Vice President, Controller of the Corporation since January 31, 2006; Controller of Old Bonanza since March 2005; Controller for Taurus from January, 2004; Project Accountant for Compania Minera Antamina SA, Peru from 1998 to 2002. Mr. Chan has not entered into a non-competition agreement with the Corporation.

Mr. Carl Ravinsky resigned as Director and did not stand for re-election at the Corporation's Annual General Meeting held in June 2007.

CERTAIN AFFILIATIONS

Some of the directors of the Corporation are also directors and officers of other corporations. It is possible, therefore, that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director or officer of such other corporations. All such conflicts must be disclosed by them in accordance with the BCA, and they are required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

As of March 1, 2008, the following directors and officers of the Corporation are also directors, officers or promoters of the following corporations:

Name of Director/Officer	Corporation	Business/Area	Position	Period
Robert McKnight	Yukon Zinc Corporation	Zinc/Yukon	VP, Corporate Dev. CFO, and Director	Feb 2004 to Present
	Selwyn Resources Ltd.	Zinc/Yukon	VP, Corporate Dev. and Director	Feb 2004 to Present
	Savant Explorations Ltd. StrataGold Corporation	Metals/Worldwide Gold/Yukon & Guyana	Director VP	May 2007 to Present Feb 2004 to Present
	AMEC Americas Ltd. Finisterre Holdings Inc.	Construction/Engineering/Int'l Private consulting company	Manager, Financial Services Director, Principal and President	Sep 2003 to Jan 2004 1996 to Dec 2007
Giulio Bonifacio	Earthworks Industries Inc. Mesa Uranium Corp. Nevada Copper Corp.	Landfill/California Uranium/Utah Copper/Nevada	Director Director Director, President & CEO	Feb 2002 to Present Dec. 2005 to Present Aug 2006 to Present
	Boni Holdings (1982) Ltd.	Private Co.	President and Director	1991 to Present
Brian Kirwin	Nevada Copper Corp. Mesa Uranium Corp.	Copper/Nevada Uranium/Utah	Director Director	Aug 2006 to Present Dec. 2005 to Present
Ronald Netolitzky	Aurcana Corp Brett Resources Inc.	Silver, zinc/Mexico Precious Metals/South America & Canada	Director Director	Sept 1997 to Present Aug 1993 to Present
	Canadian Gold Hunter Copper Canyon Resources	Gold/Canada Copper/Canada	Director Director	Sept 2003 to Present May 2006 to Present
	Eagle Plain Resources Ltd. Golden Band Resources Inc.	Minerals/Yukon & BC Gold/Saskatchewan Minerals/Canada	Director Chairman, Dir.	May 2004 to Present July 1989 to Present
	Strongbow Resources Inc. Skeena Resources Limited Solomon Resources Ltd.	Uranium/N. America Gold/International Gold/Argentina	Director Director Director	Jan 2005 to Present Apr 1983 to Present Aug 1989 to Present
Donald Lay	Contec Innovations Inc. Medallion Resources Ltd. International Taurus Resources Inc.	Software – tech Gold Nevada and BC Subsidiary of Corporation	Director, CEO Director Director	July 2002 to Present Apr 2001 to Present 2001 to 2005
James F. Bagwell	MIT Holdings ABBA Corp. Viking Development Partner International Taurus Resources Inc.	Medical/United States Consulting/United States Real Estate/United States Subsidiary of Corporation	Director Partner Partner Director	Oct 2006 to Present May 2006 to Present Nov 2006 to Present 1996 to 2005
Joe Chan	Nevada Copper Corp.	Copper/Nevada	Officer	Sept 2006 to Present

Brian Kirwin and Joe Chan devote approximately 95% of their time to the affairs of the Corporation. During the year the Corporation's contractual relationship with Giulio Bonifacio was amended and as a result Mr. Bonifacio devotes approximately 50% of his time to the Corporation.

B. Compensation

The following tables set forth the annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the year ended December 31, 2007, in respect of each of the individuals who were, as of December 31, 2007, members of its administrative, supervisory or management bodies (collectively the "Named Executive Officers"):

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation (US\$)			Long-Term Compensation		All other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation	Securities Under Options/SARs Granted (#) ⁽¹⁾	Restricted Shares (\$)	
Brian P. Kirwin President, CEO	2007	190,000	Nil	Nil	Nil	Nil	Nil
Giulio T. Bonifacio CFO	2007	133,333 (CDN\$)	Nil	Nil	Nil	Nil	Nil
Joe Chan Vice President Finance, Controller	2007	120,000 (CDN\$)	Nil	Nil	Nil	Nil	Nil

Notes:

(1) The Corporation does not have a long-term incentive plan other than a stock option plan, and the Corporation has not granted, and does not intend to grant, stock appreciation rights.

Compensation of Directors

Prior to April 1, 2005, independent directors were paid US\$15,000 per annum with a further US\$2,000 per meeting attended. Additionally and subject to regulatory approval, the independent members of the board were to receive the equivalent of US\$15,000 in common shares of Old Bonanza with the resulting number of shares to be determined on the basis of the weighted average closing price of Old Bonanza's shares in each previous calendar year as quoted on the TSX Venture Exchange. No such shares were issued.

Effective April 1, 2005, independent directors' compensation was reduced to CDN\$15,000 per annum and stock options to purchase up to 75,000 common shares of the Corporation. On April 3, 2007 the independent directors' were paid CDN\$15,000 each.

Except as disclosed herein, the Corporation has no standard arrangement pursuant to which Named Executive Officers or directors of the Corporation are compensated by the Corporation for their services, except for the granting from time to time of incentive stock options in accordance with the Corporation's stock option plan and the policies of the TSX.

Stock Options

The Corporation has in place a stock option plan (the "Plan"). The Plan has been established to provide incentive to qualified parties to increase their proprietary interest in the Corporation and thereby encourage their continuing association with the Corporation. The Plan is administered by the directors of the Corporation. The Plan provides that options may be issued to directors, officers, employees or consultants of the Corporation or a subsidiary of the Corporation. All options expire on a date not later than five years after the date of grant of such option.

As at December 31, 2007, the Corporation has granted rights to purchase or acquire an aggregate of 9,202,500 common shares pursuant to stock options and other outstanding rights to purchase securities, including the options listed below. The closing market price of the common shares on December 31, 2007 as traded on the TSX was \$0.20.

The share options held by the directors and Named Executive Officers of the Corporation as at December 31, 2007 are as follows:

Name of Optionees	No. of Common Shares Subject to Option (#) ⁽¹⁾	Date of Grant	Exercise Price \$ ⁽¹⁾	Expiry Date	Market Value on Date of Grant ⁽¹⁾
Brian P. Kirwin ⁽²⁾	137,500	February 24, 2003	\$1.24	February 24, 2008	\$1.24
	543,750	October 27, 2003	\$1.68	October 27, 2008	\$1.68
	851,250	May 5, 2005	\$0.43	May 5, 2010	\$0.43
	600,000	June 20, 2006	\$0.55	June 20, 2011	\$0.40
	500,000	November 6, 2007	\$0.22	November 6, 2012	\$0.22
Giulio T. Bonifacio ⁽²⁾	112,500	February 24, 2003	\$1.24	February 24, 2008	\$1.24
	543,750	October 27, 2003	\$1.68	October 27, 2008	\$1.68
	801,250	May 5, 2005	\$0.43	May 5, 2010	\$0.43
	600,000	June 20, 2006	\$0.55	June 20, 2011	\$0.40
	500,000	November 6, 2007	\$0.22	November 6, 2012	\$0.22
Robert McKnight	62,500	May 9, 2003	\$1.16	May 9, 2008	\$1.16
	25,000	October 27, 2003	\$1.68	October 27, 2008	\$1.68
	75,000	July 14, 2005	\$0.45	July 14, 2010	\$0.45
	25,000	January 31, 2006	\$0.71	January 31, 2011	\$0.71
	100,000	April 30, 2007	\$0.30	April 30, 2012	\$0.30
Ronald Netolitzky	250,000	November 6, 2007	\$0.22	November 6, 2012	\$0.22
	75,000	July 14, 2005	\$0.45	July 14, 2010	\$0.45
	25,000	January 31, 2006	\$0.71	January 31, 2011	\$0.71
	100,000	April 30, 2007	\$0.30	April 30, 2012	\$0.30
Donald Lay	250,000	November 6, 2007	\$0.22	November 6, 2012	\$0.22
	50,000	September 10, 2003	\$0.50	Sept 10, 2011	\$0.50
	20,000	January 8, 2004	\$1.50	Jan 8, 2009	\$1.50
	30,000	October 25, 2004	\$1.15	Oct 25, 2009	\$1.15
	75,000	July 14, 2005	\$0.45	July 14, 2010	\$0.45
	25,000	January 31, 2006	\$0.71	January 31, 2011	\$0.71
	100,000	April 30, 2007	\$0.30	April 30, 2012	\$0.30
James F. Bagwell	250,000	November 6, 2007	\$0.22	November 6, 2012	\$0.22
	40,000	April 30, 2003	\$1.10	Apr 30, 2008	\$1.10
	50,000	September 26, 2003	\$0.50	Sept 26, 2010	\$0.50
	20,000	January 8, 2004	\$1.50	Jan 8, 2009	\$1.50
	30,000	October 25, 2004	\$1.15	Oct 25, 2009	\$1.15
	75,000	July 14, 2005	\$0.45	July 14, 2010	\$0.45
	25,000	January 31, 2006	\$0.71	January 31, 2011	\$0.71
	100,000	April 30, 2007	\$0.30	April 30, 2012	\$0.30
Joe Chan	250,000	November 6, 2007	\$0.22	November 6, 2012	\$0.22
	20,000	January 8, 2004	\$1.50	Jan 8, 2009	\$1.50
	75,000	July 14, 2005	\$0.45	July 14, 2010	\$0.45
	155,000	January 30, 2006	\$0.71	January 30, 2011	\$0.71

Notes

(1) All options and prices reflect the adjusted amount as per the Plan of Arrangement.

(2) Subsequent to December 31, 2007, and on February 24, 2008, a total of 287,500 options expired, including 137,500 options for Brian Kirwin, 112,500 options for Giulio Bonifacio.

Defined Benefit or Actuarial Plan Disclosure

The Corporation has no defined benefit or actuarial plans.

Termination of Employment, Changes in Responsibility and Employment Contracts

The following summaries of the employment agreements entered into with Messrs. Kirwin and Bonifacio are not complete and are qualified in their entirety by reference to the full text of each such agreement.

Old Bonanza entered into an employment agreement with each of Mr. Brian P. Kirwin and Mr. Giulio T. Bonifacio on April 1, 2003, and on July 1, 2006 the agreements were amended and entered into directly with the Corporation and supersede the employment agreements with Old Bonanza. The Corporation agreed to pay Mr. Kirwin a base annual salary currently at US\$190,000, benefits and bonus. Each year during the term of this agreement, the Board shall determine a bonus amount that is considered appropriate, the amount of such bonus to be based on achievements necessary for the growth and development of the Corporation. In the event of termination without cause, or any change in the effective control of the Corporation that occurs, the Corporation must pay Mr. Kirwin an amount equal to three years' salary and benefits.

On May 1, 2007, the Corporation entered into a new employment agreement with Mr. Bonifacio which replaces his July 1, 2006 employment agreement. The Corporation agreed to pay Mr. Bonifacio a base annual salary currently at CDN\$100,000 and bonus. Each year during the term of this agreement, the Board shall determine a bonus amount that is considered appropriate, the amount of such bonus to be based on achievements necessary for the growth and development of the Corporation. In the event of termination without cause, or any change in the effective control of the Corporation that occurs, the Corporation must pay Mr. Bonifacio an amount equal to 12 months salary.

C. Board Practices

The directors of the Corporation are elected annually by shareholders at each annual general meeting of the Corporation. Members of the Corporation's management are appointed by the Corporation's board and serve until they resign or are replaced by the board.

The Audit Committee of the board functions pursuant to a charter adopted by the board. The function of the Audit Committee generally is to oversee the audit of the Corporation's financial statements performed by the Corporation's independent auditors and to recommend the selection of independent auditors. The Audit Committee also assists the board of directors of the Corporation in carrying out its responsibilities relating to the Corporation's financial, accounting and reporting processes, the Corporation's system of internal accounting and financial controls, the Corporation's compliance with related legal and regulatory requirements, and the fairness of transactions between the Corporation and related parties. The members of the Audit Committee are Robert McKnight, Don Lay and James Bagwell. The Audit Committee meets at least once per quarter.

The board has also established a Compensation Committee, which functions pursuant to a charter adopted by the board. The function of the Compensation Committee generally is to assist the board in carrying out its responsibilities relating to executive and director compensation, including reviewing and recommending director compensation, overseeing the Corporation's base compensation structure and equity-based compensation programs, recommending compensation of the Corporation's officers and employees, and evaluating the performance of officers generally and in light of annual goals and objectives. The members of the Compensation Committee are James Bagwell, Robert McKnight and Ronald Netolitzky.

D. Employees

As of December 31, 2007, the Corporation had six employees of whom three are senior executive officers as follows:

Brian Kirwin, President and Chief Executive Officer
 Giulio Bonifacio, Chief Financial Officer
 Joe Chan, Vice President, Controller

All other professional staff are retained under consulting contracts.

There are no contracts of collective agreements between the Corporation and any labour union or similar organization.

E. Share Ownership

The following table sets forth security ownership of each of the directors and Named Executive Officers in the Corporation as at March 1, 2008:

Name, Municipality of Residence and Position with Corporation	Number of Common Shares Beneficially Owned or Controlled (1)(2)(3)	Percentage of Issued Share Capital
Brian Kirwin Reno, Nevada President, CEO & Director	Common Shares: 1,679,119 Options: 2,632,500 ⁽⁴⁾ Warrants: nil	1.5%
Giulio Bonifacio Vancouver, B.C. CFO & Director	Common Shares: 1,045,930 Options: 2,557,500 ⁽⁴⁾ Warrants: nil	0.9%
Robert McKnight North Vancouver, B.C. Director	Common Shares: Nil Options: 537,500 Warrants: Nil	0%
Ronald Netolitzky Victoria, B.C. Director	Common Shares: Nil Options: 450,000 Warrants: Nil	0%
Donald Lay Vancouver, B.C. Director	Common Shares: 252,600 Options: 550,000 Warrants: 25,000	0%
James Bagwell Tampa, Florida Director	Common Shares: 90,000 Options: 590,000 Warrants: nil	0%
Joe Chan Vancouver, B.C. VP, Finance	Common Shares: Nil Options: 275,000 Warrants: Nil	0%

Notes

- (1) Common shares beneficially owned, directly or indirectly, or over which control or direction is exercised, as at March 1, 2008, based upon information furnished by the respective shareholders.
- (2) Stock options entitle the holder to purchase common shares in the capital of the Corporation at a fixed price for a specific period of time. Stock options do not carry any voting rights. Details relating to stock options held by directors and Named Executive Officers of the Corporation are set out under "Stock Options" in Item 6.B. above.
- (3) No stock options have been exercised subsequent to December 31, 2007.
- (4) Subsequent to December 31, 2007, and on February 24, 2008, a total of 287,500 options expired, including 137,500 options for Brian Kirwin, 112,500 options for Giulio Bonifacio.

Aggregate Option Exercises in Last Financial Year and Option Values

Details of stock options held by the directors and Named Executive Officers of the Corporation and the value of such options as at the end of the most recently completed financial year are set forth in the following table:

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#)	Value of Unexercised in-the-Money Options at FY-End (\$)(1)
Brian P. Kirwin	Nil	Nil	137,500 Common Shares at \$1.24 per share expiring February 24, 2008 543,750 Common Shares at \$1.68 per share expiring October 27, 2008 851,250 Common Shares at \$0.43 per share expiring May 5, 2010 600,000 Common Shares at \$0.55 per share expiring June 20, 2011 500,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil Nil Nil Nil Nil
Giulio T. Bonifacio	Nil	Nil	112,500 Common Shares at \$1.24 per share expiring February 24, 2008 543,750 Common Shares at \$1.68 per share expiring October 27, 2008 801,250 Common Shares at \$0.43 per share expiring May 5, 2010 600,000 Common Shares at \$0.55 per share expiring June 20, 2011 500,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil Nil Nil Nil Nil
Robert McKnight	Nil	Nil	62,500 Common Shares at \$1.16 per share expiring May 9, 2008 25,000 Common Shares at \$1.68 per share expiring October 27, 2008 75,000 Common Shares at \$0.45 per share expiring July 14, 2010 25,000 Common Shares at \$0.71 per share expiring January 31, 2011 100,000 Common Shares at \$0.30 per share expiring April 30, 2012 250,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil Nil Nil Nil Nil Nil
Ronald Netolitzky	Nil	Nil	75,000 Common Shares at \$0.45 per share expiring July 14, 2010 25,000 Common Shares at \$0.71 per share expiring January 31, 2011 100,000 Common Shares at \$0.30 per share expiring April 30, 2012 250,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil Nil Nil Nil

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#)	Value of Unexercised in-the-Money Options at FY-End (\$)(1)
Donald Lay	Nil	Nil	20,000 Common Shares at \$1.50 per share expiring January 8, 2009	Nil
			30,000 Common Shares at \$1.15 per share expiring October 25, 2009	Nil
			50,000 Common Shares at \$0.50 per share expiring September 26, 2010	Nil
			75,000 Common Shares at \$0.45 per share expiring July 14, 2010	Nil
			25,000 Common Shares at \$0.71 per share expiring January 31, 2011	Nil
			100,000 Common Shares at \$0.30 per share expiring April 30, 2012	Nil
			250,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil
			James Bagwell	Nil
20,000 Common Shares at \$1.50 per share expiring January 8, 2009	Nil			
30,000 Common Shares at \$1.15 per share expiring October 25, 2009	Nil			
50,000 Common Shares at \$0.50 per share expiring September 26, 2010	Nil			
75,000 Common Shares at \$0.45 per share expiring July 14, 2010	Nil			
25,000 Common Shares at \$0.71 per share expiring January 31, 2011	Nil			
100,000 Common Shares at \$0.30 per share expiring April 30, 2012	Nil			
250,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil			
Joe Chan	Nil	Nil	20,000 Common Shares at \$1.50 per share expiring January 8, 2009	Nil
			75,000 Common Shares at \$0.45 per share expiring July 14, 2010	Nil
			155,000 Common Shares at \$0.71 per share expiring January 31, 2011	Nil
			25,000 Common Shares at \$0.22 per share expiring November 6, 2012	Nil

Note:

- (1) Based on the closing price on December 31, 2007 of \$0.20 per share. The value is the product of the number of common shares optioned multiplied by the difference between the closing market price on December 31, 2007 and the exercise price.

No options were exercised by directors or Named Executive Officers during the most recently completed financial year.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth the ownership of the Corporation's shares by those parties which, to the knowledge of management, owned five percent (5%) or more of the outstanding common shares of the Corporation as at December 31, 2007:

Name and Municipality of Residence	Number of Common Shares owned or controlled	Percentage of Issued Share Capital
Mr. Landon Clay Boston, MA	18,798,450 ⁽¹⁾	16.2%

Notes

(1) As of December 31, 2007, Mr. Landon Clay owned 9,010,125 shares directly and 9,788,325 shares indirectly through various entities that Mr. Clay has sole control over.

The following table sets forth the ownership of the Corporation's shares by those parties which, to the knowledge of management, owned five percent (5%) or more of the outstanding common shares of the Corporation as at December 31, 2006:

Name and Municipality of Residence	Number of Common Shares owned or controlled	Percentage of Issued Share Capital
Mavrix Fund Management Inc. Toronto, ON	7,400,000	7.35%

The following table sets forth the ownership of the Corporation's shares by those parties which, to the knowledge of management, owned five percent (5%) or more of the outstanding common shares of the Corporation as at December 31, 2005:

Name and Municipality of Residence	Number of Common Shares owned or controlled	Percentage of Issued Share Capital
Goldcorp Inc. Toronto, ON	4,336,364	5.05%

As at March 24, 2008, the Corporation had 220 registered shareholders in the United States, holding a total of 17,502,125 common shares representing 15% of the total issued and outstanding shares of the Corporation.

The voting rights attached to all common shares of the Corporation are equal. No shareholder or group of shareholders holds or is entitled to exercise any preferential voting rights with respect to common shares of the Corporation.

The Corporation has not paid any dividends since its incorporation and does not anticipate the payment of dividends in the foreseeable future. At present, the Corporation's policy is to retain earnings, if any, to finance exploration on its properties. The payment of dividends in the future will depend upon, among other factors, the Corporation's earnings, capital requirements and operating conditions.

B. Related Party Transactions

- (a) The Corporation shares certain premises and facilities with companies which have certain directors in common, under cost-sharing arrangements. During 2007 the Corporation recovered management and consulting fees of \$131,667 and general and administration expenses of \$78,333 from these companies.
- (b) As at December 31, 2007, there were \$21,703 accounts receivable due from companies with certain directors in common.

C. Interests of Experts and Counsel

Not Applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

This Form 20-F includes the following comparative financial statements covering the last three financial years of the Corporation which are set forth in Item 17:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as at December 31, 2007 and 2006;
- Consolidated Statements of Operations and Deficit and Comprehensive Loss for the years ended December 31, 2007, 2006 and 2005;
- Consolidated Statements of Cash Flows for the years ended December 31, 2007, 2006 and 2005; and
- Notes to the Consolidated Financial Statements.

There are no legal or arbitration proceedings which may have, or have had in the recent past, a significant effect on the Corporation's financial position or profitability.

The Corporation has not in the past paid and does not anticipate paying any dividends in the future. The payment of dividends is at the discretion of the board of directors of the Corporation.

B. Significant Changes

Subsequent to December 31, 2007, and on February 12, 2008, the Corporation announced it had signed a Letter of Intent to merge the Corporation into a wholly-owned subsidiary of Gryphon Gold Corporation ("Gryphon Gold") through a Plan of Arrangement. Shareholders of the Corporation were to receive 0.50 shares of Gryphon Gold for every share of American Bonanza and options and warrants were to be exchanged on the same ratio.

On February 27, 2008, the Corporation and Gryphon Gold mutually agreed to terminate the Letter of Intent. No break-up fees were payable.

ITEM 9. THE OFFERING AND LISTING

A. Offer and Listing Details

The common shares of Old Bonanza were listed and posted for trading on the TSX Venture Exchange until March 30, 2005, at which time the common shares of the Corporation as the successor to Old Bonanza pursuant to the Arrangement were listed and posted for trading on the TSX. See Item 4.A. "History and Development of the

Corporation – Plan of Arrangement” for more information relating to the Arrangement. The following table sets forth the annual high and low closing prices, in Canadian dollars, for the shares of Old Bonanza as the predecessor to the Corporation on the TSX Venture Exchange and the Corporation on the TSX for the last five full financial years:

Fiscal Year Ending	High	Low
December 31, 2007	0.34	0.17
December 31, 2006	0.78	0.27
December 31, 2005	0.69	0.355
December 31, 2004	0.375	0.145
December 31, 2003	0.485	0.22

The following table sets forth the high and low prices for each full financial quarter, in Canadian dollars, in the last two fiscal years of the Corporation on the TSX:

Fiscal 2006	High	Low
First Quarter	0.78	0.46
Second Quarter	0.64	0.36
Third Quarter	0.45	0.31
Fourth Quarter	0.37	0.27

Fiscal 2007	High	Low
First Quarter	0.34	0.26
Second Quarter	0.33	0.24
Third Quarter	0.27	0.18
Fourth Quarter	0.24	0.17

The following table sets forth the high and low prices, in Canadian dollars, of the common shares of the Corporation on the TSX for the last six months:

	High	Low
February, 2008	0.25	0.19
January, 2008	0.21	0.19
December, 2007	0.20	0.17
November, 2007	0.23	0.19
October, 2007	0.24	0.22
September, 2007	0.26	0.18

The common shares of the Corporation also trade on the pink sheets in the United States. The following table sets forth the annual high and low closing prices, in U.S. dollars, for the shares of Old Bonanza as the predecessor to the Corporation and the Corporation on the pink sheets for the last five full financial years:

Fiscal Year Ending	High	Low
December 31, 2007	0.29	0.16
December 31, 2006	0.70	0.23
December 31, 2005	0.60	0.113
December 31, 2004	0.344	0.1099
December 31, 2003	0.35	0.13

The following table sets forth the high and low prices for each full financial quarter in the last two fiscal years, in U.S. dollars, for the shares of the Corporation on the pink sheets:

Fiscal 2006	High	Low
First Quarter	0.70	0.40
Second Quarter	0.55	0.31
Third Quarter	0.41	0.28
Fourth Quarter	0.33	0.23

Fiscal 2007	High	Low
First Quarter	0.29	0.21
Second Quarter	0.28	0.23
Third Quarter	0.27	0.16
Fourth Quarter	0.26	0.16

The following table sets forth the high and low prices, in U.S. dollars, of the common shares of the Corporation on the pink sheets for the last six months:

	High	Low
February 2008	0.25	0.19
January 2008	0.21	0.18
December 2007	0.20	0.16
November 2007	0.24	0.18
October 2007	0.26	0.22
September 2007	0.27	0.17

B. Plan of Distribution

Not Applicable.

C. Markets

The Corporation's common shares were listed and posted for trading on the TSX effective March 31, 2005, prior to which the shares of Old Bonanza were listed and posted for trading on the TSX Venture Exchange. Such shares are also listed for trading on the pink sheets.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not Applicable.

B. Notice of Articles and Articles of Incorporation

Incorporation

The Corporation was incorporated in the Province of British Columbia, Canada under Certificate of Incorporation No. BC0710887 on December 10, 2004 and changed its name to American Bonanza Gold Corp. on February 10, 2005. The Corporation does not have any stated "objects" or "purposes" as such are not required by the corporate laws of the Province of British Columbia. Rather, the Corporation is, by such corporate laws, entitled to carry on any activities whatsoever, other than those specifically precluded under the laws of the Province of British Columbia.

Powers and Functions of Directors

Pursuant to the Corporation's Articles of Incorporation, a director who holds a disclosable interest (as that term is used in the BCA) in a contract or transaction into which the Corporation has entered or proposes to enter, is liable to account to the Corporation for any profit that accrues to the director or senior officer under or as a result of the contract or transaction to the extent provided in the BCA. A director who holds a disclosable interest in such a contract or transaction is not entitled to vote on any director's resolution to approve the contract or transaction, except in certain limited circumstances (Part 5, Division 3 of the BCA). A director or officer has a disclosable interest in contract or a transaction if: (a) the contract or transaction is material to the Corporation; (b) the Corporation has entered into, or proposes to enter into, the contract or transaction; and (c) either the director or officer has a material interest in the contract or transaction, or is a director or officer of, or has a material interest in, a person who has a material interest in the contract or transaction. The Corporation did not enter into any contract or transaction in which a director or officer had a disclosable interest during fiscal 2007.

Pursuant to the BCA and the Corporation's Articles of Incorporation, the board of directors of the Corporation may exercise the general power to borrow on behalf of the Corporation in any manner deemed to be in the best interest of the Corporation and its shareholders. Whether exercising this general borrowing power or otherwise, the directors of the Corporation are under a fiduciary duty at all times to act honestly and in the best interest of the Corporation.

Pursuant to the requirements of the BCA, a person must be not less than 18 years of age to act as a director of a British Columbia company. There are no provisions for the retirement or non-retirement of directors under an age limit. There are no requirements under the BCA or the Corporation's Articles of Incorporation that a director be a shareholder of the Corporation.

Rights and Restrictions Attached to Shares

The common shares are not subject to any future call or assessment and all have equal voting rights. There are no special rights or restrictions of any nature attached to any of the common shares. All of the common shares rank equally with respect to all benefits which might accrue to the holders including any redemption of shares or the division of corporate assets in the event of a liquidation. There are no sinking fund provisions or any provisions

discriminatory or advantageous to shareholders controlling a specific number of common shares. Subject to the BCA, the directors may from time to time declare and authorize the payment of dividends. The Corporation may also issue Class A preferred shares in one or more series with special rights and restrictions. The Class A preferred shares as a class are issuable in series and entitle holders, on a liquidation or dissolution of the Corporation, to a preference over the holders of common shares with respect to any repayment of capital or distribution of assets. The Class A preferred shares do not entitle holders to vote at general meetings of shareholders. The directors may by resolution determine the number and name of the shares of any series of Class A preferred shares, and any special rights attaching to any series of Class A preferred shares.

Alteration of Share Rights

Pursuant to the BCA and the Corporation's Articles of Incorporation, to change the rights of holders of the Corporation's shares requires the approval of shareholders by a special resolution.

Shareholder Meetings

The directors of the Corporation must hold an annual general meeting at least once in each calendar year and may, whenever they think fit, call a meeting of shareholders at such location inside or outside British Columbia, as they determine. Notice to shareholders must be provided at least 21 days before any such meeting.

Ownership of Securities

There are no limitations on the right to own shares of the Corporation imposed by foreign law or the constituent documents of the Corporation.

C. Material Contracts

The following summaries of the employment agreements entered into with Mr. Brian P. Kirwin and Mr. Giulio T. Bonifacio are not complete and are qualified in their entirety by reference to the full text of each such agreement.

Old Bonanza entered into an employment agreement with each of Mr. Brian P. Kirwin and Mr. Giulio T. Bonifacio on April 1, 2003 and subsequently on July 1, 2006 the employment agreements were entered into directly with the Corporation and superseded the employment agreements in place with Old Bonanza. The Corporation agreed to pay Mr. Kirwin a base salary currently at US\$190,000, benefits and bonus. Each year during the term of this Agreement, the Board shall determine a bonus amount that is considered appropriate, the amount of such bonus to be based on achievements necessary for the growth and development of the Corporation. In the event of termination without cause, or any change in the effective control of the Corporation that occurs, the Corporation must pay Mr. Kirwin an amount equal to three years' salary and benefits.

On May 1, 2007, the Corporation entered into a new employment agreement with Mr. Bonifacio, which replaces his July 1, 2006 employment agreement. The Corporation agreed to pay Mr. Bonifacio a base salary currently at CDN\$100,000 and bonus. Each year during the term of this Agreement, the Board shall determine a bonus amount that is considered appropriate, the amount of such bonus to be based on achievements necessary for the growth and development of the Corporation. In the event of termination without cause, or any change in the effective control of the Corporation that occurs, the Corporation must pay Mr. Bonifacio an amount equal to one years' salary.

A copy of Mr. Bonifacio's current employment agreement is attached as Exhibit 4.7. The employment agreements with Old Bonanza were previously filed on EDGAR (www.sec.gov) with Old Bonanza's Annual Report for the year ended December 31, 2003 as Exhibits 4.1 and 4.2. The July 2006 employment agreements were previously filed on EDGAR (www.sec.gov) with the Corporation's Annual Report for the year ended December 31, 2006 as Exhibits 4.5 and 4.6.

Old Bonanza entered into the Arrangement Agreement with Taurus, Fairstar, FairstarSub and the Corporation dated December 21, 2004 which was previously filed with Old Bonanza's Annual Report for the year ended December 31, 2003.

On June 7, 2007 the Corporation signed a definitive option agreement (attached as Exhibit 4.8) with respect to its 100% owned Taurus property whereby Cusac Gold Mines Ltd. ("Cusac") can acquire 100% of the Taurus property by making certain cash and share payments to the Corporation. On December 19, 2007, as part of Hawthorne Gold Corporation's ("Hawthorne") proposed merger with Cusac, the Corporation agreed to the assignment to Hawthorne of the definitive option agreement with Cusac (attached as Exhibit 4.9). See Item 4.D *Taurus Gold Project* for further discussion.

On June 21, 2007, the Corporation entered into a letter of intent with Agnico-Eagle Mines Limited ("Agnico-Eagle"), to jointly explore and develop the Northway Property and Agnico-Eagle's adjoining Vezza Property. The letter of intent was replaced by a formal option and joint venture agreement on December 10, 2007 (attached as Exhibit 4.10). See Item 4.D *Northway Project* for further discussion.

D. Exchange Controls

The Corporation is incorporated pursuant to the laws of the Province of British Columbia, Canada. There is no law or governmental decree or regulation in Canada that restricts the export or import of capital, or affects the remittance of dividends, interest or other payments to a non-resident holder of common shares of the Corporation, other than withholding tax requirements. Any such remittances to United States residents are generally subject to withholding tax, however no such remittances are likely in the foreseeable future. See "Taxation", below.

There is no limitation imposed by the laws of Canada or by the charter or other constituent documents of the Corporation on the right of a non-resident to hold or vote its common shares, other than as provided in the Investment Canada Act (Canada) (the "Investment Act").

The following discussion summarizes the material features of the Investment Act for a non-resident who proposes to acquire a controlling number of the Corporation's common shares. It is general only, it is not a substitute for independent advice from an investor's own advisor, and it does not anticipate statutory or regulatory amendments. The Corporation does not believe the Investment Act will have any affect on it or on its non-Canadian shareholders due to a number of factors including the nature of its operations and the Corporation's relatively small capitalization.

The Investment Act generally prohibits implementation of a "reviewable" investment by an individual, government or agency thereof, corporation, partnership, trust or joint venture (each an "entity") that is not a "Canadian" as defined in the Investment Act (i.e. a "non-Canadian"), unless after review by the Minister responsible for the Investment Act is satisfied that the investment is likely to be of net benefit to Canada.

An investment in the Corporation's common shares by a non-Canadian (other than a "WTO investor" as that term is defined in the Investment Act and which term includes entities which are nationals of or are controlled by nationals of member states of the World Trade Organization) when the Corporation was not controlled by a WTO investor, would be reviewable under the Investment Act if it was an investment to acquire control of the Corporation and the value of the assets of the Corporation, as determined in accordance with the regulations promulgated under the Investment Act, was over CDN\$5 million, or if an order for review was made by the federal cabinet on the grounds that the investment related to Canada's cultural heritage or national identity, regardless of the value of the assets of the Corporation.

An investment in the common shares of the Corporation by a WTO investor, or by a non-Canadian when the Corporation was controlled by a WTO investor, would be reviewable under the Investment Act if it was an investment to acquire control of the Corporation and the value of the assets of the Corporation, as determined in accordance with the regulations promulgated under the Investment Act, was not less than a specified amount, which for 2006 equals or exceeds CDN\$265 million. A non-Canadian would acquire control of the Corporation

for the purposes of the Investment Act if the non-Canadian acquired a majority of the common shares of the Corporation. The acquisition of less than a majority but one-third or more of such common shares would be presumed to be an acquisition of control of the Corporation unless it could be established that, on the acquisition, the Corporation was not controlled in fact by the acquirer through the ownership of the common shares.

The foregoing assumes the Corporation will not engage in the production of uranium or own an interest in a producing uranium property in Canada, or provide any financial service or transportation service, as the rules governing these businesses are different.

Certain transactions relating to the common shares of the Corporation would be exempt from the Investment Act, including (a) an acquisition of the common shares by a person in the ordinary course of that person's business as a trader or dealer in securities, (b) an acquisition of control of the Corporation in connection with the realization of security granted for a loan or other financial assistance and not for a purpose related to the provisions of the Investment Act, and (c) an acquisition of control of the Corporation by reason of an amalgamation, merger, consolidation or corporate reorganization following which the ultimate direct or indirect control in fact of the Corporation, through the ownership of the common shares, remained unchanged.

E. Taxation

Certain Canadian Federal Income Tax Information for United States Residents

The following summarizes the principal Canadian federal income tax considerations generally applicable to the holding and disposition of common shares of the Corporation by a holder (a) who, for the purposes of the Income Tax Act (Canada) the ("Tax Act"), is not resident in Canada, deals at arm's length with the Corporation, holds the common shares as capital property and does not use or hold the common shares in the course of carrying on, or otherwise in connection with, a business in Canada, and (b) who, for the purposes of the Canada-United States Income Tax Convention (the "Treaty"), is a resident of the United States, has never been a resident of Canada, has not held or used (and does not hold or use) common shares in connection with a permanent establishment or fixed base in Canada, and who qualifies for the full benefits of the Treaty. Holders who meet all such criteria in clauses (a) and (b) are referred to herein as a "U.S. Holder" or "U.S. Holders", and this summary only addresses such U.S. Holders. The summary does not deal with special situations, such as particular circumstances of traders or dealers, limited liability companies, tax-exempt entities, insurers, financial institutions (including those to which the mark-to-market provisions of the Tax Act apply), or otherwise.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, all proposed amendments to the Tax Act and regulations publicly announced by the Minister of Finance (Canada) to the date hereof, the current provisions of the Treaty and the current administrative practices of the Canada Revenue Agency. It has been assumed that all currently proposed amendments to the Tax Act and regulations will be enacted as proposed and that there will be no other relevant change in any governing law, the Treaty or administrative policy, although no assurance can be given in these respects. This summary does not take into account provincial, U.S. or other foreign income tax considerations, which may differ significantly from those discussed herein.

This summary is not exhaustive of all possible Canadian income tax consequences. It is not intended as legal or tax advice to any particular U.S. Holder and should not be so construed. The tax consequences to a U.S. Holder will depend on that U.S. Holder's particular circumstances. **Accordingly, all U.S. Holders or prospective U.S. Holders should consult their own tax advisors with respect to the tax consequences applicable to them having regard to their own particular circumstances. The discussion below is qualified accordingly.**

Dividend

Dividends paid or deemed to be paid or credited by the Corporation to a U.S. Holder are subject to Canadian withholding tax. Under the Treaty, the rate of withholding tax on dividends paid to a U.S. Holder is generally

limited to 15% of the gross dividend (or 5% in the case of corporate shareholders owning at least 10% of the Corporation's voting shares).

Disposition

A U.S. Holder is not subject to tax under the Tax Act in respect of a capital gain realized on the disposition of a common share in the open market unless the share is "taxable Canadian property" to the holder thereof, and the U.S. Holder is not entitled to relief under the Treaty.

A common share will be taxable Canadian property to a U.S. Holder if, at any time during the 60 month period ending at the time of disposition, the U.S. Holder or persons with whom the U.S. Holder did not deal at arm's length (or the U.S. Holder together with such persons) owned 25% or more of the issued shares of any class or series of the Corporation. A U.S. Holder holding Common shares as taxable Canadian property should consult with the U.S. Holder's own tax advisors in advance of any disposition of Common shares or deemed disposition under the Tax Act in order to determine whether any relief from tax under the Tax Act may be available by virtue of the Treaty.

ALL PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF PURCHASING THE CORPORATION'S COMMON SHARES.

Material United States Federal Income Tax Consequences

The following is a general discussion of the material United States Federal income tax law for U.S. holders that hold such common shares as a capital asset, as defined under United States Federal income tax law and is limited to discussion of U.S. Holders that own less than 10% of the common stock. This discussion does not address all potentially relevant Federal income tax matters and it does not address consequences peculiar to persons subject to special provisions of Federal income tax law, such as those described below as excluded from the definition of a U.S. Holder. In addition, this discussion does not cover any state, local or foreign tax consequences. See Item 10 "Additional Information – Canadian Federal Income Taxation" and "Certain United States Federal Income Tax Consequences".

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), Treasury Regulations, published Internal Revenue Service ("IRS") rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. In addition, this discussion does not consider the potential effects, both adverse and beneficial, of any future legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of common shares of the Corporation and no opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is made. Accordingly, holders and prospective holders of common shares of the Corporation are encouraged to consult their own tax advisors about the Federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Corporation.

U.S. Holders

As used herein, a "U.S. Holder" is a holder of common shares of the Corporation who or which is a citizen or individual resident (or is treated as a citizen or individual resident) of the United States for federal income tax purposes, a corporation or partnership created or organized (or treated as created or organized for federal income tax purposes) in the United States, including only the States and District of Columbia, or under the law of the United States or any State or Territory or any political subdivision thereof, or a trust or estate the income of which is includable in its gross income for federal income tax purposes without regard to its source, if, (i) a court within the United States is able to exercise primary supervision over the administration of the trust and (ii) one or more

United States trustees have the authority to control all substantial decisions of the trust. For purposes of this discussion, a U.S. Holder does not include persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers and Holders who acquired their stock through the exercise of employee stock options or otherwise as compensation.

Distributions on common shares of the Corporation

U.S. Holders, who do not fall under any of the provisions contained within the “Other Consideration for U.S. Holders” section, and receiving dividend distributions (including constructive dividends) with respect to common shares of the Corporation are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions to the extent that the Corporation has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s United States Federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder’s United States Federal taxable income by those who itemize deductions. (See more detailed discussion at “Foreign Tax Credit” below). To the extent that distributions exceed current or accumulated earnings and profits of the Corporation, they will be treated first as a return of capital up to the U.S. Holder’s adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a corporation.

Dividends paid on the common shares of the Corporation will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder which is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Corporation (unless the Corporation qualifies as or a “passive foreign investment company”, as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Corporation. The availability of this deduction is subject to several complex limitations which are beyond the scope of this discussion.

Foreign Tax Credit

A U.S. Holder, who does not fall under any of the provisions contained within the “Other Considerations for U.S. Holders” section, and who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Corporation may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer’s income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder’s United States income tax liability that the U.S. Holder’s foreign source income bears to his or its world-wide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. Effective for tax years beginning before January 1, 2007, there are further limitations on the foreign tax credit for certain types of income. For tax years after December 31, 2006, the number of foreign tax credit limitation categories or baskets is reduced to two: passive category income and general category income. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of common shares of the Corporation are encouraged to consult their own tax advisors regarding their individual circumstances.

Disposition of common shares of the Corporation

A U.S. Holder, who does not fall under any of the provisions contained within the “Other Considerations for U.S. Holders” section, will recognize gain or loss upon the sale of common shares of the Corporation equal to the

difference, if any, between the amount of cash plus the fair market value of any property received, and the Holder's tax basis in the common shares of the Corporation. This gain or loss will be capital gain or loss if the common shares are a capital asset in the hands of the U.S. Holder unless the Corporation were to become a controlled foreign corporation. For the effect on the Corporation of becoming a controlled corporation, see "Controlled Foreign Corporation Status" below. Any capital gain will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are individuals, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

Other Considerations for U.S. Holders

In the following circumstances, the above sections of this discussion may not describe the United States Federal income tax consequences resulting from the holding and disposition of common shares of the Corporation.

Passive Foreign Investment Company

A U.S. Holder who holds stock in a foreign corporation during any year in which such corporation qualifies as a passive foreign investment company ("PFIC") is subject to U.S. federal income taxation under one of three alternative tax methods at the election of each such U.S. Holder.

Section 1297 of the Code defines a PFIC as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is "passive income," which includes but is not limited to interest, dividends and certain rents and royalties or (ii) the average percentage, by value (or, if the company is a controlled foreign corporation or makes an election, adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more. The Corporation believes that it is presently a PFIC.

Each U. S. Holder who holds stock in a PFIC must determine under which of the alternative tax methods the U.S. Holder wishes to be taxed. Under one method, a U.S. Holder who elects in a timely manner to treat the Corporation as a Qualified Electing Fund ("QEF"), as defined in the Code, (an "Electing U.S. Holder") will be subject, under Section 1293 of the Code, to current federal income tax for any taxable year in which the Corporation qualifies as a PFIC on his pro-rata share of the Corporation's (i) "net capital gain" (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing U.S. Holder and (ii) "ordinary earnings" (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income to the Electing U.S. Holder, in each case, for the U.S. Holder's taxable year in which (or with which) the Corporation taxable year ends, regardless of whether such amounts are actually distributed.

A QEF election also allows the Electing U.S. Holder to (i) generally treat any gain realized on the disposition of his common shares (or deemed to be realized on the pledge of his common shares) as capital gain; (ii) treat his share of the Corporation's net capital gain, if any, as long-term capital gain instead of ordinary income, and (iii) either avoid interest charges resulting from PFIC status altogether (see discussion of interest charge below), or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of the Corporation's annual realized net capital gain and ordinary earnings subject, however, to an interest charge. If the Electing U.S. Holder is not a corporation, such an interest charge would be treated as nondeductible "personal interest."

The procedure a U.S. Holder must comply with in making a timely QEF election will depend on whether the year of the election is the first year in the U.S. Holder's holding period in which the Corporation is a PFIC. If the U.S. Holder makes a QEF election in such first year, (sometimes referred to as a "Pedigreed QEF Election"), then the U.S. Holder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder

files its tax return for such first year. If, however, the Corporation qualified as a PFIC in a prior year, then in addition to filing documents, the U.S. Holder may also elect to recognize as an “excess distribution” (i) under the rules of Section 1291 (discussed below), any gain that he would otherwise recognize if the U.S. Holder sold his stock on the application date or (ii) if the Corporation is a controlled foreign corporation (“CFC”), the Holder’s pro rata share of the corporation’s earnings and profits. Either the deemed sale election or the deemed dividend election will result in the U.S. Holder being deemed to have made a timely QEF election.

With respect to a situation in which a Pedigreed QEF election is made, if the Corporation no longer qualifies as a PFIC in a subsequent year, normal Code rules and not the PFIC rules will apply.

If a U.S. Holder has not made a QEF Election at any time (a “Non-electing U.S. Holder”), then special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reason of a pledge) of his common shares and (ii) certain “excess distributions”, as specially defined, by the Corporation.

A Non-electing U.S. Holder generally would be required to pro-rate all gains realized on the disposition of his common shares and all excess distributions over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. Holder (other than years prior to the first taxable year of the Corporation during such U.S. Holder’s holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest tax rate for each such prior year applicable to ordinary income. The Non-electing U.S. Holder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-electing U.S. Holder that is not a corporation must treat this interest charge as “personal interest” which, as discussed above, is wholly non-deductible. The balance of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance.

If the Corporation is a PFIC for any taxable year during which a Non-electing U.S. Holder holds common shares, then the Corporation will continue to be treated as a PFIC with respect to such common shares, even if it is no longer by definition a PFIC. A Non-electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such common shares had been sold on the last day of the last taxable year for which it was a PFIC.

Under Section 1291(f) of the Code, the Department of the Treasury has issued proposed regulations that would treat as taxable certain transfers of PFIC stock by Non-electing U.S. Holders that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death.

If a U.S. Holder makes a QEF Election that is not a Pedigreed Election (i.e., it is made after the first year during which the Corporation is a PFIC and the U.S. Holder holds shares of the Corporation) (a “Non-Pedigreed Election”), the QEF rules apply prospectively but do not apply to years prior to the year in which the QEF first becomes effective. U.S. Holders are encouraged to consult their tax advisors regarding the specific consequences of making a Non-Pedigreed QEF Election.

Certain special, generally adverse, rules will apply with respect to the common shares while the Corporation is a PFIC whether or not it is treated as a QEF. For example under Section 1298(b)(6) of the Code, a U.S. Holder who uses PFIC stock as security for a loan (including a margin loan) will, except as may be provided in regulations, be treated as having made a taxable disposition of such stock.

The foregoing discussion is based on currently effective provisions of the Code, existing and proposed regulations thereunder, and current administrative rulings and court decisions, all of which are subject to change. Any such change could affect the validity of this discussion. In addition, the implementation of certain aspects of the PFIC rules requires the issuance of regulations which in many instances have not been promulgated and which may have retroactive effect. There can be no assurance that any of these proposals will be enacted or promulgated, and if so, the form they will take or the effect that they may have on this discussion. Accordingly, and due to the

complexity of the PFIC rules, U.S. Holders of the Corporation are strongly urged to consult their own tax advisors concerning the impact of these rules on their investment in the Corporation.

Mark-to-Market Election for PFIC Stock

A U.S. Holder of a PFIC may make a mark-to-market election with respect to the stock of the PFIC if such stock is marketable as defined below. This provision is designed to provide a current inclusion provision for persons that are Non-Electing Holders. Under the election, any excess of the fair market value of the PFIC stock at the close of the tax year over the Holder's adjusted basis in the stock is included in the Holder's income. The Holder may deduct any excess of the adjusted basis of the PFIC stock over its fair market value at the close of the tax year. However, deductions are limited to the net mark-to-market gains on the stock that the Holder included in income in prior tax years, or so called "unreversed inclusions."

For purposes of the election, PFIC stock is marketable if it is regularly traded on (1) a national securities exchange that is registered with the SEC, (2) the national market system established under Section 11A of the Securities Exchange Act of 1934, or (3) an exchange or market that the IRS determines has rules sufficient to ensure that the market price represents legitimate and sound fair market value.

A Holder's adjusted basis of PFIC stock is increased by the income recognized under the mark-to-market election and decreased by the deductions allowed under the election. If a U.S. Holder owns PFIC stock indirectly through a foreign entity, the basis adjustments apply to the basis of the PFIC stock in the hands of the foreign entity for the purpose of applying the PFIC rules to the tax treatment of the U.S. owner. Similar basis adjustments are made to the basis of the property through which the U.S. persons hold the PFIC stock.

Income recognized under the mark-to-market election and gain on the sale of PFIC stock with respect to which an election is made is treated as ordinary income. Deductions allowed under the election and loss on the sale of PFIC with respect to which an election is made, to the extent that the amount of loss does not exceed the net mark-to-market gains previously included, are treated as ordinary losses. The U.S. or foreign source of any income or losses is determined as if the amount were a gain or loss from the sale of stock in the PFIC.

The above provisions apply to tax years of U.S. persons beginning after December 31, 1997, and to tax years of foreign corporations ending with or within such tax years of U.S. persons.

The rules of Code Section 1291 applicable to nonqualified funds generally do not apply to a U.S. Holder for tax years for which a mark-to-market election is in effect. If Code Section 1291 is applied and a mark-to-market election was in effect for any prior tax year, the U.S. Holder's holding period for the PFIC stock is treated as beginning immediately after the last tax year of the election. However, if a taxpayer makes a mark-to-market election for PFIC stock that is a nonqualified fund after the beginning of a taxpayer's holding period for such stock, a coordination rule applies to ensure that the taxpayer does not avoid the interest charge with respect to amounts attributable to periods before the election.

Controlled Foreign Corporation Status

If more than 50% of the voting power of all classes of stock or the total value of the stock of the Corporation is owned, directly or indirectly, by U.S. Holders, each of whom own 10% or more of the total combined voting power of all classes of stock of the Corporation, the Corporation would be treated as a "controlled foreign corporation" or "CFC" under Subpart F of the Code. This classification would bring into effect many complex results including the required inclusion by such 10% U.S. Holders in income of their pro rata shares of "Subpart F income" (as defined by the Code) of the Corporation and the Corporation's earnings invested in "U.S. property" (as defined by the Code). In addition, under Section 1248 of the Code, gain from the sale or exchange of common shares of the Corporation by such a 10% U.S. Holder of Corporation at any time during the five year period ending with the sale or exchange is treated as ordinary dividend income to the extent of earnings and profits of the Corporation attributable to the stock sold or exchanged. Because of the complexity of Subpart F, and because the Corporation may never be a CFC, a more detailed review of these rules is beyond of the scope of this discussion.

Elimination of Overlap Between Subpart F Rules and PFIC Provisions

Under the Taxpayer Relief Act of 1997, a PFIC that is also a CFC will not be treated as a PFIC with respect to certain 10% U.S. Holders. For the exception to apply, (i) the corporation must be a CFC within the meaning of section 957(a) of the Code and (ii) the U.S. Holder must be subject to the current inclusion rules of Subpart F with respect to such corporation (i.e., the U.S. Holder is a “United States Shareholder,” see “Controlled Foreign Corporation,” above). The exception only applies to that portion of a U.S. Holder’s holding period beginning after December 31, 1997. For that portion of a United States Holder before January 1, 1998, the ordinary PFIC and QEF rules continue to apply.

As a result of this provision, if the Corporation were ever to become a CFC, U.S. Holders who are currently taxed on their pro rata shares of Subpart F income of a PFIC which is also a CFC will not be subject to the PFIC provisions with respect to the same stock if they have previously made a Pedigreed QEF Election. The PFIC provisions will however continue to apply to PFIC/CFC U.S. Holders for any periods in which they are not subject to Subpart F and to U.S. Holders that did not make a Pedigreed QEF Election unless the U.S. Holder elects to recognize gain on the PFIC shares held in the Corporation as if those shares had been sold.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

All material contracts may be inspected on SEDAR at www.sedar.com and at the Corporation’s corporate head office at 305 – 675 West Hastings Street, Vancouver, British Columbia, during normal business hours.

I. Subsidiary Information

Not Applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Transaction Risk and Currency Risk Management

Our operations do not employ complex financial instruments or derivatives, and we do not have significant or unusual financial market risks. In the event we experience substantial growth in the future, our business and results of operations may be materially affected by changes in interest rates on new debt financings, the granting of credit options to our customers, and certain other credit risks associated with our operations.

Interest Rate Risk and Equity Price Risk

We are equity financed and do not have any debt which could be subject to significant interest rate change risks. We have raised equity funding through the sale of securities denominated in Canadian dollars, and will likely raise additional equity funding denominated in Canadian dollars in the future.

Exchange Rate Sensitivity

A significant portion of our administrative operations are in Canada. We typically hold most of our funds in Canadian dollars and report the results of our operations in Canadian dollars. We incur most of our exploration expenditures in Canadian dollars, but some of our agreements are denominated in U.S. dollars. As such, an

increase in the value of the United States dollar relative to the Canadian dollar would result in higher foreign exchange losses.

Commodity Price Risk

While the value of our mineral properties can always be said to relate to the price of the commodity and the outlook for same, we do not have any operating mines nor economic ore and therefore do not have any hedging arrangements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by our Corporation is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Our Chief Executive Officer and our Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for our Corporation.

Our management has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2007 (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer), pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, our Corporation's Chief Executive Officer and Chief Financial Officer have concluded that, due to the material weakness in internal control over financial reporting described below, our company's disclosure controls and procedures were ineffective as of December 31, 2007.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) Securities Exchange Act of 1934, as amended. Management (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer) assessed the effectiveness of our internal control over financial reporting as of December 31, 2007. In making this assessment, management used the framework set forth in **Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)**. Management of the Corporation conducted an assessment of the effectiveness of the Corporation's internal controls over financial reporting as of December 31, 2007. Based on its assessment, management identified a material weakness in our

internal controls over financial reporting with respect to a lack of expertise in accounting for income taxes and related disclosures in accordance with generally accepted accounting principles. As a result, the Corporation recorded material adjustments related to the accounting for income taxes and disclosure in its financial statements as of and for the year ended December 31, 2007. As a result of this material weakness, we concluded that the Corporation's internal controls over financial reporting in accounting for income taxes were not effective as of December 31, 2007.

In order to remediate the material weakness identified in Management's Report on Internal Control over Financial Reporting, we intend to hire additional accounting resources with respect to accounting for income taxes and related disclosures. We believe that these new procedures will enable us to comply with the requirements related to accounting for income taxes and related disclosures.

This annual report does not include an attestation report of our Corporation's registered public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by our Corporation's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Corporation to provide only the management's report in this annual report.

Changes in Internal Control over Financial Reporting

Other than the planned changes in internal control over financial reporting related to hiring additional accounting resources described above, there were no changes during the period covered by this Annual Report in the Corporation's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

ITEM 16A. Audit Committee Financial Expert

The Corporation's Board of Directors has determined that Mr. Robert McKnight fulfills the role of a Financial Expert on the Corporation's audit committee. Mr. McKnight is "independent" as the term is defined under the applicable rules of the American Stock Exchange. Mr. McKnight has a Master's in Business Administration and has experience in financial, accounting and taxation matters. Mr. McKnight is the Chief Financial Officer for Yukon Zinc Corporation and Strata Gold Corporation, both publicly traded companies on the TSX Venture Exchange. The other members of the audit committee have significant financial experience within the mining industry and would be considered financially literate although they would not meet the definition of financial expert.

ITEM 16B. Code of Ethics

The Corporation has adopted a Code of Ethics that applies to all employees, officers and directors of the Corporation and its subsidiaries, all of whom are expected to abide by the principle that standards of personal behavior should at all times reflect credit on the Corporation and the mining/exploration industry in general. No amendments or waivers to the Code of Ethics have been made since its adoption.

The Corporation's Code of Ethics provides that officers and employees are prohibited from taking advantage of an opportunity that is discovered through the use of any corporate property, information or contacts or position with the Corporation, and must bring such opportunities to the attention of the Corporation. Officers and employees are also required to bring all potential conflicts of interest to the attention of the Corporation. Directors are not subject to the Code with respect to these two matters but are governed by similar provisions in the British Columbia *Business Corporations Act*. See Item 10.B "Notice of Articles and Articles of Incorporation. Powers and Functions of Directors."

The Code of Ethics was previously filed as an exhibit to the 2005 Annual Report. The Corporation will provide a copy of the Code of Ethics to any person, upon written request to the Secretary of the Corporation at its address at 305 - 675 West Hastings Street, Vancouver, British Columbia, Canada V6B 1N2.

ITEM 16C. Principal Accountant Fees and Services

In Canadian Dollars	Year ending December 31, 2007	Year ending December 31, 2006	Year ending December 31, 2005
Audit fees	79,950	72,645	67,500
Audit-related fees	Nil	Nil	Nil
Tax fees – Canadian	Nil	Nil	Nil
Tax fees – US	Nil	Nil	Nil
All other fees	Nil	Nil	Nil
Total fees billed	79,950	72,645	67,500

Audit Fees

Audit fees were for professional services rendered by KPMG LLP, for the audit of the Registrant's annual financial statements and services provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees

Audit-related fees were for assurance and related services reasonably related to the performance of the audit or review of the annual statements that are not reported under "Audit Fees" above.

Tax Fees

Tax fees were for tax compliance, tax advice and tax planning professional services. These services consisted of: tax compliance including the review of tax returns, and tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax, payroll tax and value added tax).

All Other Fees

Fees disclosed in the table above under the item "all other fees" were incurred for services other than the audit fees, audit-related fees and tax fees described above.

Pre-Approval Policies and Procedures

It is within the mandate of the Corporation's Audit Committee to approve all audit and non-audit related fees. The Audit Committee has pre-approved specifically identified non-audit related services, including tax compliance and review of tax returns as submitted to the Audit Committee from time to time. The auditors also present the estimate for the annual audit related services to the Audit Committee for approval prior to undertaking the annual audit of the financial statements.

ITEM 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

ITEM 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchases

Neither the Corporation, nor any "affiliated purchaser" of the Corporation, purchased any of its securities during 2007.

PART III

ITEM 17. FINANCIAL STATEMENTS

The following financial statements of American Bonanza Gold Corp. are attached and incorporated herein:

Description of Financial Statements

Report of Independent Registered Accounting Firm

Consolidated Balance Sheets as at December 31, 2007 and 2006

Consolidated Statements of Operations, Comprehensive Loss and Cash Flows, for the fiscal years ended December 31, 2007, 2006, and 2005

Notes to Consolidated Financial Statements

ITEM 18. FINANCIAL STATEMENTS

See Item 17.

ITEM 19. EXHIBITS

Exhibit Number	Description
1.0	Articles of the Corporation – American Bonanza Gold Corp. ⁽¹⁾
2.0	Stock Option Plan dated March 24, 2005 – approved by the shareholders of Old Bonanza and Taurus on March 24, 2005. ⁽¹⁾
4.1	Employment Agreement for Brian Kirwin. ⁽²⁾
4.2	Employment Agreement for Giulio Bonifacio. ⁽²⁾
4.3	Arrangement Agreement among the Corporation, Taurus, Fairstar, Old Bonanza and FairstarSub dated December 21, 2004. ⁽²⁾
4.4	Amendment to Arrangement Agreement among the Corporation, Taurus, Fairstar, Old Bonanza and FairstarSub dated February 21, 2005. ⁽³⁾
4.5	Amended Employment Agreement for Brian Kirwin dated July 1, 2006 ⁽⁴⁾
4.6	Amended Employment Agreement for Giulio Bonifacio dated July 1, 2006 ⁽⁴⁾
4.7	Amended Employment Agreement for Giulio Bonifacio dated May 1, 2007
4.8	Mineral Property Option Agreement between the Corporation and Cusac Gold Mines Ltd. dated June 7, 2007
4.9	Option Assignment and Amending Agreement among Cusac Gold Mines Ltd., Hawthorne Gold Corp. and the Corporation dated December 19, 2007
4.10	Northway Option Agreement between the Corporation and Agnico Eagle Mines Ltd. dated November 15, 2007
8.0	List of Principal Subsidiaries. ⁽¹⁾

Exhibit Number	Description
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11.0	Code of Ethics. ⁽¹⁾
12.1	Section 302 Certification by Chief Executive Officer.
12.2	Section 302 Certification by Chief Financial Officer.
13.1	Section 906 Certification by Chief Executive Officer.
13.2	Section 906 Certification by Chief Financial Officer.

- (1) Previously filed with the Registrant's Annual Report on Form 20-F for the year ended December 31, 2005 filed with the SEC on April 10, 2006.
- (2) Previously filed with the Registrant's Annual Report on Form 20-F for the year ended December 31, 2003 filed with the SEC on February 3, 2005.
- (3) Previously filed with the Registrant's Form 6-K filed with the SEC on March 8, 2005.
- (4) Previously filed with the Registrant's Annual Report on Form 20-F for the year ended December 31, 2006 filed with the SEC on March 30, 2007.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

AMERICAN BONANZA GOLD CORP.

By: “*Brian P. Kirwin*”
Brian P. Kirwin
President, Chief Executive
Officer and Director

Date: March 31, 2008

EXHIBIT 12.1

SECTION 302 CERTIFICATION

I, Brian P. Kirwin, certify that:

1. I have reviewed this annual report on Form 20-F of American Bonanza Gold Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2008

"Brian P. Kirwin"
Brian P. Kirwin
Chief Executive Officer

EXHIBIT 12.2

SECTION 302 CERTIFICATION

I, Giulio T. Bonifacio, certify that:

1. I have reviewed this annual report on Form 20-F of American Bonanza Gold Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 31, 2008

"G.T. Bonifacio"
Giulio T. Bonifacio
Chief Financial Officer

EXHIBIT 13.1

SECTION 906 CERTIFICATION

In connection with the annual report of American Bonanza Gold Corp. (the "Company") on Form 20-F for the fiscal year ending December 31, 2007 (the "Report"), I, Brian P. Kirwin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

"Brian P. Kirwin"

Name: Brian P. Kirwin
Title: Chief Executive Officer
March 31, 2008

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 20-F to which it relates, shall not be deemed filed with the Securities and Exchange Commission and shall not be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 20-F), irrespective of any general incorporation language contained in such filing, except as specifically incorporated by reference therein.

EXHIBIT 13.2

SECTION 906 CERTIFICATION

In connection with the annual report of American Bonanza Gold Corp. (the "Company") on Form 20-F for the fiscal year ending December 31, 2007 (the "Report"), I, Giulio T. Bonifacio, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

"G.T. Bonifacio"

Name: Giulio T. Bonifacio
Title: Chief Financial Officer
March 31, 2008

A signed original of this written statement required by Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Form 20-F to which it relates, shall not be deemed filed with the Securities and Exchange Commission and shall not be incorporated by reference into any filing of the Registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of the Form 20-F), irrespective of any general incorporation language contained in such filing, except as specifically incorporated by reference therein.

AMERICAN BONANZA GOLD CORP.

Consolidated Financial Statements
Years ended December 31, 2007, 2006 and 2005



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of American Bonanza Gold Corp.

We have audited the accompanying consolidated balance sheets of American Bonanza Gold Corp. and subsidiaries (the Company) as of December 31, 2007 and 2006 and the related consolidated statements of operations and deficit, comprehensive loss and cash flows for each of the years in the three-year period ended December 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in conformity with Canadian generally accepted accounting principles.

As discussed in note 3 to the consolidated financial statements, the Company changed its method of accounting for certain financial instruments in 2007.

Canadian generally accepted accounting principles vary in certain significant respects from US generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 15 to the consolidated financial statements.

KPMG LLP (signed)

Chartered Accountants

Vancouver, Canada

February 29, 2008

American Bonanza Gold Corp.

CONSOLIDATED BALANCE SHEETS

(In Canadian Dollars)

December 31

2007

2006

	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,266,063	6,150,005
Amounts receivable (note 5)	1,852,614	1,477,433
Prepaid expenses	73,236	88,884
Marketable securities (note 6)	167,858	10,200
	<u>6,359,771</u>	7,726,522
RECLAMATION BOND	22,000	22,000
MINERAL PROPERTIES (note 7)	54,551,224	51,964,625
OFFICE EQUIPMENT, net	30,366	38,079
	<u>60,963,361</u>	59,751,226
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	396,613	767,711
ASSET RETIREMENT OBLIGATION (note 13)	32,816	31,179
FUTURE INCOME TAXES (note 14)	1,197,375	1,153,091
	<u>1,626,804</u>	1,951,981
SHAREHOLDERS' EQUITY		
Share capital (note 8)	60,087,914	57,954,703
Contributed surplus (notes 3 and 8)	5,943,972	5,451,072
Accumulative other comprehensive income (loss) (note 9)	(99,311)	43,031
Deficit	(6,596,018)	(5,649,561)
	<u>59,336,557</u>	57,799,245
	<u>60,963,361</u>	59,751,226

NATURE OF OPERATIONS (note 1)

COMMITMENTS (notes 7 and 11)

SUBSEQUENT EVENTS (note 16)

APPROVED ON BEHALF OF THE BOARD,

Signed: Brian Kirwin

Director

Signed: Robert T. McKnight

Director

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

American Bonanza Gold Corp.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(In Canadian Dollars)

For the years ended December 31

	2007	2006	2005
	\$	\$	\$
EXPENSES (INCOME)			
General and administrative (note 10)	1,046,378	1,079,642	1,288,724
Stock-based compensation (note 8)	459,800	748,300	733,248
Exploration	111,467	466,320	384,020
Business development	67,995	187,531	262,589
Foreign exchange	19,964	6,341	67,806
Amortization	11,073	10,575	26,015
Interest and accretion of asset retirement obligation	1,637	26,965	60,450
Write-down of mineral properties (note 7)	-	79,283	1,742,720
Gain on debt settlement	-	-	(306,392)
Interest income	(134,163)	(214,474)	(128,185)
	1,584,151	2,390,483	4,130,995
LOSS FOR THE YEAR BEFORE INCOME TAXES	(1,584,151)	(2,390,483)	(4,130,995)
INCOME TAXES RECOVERY (EXPENSE) (note 14)	637,694	649,777	(84,965)
LOSS FOR THE YEAR	(946,457)	(1,740,706)	(4,215,960)
DEFICIT, beginning of year	(5,649,561)	(3,908,855)	(18,376,847)
ELIMINATION OF ACCUMULATED DEFICIT (note 8)	-	-	18,683,952
DEFICIT, end of year	(6,596,018)	(5,649,561)	(3,908,855)
LOSS PER COMMON SHARE			
Basic and diluted	(0.01)	(0.02)	(0.06)
WEIGHTED AVERAGE NUMBER OF SHARES (note 4)	100,958,861	96,280,740	72,356,898

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In Canadian Dollars)

For the years ended December 31

	2007	2006	2005
	\$	\$	\$
LOSS FOR THE YEAR	(946,457)	(1,740,706)	(4,215,960)
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized loss on available-for-sale marketable securities (note 3)	(154,642)	-	-
COMPREHENSIVE LOSS FOR THE YEAR (note 3)	(1,101,099)	(1,740,706)	(4,215,960)

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

American Bonanza Gold Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian Dollars)

For the years ended December 31

	2007	2006	2005
	\$	\$	\$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Loss for the year	(946,457)	(1,740,706)	(4,215,960)
Items not affecting cash			
Stock-based compensation	459,800	748,300	733,248
Amortization	11,073	10,575	26,015
Accretion of asset retirement obligation	1,637	1,555	7,252
Write-down of mineral properties	-	79,283	1,742,720
Gain on debt settlement	-	-	(306,392)
Future income taxes	(637,694)	(649,777)	84,965
	(1,111,641)	(1,550,770)	(1,928,152)
Changes in non-cash operating accounts			
Amounts receivable	(375,181)	(551,784)	276,903
Prepaid expenses	15,648	(5,070)	8,825
Accounts payable and accrued liabilities	(371,098)	(510,430)	269,215
	(1,842,272)	(2,618,054)	(1,373,209)
INVESTING ACTIVITIES			
Mineral properties	(2,886,599)	(4,096,242)	(6,249,577)
Acquisition of International Taurus Resources Inc. and Fairstar Explorations Inc.'s mineral interests, net of cash acquired (note 2)	-	-	(20,071)
Office equipment	(3,360)	(23,288)	(20,871)
	(2,889,959)	(4,119,530)	(6,290,519)
FINANCING ACTIVITIES			
Issue of common shares, net of issue costs	2,848,289	7,473,689	3,967,786
Proceeds received on common share subscription	-	-	300,000
Repayment of long-term debt	-	-	(657,382)
	2,848,289	7,473,689	3,610,404
INCREASE (DECREASE) IN CASH	(1,883,942)	736,105	(4,053,324)
CASH AND CASH EQUIVALENTS, beginning of year	6,150,005	5,413,900	9,467,224
CASH AND CASH EQUIVALENTS, end of year	4,266,063	6,150,005	5,413,900

SUPPLEMENTARY INFORMATION:

Cash flows include the following elements:

Interest paid	218,231	-	60,499
Interest received	134,163	214,474	128,185
Income taxes paid	-	-	-
<u>Non-cash financing and investing transactions:</u>			
Common shares received as option payment (note 6)	300,000	-	-
Common shares issued for share subscriptions previously received (note 8)	-	300,000	-
Future income tax liability and share issue costs incurred on renouncement of exploration expenditures (note 8)	-	943,803	-
Fair value of common shares issued on acquisition (note 2)	-	-	22,898,264
Fair value of options and warrants issued on acquisition (note 2)	-	-	592,719
Fair value of common shares and warrant modification on debt settlement	-	-	489,566

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

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

1. NATURE OF OPERATIONS

American Bonanza Gold Corp. (the Corporation or Company) was incorporated in British Columbia on December 10, 2004, as a wholly owned subsidiary of American Bonanza Gold Mining Corp. (Bonanza), under the name of 0710887 B.C. Ltd. Its name was changed to American Bonanza Gold Corp. on February 10, 2005. The Company was formed in anticipation of the transaction discussed in note 2. The Corporation is an exploration stage mining company engaged in the identification, acquisition, exploration and development of high-grade precious metals properties located in the United States and Canada. The Corporation has not yet determined whether its mineral 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 mineral properties represent costs to date, and do not necessarily represent present or future values.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The Company will be required to raise additional funding to complete its long-term business objectives. Failure to raise additional funding may require the Company to reduce operations.

2. ACQUISITION OF INTERNATIONAL TAURUS RESOURCES INC. AND FAIRSTAR EXPLORATIONS INC.'S MINERAL INTERESTS

Pursuant to the terms of an Arrangement Agreement dated December 21, 2004 and amended February 21, 2005 between the Corporation, Bonanza, International Taurus Resources Inc. (Taurus), Fairstar Explorations Inc. (Fairstar) and 0710882 B.C. Ltd., the following transactions were approved and closed on March 30, 2005.

Part A:

The Corporation, Bonanza and Taurus combined by way of a Plan of Arrangement (the Arrangement) whereby, first, each Bonanza common share, option and warrant outstanding at the time of the Arrangement was exchanged for 0.25 common shares, options and warrants, respectively, of the Corporation and, second, each Taurus common share, option and warrant, was exchanged for 0.20 common shares, options and warrants, respectively of the Corporation. The expiry dates of options and warrants remained unchanged and the exercise prices were increased in accordance with the above exchange ratios. The exchange transaction between the Corporation and Bonanza was a common control transaction which is accounted for at Bonanza's historical cost by the continuity of interests method. Following the above transactions, the Corporation owned 100% of the issued and outstanding shares of Bonanza and Taurus and the former shareholders of Bonanza and Taurus held approximately 69.4% and 30.6% of the common shares of the Corporation. Accordingly, Bonanza is the acquirer of Taurus' assets and liabilities for accounting purposes. Accordingly, these consolidated financial statements reflect a continuity of Bonanza for accounting purposes and the comparative financial information is that of Bonanza at its historical amounts, consolidated with those of the Corporation and Taurus from the date of acquisition. For legal purposes, Bonanza and Taurus became wholly owned subsidiaries of the Corporation.

Part B:

Fairstar transferred its 38% interest in the Fenelon gold project and its option to acquire interests in the Casa Berardi gold projects in Quebec to its wholly-owned newly incorporated shell subsidiary company, 0710882 B.C. Ltd. The Corporation then acquired all of the outstanding shares of 0710882 B.C. Ltd. in exchange for 6,500,000 common shares of the Corporation and \$300,000 cash paid directly to certain creditors of Fairstar. This transaction has been accounted for as an acquisition of assets by the Corporation.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

2. ACQUISITION OF INTERNATIONAL TAURUS RESOURCES INC. AND FAIRSTAR EXPLORATIONS INC.'S MINERAL INTERESTS (continued)

Combined:

After the transactions under Part A and Part B, the former shareholders of Bonanza, Taurus and Fairstar held approximately 63.3%, 27.9% and 8.8%, respectively, of the Corporation's common shares. The total number of issued and outstanding common shares of the Corporation immediately after the transaction was 74,330,925.

The cost of the purchase of Taurus and 0710882 B.C. Ltd. has been allocated to the assets and liabilities of these companies as at March 30, 2005 on the basis of their fair values.

The allocation of the purchase cost based upon management's valuation process was as follows:

	Taurus (A)	Fairstar (B)
	\$	\$
Net assets acquired:		
Current assets	2,176,684	-
Mineral properties	18,408,675	6,205,446
	20,585,359	6,205,446
Liabilities assumed:		
Current liabilities	(145,059)	-
Current loan and interest payable	(1,453,340)	-
Non-current liabilities	(22,372)	-
Future income tax liabilities	-	(445,446)
	(1,620,771)	(445,446)
	18,964,588	5,760,000
Consideration given:		
Share consideration	17,438,264	5,460,000
Option and warrant consideration	592,719	-
Cash and costs of acquisition	933,605	300,000
Total consideration	18,964,588	5,760,000

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

2. ACQUISITION OF INTERNATIONAL TAURUS RESOURCES INC. AND FAIRSTAR EXPLORATIONS INC.'S MINERAL INTERESTS (continued)

The Corporation plans to undertake tax planning initiatives which will result in the reduction in the Corporation's future income tax valuation allowance and this amount has been included in the above purchase price allocation.

Incremental costs related to this acquisition of \$933,605 have been included as a cost of the acquisition. The fair value of options and warrants exchanged on acquisition of \$592,719 are included as a cost of the acquisition and were determined using the Black-Scholes option pricing model using following weighted average assumptions:

Risk free interest rate	3.57%
Expected dividend yield	0%
Stock price volatility	66%
Expected life of options	1.3 years

Acquisition costs incurred and deferred as at December 31, 2004, and included in the transaction costs above, totalled \$216,958.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company has adopted five new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements, with the exception of the classification of cumulative translation adjustment in accumulated other comprehensive income which has been adjusted retroactively. The new standards and accounting policy changes are as follows:

Financial Instruments - Recognition and Measurement (CICA Handbook Section 3855) and Financial Instruments - Disclosure and Presentation (CICA Handbook Section 3861) and Equity (CICA Handbook Section 3251)

In accordance with these new standards, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss.

The Company has classified its cash and cash equivalents as held for trading and therefore measures them at fair market value, with the unrealized gain or loss recorded in income.

The Company has classified its marketable securities as available-for-sale securities and therefore carries them at fair market value, with unrealized gains or losses recorded in shareholders' equity as a component of other comprehensive income. These amounts will be reclassified from shareholders' equity to net income when they are realized. Previously, investments in public companies were carried at cost, less provisions for other than temporary declines in value. This change in accounting policy resulted in a \$12,300 increase in the carrying value of marketable securities as at January 1, 2007, representing the aggregate cumulative unrealized gain at that time as disclosed in notes 6 and 9.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

3. CHANGES IN ACCOUNTING POLICIES (continued)

Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a consolidated statement of comprehensive loss and a new category, accumulated other comprehensive income (loss) has been added to the shareholders' equity section of the consolidated balance sheet. The components of this new category includes unrealized gains and losses on securities classified as available-for-sale and foreign currency translation adjustments on self-sustaining foreign operations. The components of accumulated other comprehensive loss for the year ended December 31, 2007 are disclosed in notes 6 and 9.

Foreign exchange gains and losses existing from the translation of the financial statements of the Company's formerly determined self-sustaining foreign operations, previously recorded as a separate component of shareholders' equity, are now presented in accumulated other comprehensive income (loss).

Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. As the Company has not designated any hedging relationships, adoption of Section 3865 currently has no impact on the financial statements.

Categories of regular-way purchases and sales of financial assets are accounted for at the trade date.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the measurement principles of which materially conform with those established in the United States of America, except as explained in note 15.

Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries:

- American Bonanza Gold Mining Corp;
- Bonanza Gold Inc., which in turn has a wholly-owned subsidiary, Bonanza Explorations Inc. (a United States, Nevada corporation);

All inter-company transactions and balances have been eliminated.

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 periods. Significant areas requiring the use of management estimates and assumptions relate to the determination of the recoverability of mineral property deferred costs, amounts receivable, future income tax assets and liabilities and assumptions used in valuing options and warrants in stock-based compensation calculations. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks or highly liquid short-term interest bearing securities that are readily convertible to known amounts of cash and those that have maturities of three months or less when acquired.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Marketable securities

Marketable securities are carried at the market value based upon quoted market prices (see note 3). Prior to January 1, 2007, marketable securities were valued at the lower of original cost and quoted market value.

Mineral properties, deferred exploration costs and government assistance

Costs related to mineral activities, which include the investigation, acquisition, 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. Where exploration activities are conducted jointly with others, only the Corporation's proportionate cost 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 the 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.

The Corporation qualifies for mineral exploration assistance programs associated with the exploration and development of mineral properties located in Quebec. Recoverable amounts are offset against deferred exploration costs incurred when the Corporation has complied with the terms and conditions of the program and the recovery is reasonably assured.

Deferred acquisition costs

The Company defers external incremental costs of proposed acquisitions if such acquisitions are considered more than likely to be completed.

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.

Foreign currency translation

The reporting and functional currency of the Corporation is the Canadian dollar. The functional currency of its Canadian subsidiaries is also the Canadian dollar.

As the Corporation's U.S. subsidiary is dependent on funding from its parent, the temporal method of translating the accounts of the foreign subsidiaries has been adopted. Under this method, monetary assets and liabilities are translated to Canadian dollars 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.

Financial instruments

For certain of the Corporation's financial instruments, including cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities, the carrying amounts approximate fair values due to their short-term to maturity.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Corporation accounts for income taxes under the asset and liability method. Under this method, temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are measured 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.

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. The weighted average number of issued and outstanding common shares for the periods prior to the Arrangement reflect those of Bonanza, retroactively adjusted to reflect the exchange ratio in the Arrangement agreement (note 2).

Asset Retirement Obligations

The present value of future asset retirement obligations is recorded as a liability when that liability is incurred with a corresponding increase in the carrying value of the related assets. The liability is accreted to the amount ultimately payable over the period to the date it is paid.

Impairment of long-lived assets

The Corporation determines if any impairment exists when events or changes in circumstances indicate that the carrying amount of an asset may not be recovered. An impairment loss is then required if the carrying amount of a long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. The amount of loss is measured as the amount by which the long-lived asset's carrying value exceeds its fair value.

Segmented information

The Corporation conducts its business in a single operating segment being the acquisition, exploration and development of mineral properties. All mineral properties are located in Canada and in the United States as detailed in note 7.

Comparative figures

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

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

5. AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

	2007	2006
	\$	\$
Goods and services tax	36,633	36,502
Quebec sales tax	13,404	19,955
Interest receivable	9,592	92,866
Mining duties and refundable tax credits receivable (a)	1,747,876	1,292,884
Other	45,109	35,226
	1,852,614	1,477,433

(a) Government Assistance

The Corporation qualifies for mineral exploration assistance programs associated with incurring exploration and development expenditures on mineral properties located in Quebec. The assistance programs are comprised of a Refundable Tax Credit of 35% of eligible exploration expenses pursuant to Quebec's Taxation Act and a further 12% refundable credit on eligible expenditures pursuant to Quebec's Mining Duties Act.

6. MARKETABLE SECURITIES

The effect of adopting the new accounting standards (note 3) on the marketable securities as at January 1, 2007 is summarized below. As prescribed by these standards, prior periods have not been restated.

	December 31, 2007		
	Fair Value	Cost	Accumulated unrealized gains (losses)
	\$	\$	\$
- Northern Canadian Minerals Inc. (a)	29,700	10,200	19,500
- Cusac Gold Mines Ltd. (b)	138,158	300,000	(161,842)
	167,858	310,200	(142,342)

	December 31, 2006		
	Fair Value	Cost	Accumulated unrealized gains (losses)
	\$	\$	\$
- Northern Canadian Minerals Inc. (a)	22,500	10,200	12,300

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

6. MARKETABLE SECURITIES (continued)

On January 1, 2007, the Corporation recognized an adjustment of \$12,300 to the opening balance of accumulated other comprehensive income pursuant to the adoption of new CICA Handbook Sections 3855 and 1530 (note 3) relating to the unrealized gain on available-for-sale marketable securities held by the Corporation at January 1, 2007. During the year ended December 31, 2007, the Corporation recorded an unrealized loss of \$154,642 (2006 - nil) on marketable securities in other comprehensive loss.

- (a) Pursuant to the terms of an Option Agreement entered into with Northern Canadian Minerals Inc. (formerly American Nevada Gold Corp.) (note 7(c)) the Corporation received 60,000 common shares and other consideration for entering into this Agreement. The quoted market value of these securities was \$29,700 at December 31, 2007.
- (b) On June 21, 2007, the Corporation received 1,500,000 common shares of Cusac Gold Mines Ltd. (Cusac) upon the execution of the option agreement as described on note 7(b)(ii). The shares were valued as \$300,000 based on quoted market value of the shares. On December 19, 2007, Cusac and Hawthorne Gold Corp. entered into a definitive merger agreement to merge whereby holders of Cusac common shares would receive one common share of Hawthorne Gold Corp. in exchange for 19 common shares of Cusac. The merger is expected to close, subject to various conditions, subsequent to March 31, 2008.

7. MINERAL PROPERTIES

Project	2007	2006
	\$	\$
Copperstone (a)	24,938,311	22,904,331
Fenelon (b(i))	14,768,533	14,183,469
Taurus Gold (b(ii))	5,324,013	6,583,770
Gold Bar (c)	1,062,471	1,035,264
Northway (b(iii))	4,223,809	3,915,092
Martiniere (b(iii))	3,129,259	2,659,280
Northshore (b(iv))	914,286	524,051
Other (d)	190,542	159,368
	54,551,224	51,964,625

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

7. MINERAL PROPERTIES (continued)

Schedule of mineral property expenditures during 2007:

	Copperstone	Fenelon	Taurus	Gold Bar	Northway	Martiniere	Northshore	Other	Total 2007	Total 2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of period	22,904,331	14,183,469	6,583,770	1,035,264	3,915,092	2,659,280	524,051	159,368	51,964,625	47,947,666
Decline, drilling and underground support	941,531	296,347	-	1,600	255,383	426,018	319,329	-	2,240,208	2,319,939
Geological consulting and related	439,542	396,906	37,903	488	87,635	63,833	39,814	-	1,066,121	941,796
Assaying	105,362	33,658	-	-	45,312	50,155	7,666	-	242,153	225,442
Engineering/environmental	-	-	-	-	-	-	-	-	-	495,325
Advance royalty payment	-	-	-	-	-	-	-	-	-	-
BLM land payments/permit, licenses	38,587	-	-	16,595	-	-	3,335	20,152	78,669	134,278
Property acquisition and related	152,360	-	-	-	75,000	-	17,020	-	244,380	92,058
Property payment – tax, permits	85,843	20,648	-	61	1,946	4,974	-	-	113,472	25,213
Computer and related	64,125	-	-	-	-	-	-	-	64,125	3,047
Site maintenance and camp:										
Utilities and power	23,471	-	-	-	-	-	-	-	23,471	57,482
Property caretakers	57,290	93,105	-	-	11,814	-	-	-	162,209	366,798
Equipment and truck rental	128,315	47,606	-	-	-	240,876	2,967	-	419,764	236,244
Telephone	2,967	13,805	-	-	-	-	104	-	16,876	20,132
Maintenance, supplies, other	(5,413)	158,507	-	8,463	-	22,701	-	-	184,258	-
Joint venture payment	-	-	-	-	-	-	-	11,022	11,022	-
Accrued government subsidies	-	(475,518)	-	-	(168,373)	(338,578)	-	-	(982,469)	(821,512)
Write-down	-	-	-	-	-	-	-	-	-	(79,283)
Option agreement (note 7(b)(ii))	-	-	(1,297,660)	-	-	-	-	-	(1,297,660)	-
	2,033,980	585,064	(1,259,757)	27,207	308,717	469,979	390,235	31,174	2,586,599	4,016,959
Balance, end of period	24,938,311	14,768,533	5,324,013	1,062,471	4,223,809	3,129,259	914,286	190,543	54,551,224	51,964,625

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

7. MINERAL PROPERTIES (continued)

(a) Copperstone

The Corporation is 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 was for a 10 year term starting June 12, 1995 and was renewed for a further ten years on and from June 12, 2005. The lease is renewable 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 with the royalty increasing to 6 per cent if the price of gold increases to over US\$551 per ounce. The Corporation pays a minimum advance royalty per year of US\$30,000.

In September 2000, the Corporation entered into an agreement (the Copperstone D-Zone Joint Venture, as amended) 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.

During 2001, Phase One was completed and the Corporation earned an accumulated 60% 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. During 2002, the Corporation paid US\$345,000 to CDC in accordance with the above agreement and recorded US \$180,000 as a contingent liability in accounts payable to reflect on estimated CDC payroll tax liability. In July 2007, the payroll tax liability was paid. The Corporation is required to pay \$70,000 from initial proceeds from extraction and a Net Smelter royalty of three percent to CDC from the first 50,000 tonnes of mineralized material extracted from the D-Zone.

During 2002, the Corporation entered into a 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 as of December 31, 2007 and the claims held are in good standing until August 2008.

(b) Taurus and Fairstar mineral interests

Taurus and Fairstar were engaged in the acquisition, exploration and development of high-grade precious metals properties located in Canada. Taurus' principal projects interests are located in Quebec, Ontario and British Columbia and are summarized as follows:

(i) Fenelon Project, Quebec

The Fenelon property, located in the Province of Quebec, approximately 30 kilometers east of the Corporation's Martiniere gold property, consists of 454 mining claims totaling 17,830 acres. The Corporation acquired its 38% interest in the Fenelon project and an option to acquire the remaining 62% interest as a result of the Arrangement in 2005. Pursuant to a 1998 agreement between Cyprus Canada Inc. (Cyprus) and International Taurus Resources Inc. (Taurus) and amended in 2000, Taurus was required to pay certain consideration to exercise its option to acquire Cyprus's 62% ownership interests in the Fenelon Property and the Casa Berardi portfolio of properties (Martiniere, Northway and La Peltrie properties), which are described below in note 7(b)(iii). The remaining consideration included 2,027,579 common shares of Taurus, which were issued in previous periods, and three installments of US\$150,000 (total US\$450,000), with the first installment to be paid upon commencement of commercial production on any one of the properties and the remaining installments to be made six and twelve months thereafter.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

7. MINERAL PROPERTIES (continued)

(b)(i) Fenelon Project, Quebec (continued)

As at December 31, 2007, the remaining installments totaling US\$450,000 are required to be paid in order to exercise the Corporation's option to acquire Cyprus's 62% ownership in the Fenelon property and Cyprus's interest in the Casa Berardi portfolio of properties. Cyprus will maintain a net smelter return royalty to a maximum of 2% and minimum of 1% in certain conditions on commercial production attributable to Taurus.

Upon making the final US\$150,000 installment, the Corporation will own a 100% interest in the Fenelon property and Casa Berardi portfolio of properties subject only to the right of Cyprus to receive the net smelter return royalty.

A NSR royalty of 2% is also payable from production on the Fenelon property to Morrison Petroleum Limited. In addition, a 2% net profit royalty interest in the Fenelon project is payable to Stonegate Management Limited.

(b)(ii) Taurus Gold Project, British Columbia

The Corporation holds a 100% interest in the Taurus gold property which covers 800 hectares and is located near the town of Cassiar, in northwestern British Columbia. The Taurus Project consists of 46 mining claims. Ten claim units are subject to a 2.5% net smelter royalty payable to Sable Resources Ltd.

On June 22, 2007 the Corporation entered into an option agreement with Cusac for Cusac to acquire the Taurus Project from the Company for total cash consideration of up to \$11,000,000 plus up to 3,000,000 common shares of Cusac.

In the event that Cusac completes all cash payments within 12 months of regulatory approval, the total purchase price will be capped at \$6,000,000 in cash payments, 1,500,000 common shares of Cusac and \$3,000,000 upon the earlier receipt of a Bankable Feasibility Study and the commencement of commercial production.

Alternatively, Cusac can elect to make total cash payments of \$6,000,000 over a two year period, issue 3,000,000 common shares of Cusac over a two year period, and make a further cash payment of \$3,000,000 payable within 60 days of the earlier of Cusac receiving a Bankable Feasibility Study to place the Taurus project into commercial production and the date the property is placed into commercial production.

If gold prices trade at or above US\$800 for a period of 100 consecutive trading days during this two year period, the cash payment under this latter alternative will be increased by \$2,000,000 with \$1,000,000 being added to the cash consideration and a further payment of \$1,000,000 upon receipt of a Bankable Feasibility Study or commencement of commercial production, whichever is earlier.

On June 22, 2007, the Corporation received its first instalment of 1,500,000 common shares from Cusac (note 6) and on December 22, 2007, the Corporation received the \$1,000,000 option payment from Cusac as per the Agreement.

On December 19, 2007 Cusac and Hawthorne Gold Corp. (Hawthorne) entered into a definitive merger agreement entitling holders of Cusac common shares to receive one common share of Hawthorne in exchange for each 19 common shares of Cusac. The Company, Cusac and Hawthorne also entered into an option assignment and amending agreement (the Agreement) whereby Cusac intends to assign to Hawthorne all its rights to the option to acquire the 46 mineral claims of the Taurus Gold property near Cassiar from the Corporation. The assigned agreement amends the terms of the original option agreement and requires Hawthorne to pay \$6 million over two years, consisting of \$1 million by December 22, 2007 (paid), \$2 million by June 22, 2008, \$1.5 million by June 22, 2009 and \$1.5 million by December 22, 2009. A further \$3 million is payable upon completion of a positive feasibility study recommending production, or production, whichever comes first. Pursuant to the Agreement, Hawthorne is required to issue 250,000 common shares to the Corporation on or before December 22, 2008. The Corporation agreed to the removal of the \$2 million bonus payment which would have been payable if the price of gold closes above US \$800 per ounce for a period of 100 consecutive days. The merger agreement is expected to be completed subsequent to March 31, 2008 if all conditions to the merger are satisfied.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

7. MINERAL PROPERTIES (continued)

(b)(iii) Casa Berardi Exploration Portfolio, Quebec

Pursuant to the Option Agreement, as amended by an agreement dated May 1, 2000, between Taurus and Cyprus (note 7(b)(i)), Cyprus granted to Taurus the right to explore certain mineral properties and granted to Taurus an option to purchase all of Cyprus' interest in Cyprus' entire Casa Berardi exploration portfolio in the province of Quebec, Canada (the Cyprus Properties). The Taurus exploration portfolio now comprises four properties: the Fenelon Project, Martiniere "D", Northway and La Peltrie located within the Casa Berardi sector of the Abitibi Greenstone belt.

To earn all of Cyprus' 100% interest in all of the Cyprus Properties, Taurus must make the cumulative combined payments of US\$450,000, commencing on commercial production, which are described above under note 7(b)(i). Once these payments are made, Cyprus will relinquish all of its rights in respect of all of the properties in exchange for a minimum 1% NSR royalty from certain properties having an underlying royalty and a maximum 2% NSR royalty on those properties not subject to other royalty burdens.

The Martiniere property is located 600 kilometers northwest of Montreal and consists of 226 unpatented crown mining claims covering approximately 3,000 hectares, which are subject to a 2% Net Smelter Return royalty. The Corporation's Fenelon project is 30 kilometers to the east. The Corporation's option with Cyprus is for a 100% interest in this property.

The Northway project is located in Quebec, 25 kilometers south of Matagami and 530 kilometers northwest of Montreal. The property consists of two contiguous claim blocks: the 113-claim, 1,600 hectare block and the contiguous 114 claim, 2,000 hectare Noyon block. The Corporation's option with Cyprus is for a 75% interest in this property with a 25% interest remaining in the hands of Caspian Energy Inc. On the Northway block, there is a 2% Net Smelter Return royalty, which may be bought out entirely.

During 2006, the Corporation entered into an agreement to acquire the remaining 25% interest of the Northway property from Caspian Energy Inc. in exchange for cash totalling \$150,000. As of December 31, 2007 the Corporation had paid the final \$75,000 instalment and received the 25% interest.

Effective November 15, 2007, the Corporation entered into an agreement with Agnico-Eagle Mines Limited (Agnico-Eagle) for the joint exploration and development of the Corporation's Northway property and Agnico-Eagle's Veza property.

The agreement provides that the Corporation will grant Agnico-Eagle the option to acquire a 70% interest in the Northway property. To exercise the option, Agnico-Eagle must incur \$1,699,500 in exploration expenditures on the Northway property over a three year period ending November 15, 2010 and must assign a 30% interest in the Veza property to the Corporation. After exercise of the option, the combined Northway and Veza properties will be operated on a joint venture basis with the Corporation initially holding a 30% interest in the joint venture. Agnico-Eagle will be the operator during the initial option period and under the joint venture for an operator's fee.

The Corporation has agreed to fund \$160,500 in exploration expenditures on the Norway project during the first year of the Agnico-Eagle option, and a total of \$555,000 during the remaining two years. Failure by the Corporation to contribute the required expenditures in the following two years will result in the dilution of its ownership interest percentage in both the Veza and the Northway properties upon exercise of the option by Agnico-Eagle, who has agreed to fund \$374,500 towards the first year expenditures. If Agnico-Eagle fails to contribute their projected expenditures, they will not acquire any interest in the Northway property and each party will recover their original 100% interest in their respective properties.

After the exercise of the option, Agnico-Eagle will have the right to increase its interest in the property by a further 10% by solely financing expenditures required to complete a feasibility study on the property. Should either party be diluted to less than a 10% interest in the properties, their interest will be converted to a 1% net smelter return royalty, of which up to one half may be purchased for \$1,000,000.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

7. MINERAL PROPERTIES (continued)

(b)(iv) Northshore Project, Ontario

The Northshore gold property is 100% owned by the Corporation and comprises 550 acres of patented mining claims, situated in Priske Township, Ontario. A NSR royalty ranging from 2% to a maximum of 5% is payable, increasing with gold production in excess of one million ounces. No expenditures, other than the payment of taxes, are required to maintain the property.

(c) Pamlico and Gold Bar

Through the acquisition in 2000 of Bonanza Gold Inc. and its wholly-owned subsidiary, Bonanza Explorations Inc., the Corporation purchased, or controlled by option, a number of exploration projects in the State of Nevada, United States. The primary projects consisted of the Pamlico and Gold Bar properties.

The Pamlico property is located in Mineral County, 15 kilometers from Hawthorne, Nevada. In November 2005, the Corporation determined that cash resources were required for other active exploration projects and as a result elected not to make a final property payment of US\$425,000 and returned the Pamlico project to the property vendor for nil consideration and recognized a write-down of deferred mineral property expenditures of \$1,742,720.

The Gold Bar property is located in Eureka County, 50 kilometers northwest of Eureka, Nevada. Gold Bar is subject to a 2 percent net smelter royalty capped at US\$1,000,000 on future production. All required payments were made with respect to the Gold Bar project as of December 31, 2007 and the claims held are in good standing until August 2008.

Northern Canadian Minerals Inc. holds a 5% interest in the Gold Bar property subject to certain dilution provisions.

(d) Other

The Oatman property is located in Mohave County in Northwest Arizona and covers 600 hectares acquired through the staking of 67 unpatented mining claims in November, 2003.

The Belmont property is located in the Belmont Mining District of Nevada in Nye County, about 40 miles north of Tonopah, in the Walker Lane Mineral Belt. The Corporation acquired the property covering 200 hectares through the staking of 23 unpatented mining claims in February 2004.

The Hassayampa property is located in Yavapai County, central Arizona. The Corporation acquired the property covering 600 hectares through the staking of 73 unpatented mining claims in February, 2004. The Hassayampa project lies within the Black Rock Mining District.

The Vulture Property is located in Maricopa County, central Arizona. The Corporation acquired the property covering 500 hectares through the staking of 61 claims in July, 2004.

During the year ended December 31, 2006, the Corporation wrote-off the carrying value of the Oatman property and its Socorro property totalling \$79,283 as no exploration activity has occurred on these properties in over three years. This write-down is required to comply with existing accounting guidelines.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

8. SHARE CAPITAL

Authorized

The Corporation is authorized to issue an unlimited number of common shares and an unlimited number of Class A Preferred Shares without par value. No Class A Preferred Shares have been issued.

Issued

	Number of Common Shares	Amount \$
Balance, December 31, 2004	47,071,088	42,501,881
Shares issued for:		
Shares issued on acquisition of Taurus (note 2)	20,759,837	17,438,264
Shares issued on acquisition of Fairstar's mineral interests (note 2)	6,500,000	5,460,000
Shares issued on loan repayment	1,224,551	440,838
Private placement	9,762,000	4,392,900
Share issue costs	-	(425,114)
Elimination of accumulated deficit (see below)	-	(18,683,952)
Balance, December 31, 2005	85,317,476	51,124,817
Shares issued for:		
Private placements	14,800,000	8,140,000
Share subscription received	500,000	300,000
Warrant exercise	11,500	6,440
Share issue costs on flow-through renunciation (see below)	-	(943,803)
Share issue costs	-	(672,751)
Balance, December 31, 2006	100,628,976	57,954,703
Shares issued for:		
Share issue costs on flow-through renunciation (see below)	-	(681,978)
Private placement	15,034,000	3,006,800
Share issue cost	-	(191,611)
Balance, December 31, 2007	115,662,976	60,087,914

During the year ended December 31, 2005, the Company reduced its share capital by \$18,683,952 to eliminate its accumulated deficit at closing of the Arrangement (note 2).

On August 5, 2005, the Corporation completed a private placement consisting of 8,174,000 common shares which were designated as flow through shares at a price of \$0.45 per flow through share totaling \$3,678,300 and 1,588,000 non-flow through units at a price of \$0.45 per unit totaling \$714,600. Each unit consisted of one common share of the Corporation and one half of one common share purchase warrant. Each whole warrant may be exercised to acquire a further common share at \$0.56 per share until February 5, 2008.

Desjardins Securities Inc. and Canaccord Capital Corporation (the "Agents") received a cash commission equal to 7 percent of the proceeds of the offering. The Agents also received warrants (the "Agent's Warrants") to acquire such number of common shares as is equal to 7 percent of the number of flow through shares totaling 572,180 warrants and 7 percent of the number of non-flow through units sold totaling 166,740 warrants. Each Agent's Warrant was exercisable until August 5, 2007, at a price of \$0.45 per common share, as applicable.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

8. SHARE CAPITAL (continued)

On December 29, 2005 the Corporation entered into a non-brokered private placement with Northern Precious Metals 2005 Limited Partnership pursuant to which it has agreed to issue 500,000 flow-through common shares at \$0.60 per share for total proceeds of \$300,000. The securities issued in connection with the private placement were issued on January 18, 2006. The proceeds were fully collected in 2006.

During the first quarter of 2006, exploration expenditures relating to flow-through shares totalling \$3,978,300 were renounced and as a result the Corporation no longer has the ability to deduct these expenditures for tax purposes. The Corporation recorded a future income tax liability of \$943,803 which is equal to the amount renounced times the corporate tax rate when the expenditures were renounced, with the offset charged to share issue costs.

On May 31, 2006 the Corporation completed a private placement of flow-through shares and units with Dundee Securities Corporation and Haywood Securities Inc. (the Agents) in the amount of \$8,140,000. The private placement consisted of 7,400,000 flow-through shares at a price of \$0.55 per share, for gross proceeds of \$4,070,000, and 7,400,000 units at a price of \$0.55 per unit, for gross proceeds of \$4,070,000. Each unit is comprised of one common share and one half of one common share purchase warrant with each full warrant entitling the holder to acquire one common share at a price of \$0.65 up to November 30, 2007.

The Agents were paid a cash fee equal to 7.0% of the total gross proceeds raised in the private placement. In addition, the Agents received compensation warrants exercisable for 1,036,000 non-flow-through common shares of the Corporation equal in number to 7.0% of the number of flow-through shares and units sold under the private placement. The compensation warrants were exercisable at a price of \$0.65 per share up to November 30, 2007.

During the first quarter of 2007, exploration expenditures relating to flow-through shares totalling \$4,070,000 were renounced and as a result the Corporation no longer has the ability to use these expenditures for tax purposes. The Corporation recorded a future income tax liability of \$681,978 which is equal to the amount renounced times the corporate tax rate when the expenditures were renounced, with the offset charged to share issue costs.

On December 19, 2007 the Corporation completed a private placement of 3,267,000 units through Dundee Securities Corporation (the Agent), and 1,750,000 units on a non-brokered basis, at a price of \$0.40 per unit for gross proceeds of \$2,006,800. Each unit consists of two common shares, one which was designated as a "flow-through share" for the purposes of the Income Tax Act (Canada) and one which was not designated as a flow through share, and one half of one transferable common share purchase warrant, with each full warrant entitling the holder to acquire one common share at a price of \$0.30 per share until June 19, 2009.

The Agent was paid a cash fee of equal to 8% of the proceeds raised pursuant to the brokered portion of the financing. In addition, the Agent received warrants exercisable to purchase 522,720 common shares of the Corporation at a price of \$0.30 per share until June 19, 2009. Using the Black-Schole valuation model, a value of \$33,100 was assigned to the 522,720 share purchase warrants with a weighted average price of \$0.06 per warrant, 1.5 year expected life, 63% volatility and 3.87% risk free rate. No commission was paid on the non-brokered portion of the financing.

All securities issued in connection with the private placement are subject to four month hold period expiring April 19, 2008. The proceeds from this financing will be used primarily to fund ongoing exploration at the Corporation's Copperstone project in Arizona, USA and at its projects in Quebec and Ontario, and for general working capital.

On December 31, 2007, the Corporation entered into a non-brokered private placement and received total proceeds of \$1,000,000 to which it has agreed to issue 2,500,000 units with the same term as the December 19, 2007 financing.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

8. SHARE CAPITAL (continued)

Options

The Corporation grants incentive stock options as permitted pursuant to the Corporation's Stock Option Plan (the Plan) approved by the shareholders. The Plan has been structured to comply with the rules of the Toronto Stock Exchange (TSX). 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. All options may not be granted for a term exceeding 5 years, and the term will be reduced to one year following the date of death. If the Optionee ceases to be qualified to receive options from the Corporation those options shall immediately terminate.

As at December 31, 2007, the Corporation has stock options outstanding to acquire an aggregate of 9,202,500 common shares to directors, officers, employees and consultants exercisable at between \$0.22 and \$1.68 per share exercisable at varying times up until November 6, 2012.

	Number of Options	Weighted average exercise price
Balance, December 31, 2004	4,127,500	\$1.12
Options issued on acquisition (note 2)	820,000	\$1.22
Expired	(430,000)	\$0.60
Cancelled	(482,500)	\$1.35
Granted	2,965,000	\$0.43
Balance, December 31, 2005	7,000,000	\$0.86
Cancelled	(725,000)	\$0.97
Granted	3,055,000	\$0.59
Balance, December 31, 2006	9,330,000	\$0.78
Expired	(1,165,000)	\$0.56
Cancelled	(2,312,500)	\$0.71
Granted	3,350,000	\$0.24
Balance, December 31, 2007	9,202,500	\$0.61

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

8. SHARE CAPITAL (continued)

Options (continued)

The following table summarizes stock options outstanding and exercisable at December 31, 2007:

Number of Options	Exercise Price	Expiry Date
287,500	\$1.24	February 24, 2008
40,000	\$1.10	April 30, 2008
62,500	\$1.16	May 9, 2008
1,212,500	\$1.68	October 27, 2008
70,000	\$1.50	January 8, 2009
25,000	\$1.20	May 17, 2009
60,000	\$1.15	October 25, 2009
1,690,000	\$0.43	May 5, 2010
450,000	\$0.45	July 14, 2010
50,000	\$0.50	September 26, 2010
530,000	\$0.71	January 31, 2011
1,200,000	\$0.55	June 20, 2011
200,000	\$0.40	September 1, 2011
50,000	\$0.50	September 10, 2011
175,000	\$0.40	October 17, 2011
600,000	\$0.30	April 30, 2012
2,500,000	\$0.22	November 6, 2012
9,202,500		

During the twelve months ended December 31, 2007, under the fair value based method, \$459,800 (2006 - \$748,300; 2005 - \$733,248) in compensation expense was recorded for options granted to employees and non-employees and charged to operations.

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

	2007	2006	2005
Risk free interest rate	4.55%	4.20%	3.50%
Expected dividend yield	0%	0%	0%
Stock price volatility	79%	85%	104%
Expected life of options	4.1 years	4.3 years	5.0 years

The weighted average fair value of options granted during the twelve months ended December 31, 2007 was \$0.15 (2006 - \$0.27; 2005 - \$0.43).

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

8. SHARE CAPITAL (continued)

Warrants

At December 31, 2007, the Corporation has outstanding common share purchase warrants (warrants) to acquire an aggregate of 9,855,300 common shares outstanding.

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance, December 31, 2004	7,605,416	1.24
Warrants issued on acquisition (note 2)	4,116,335	1.52
Warrants issued on financing	1,532,920	0.51
Expired	(5,578,885)	1.22
Balance, December 31, 2005	7,675,786	1.27
Exercised	(11,500)	0.56
Expired	(5,542,866)	1.45
Warrants issued on financing	4,736,000	0.65
Balance, December 31, 2006	6,857,420	0.69
Expired	(1,283,340)	0.94
Warrants issued on financing	4,281,220	0.30
Balance, December 31, 2007	9,855,300	0.32

The following table summarizes warrants outstanding and exercisable at December 31, 2007:

Number of warrants	Exercise Price	Expiry Date
4,736,000	\$0.30	June 2, 2008
838,080	\$0.56	February 5, 2008
3,031,220	\$0.30	June 19, 2009
1,250,000	\$0.30	June 30, 2009
9,855,300		

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

8. SHARE CAPITAL (continued)

Warrants (continued)

In November 2007, upon TSX approval, 4,736,000 share purchase warrants were re-priced from \$0.65 to \$0.30 and the expiry date were extended from November 30, 2007 to June 2, 2008.

Contributed Surplus

The following summarizes contributed surplus activity:

	<u>2007</u>
	\$
Balance, December 31, 2004	3,328,077
Option and warrant consideration on acquisition (note 2)	592,719
Extension of warrant term on Stonegate loan settlement	48,728
Stock-based compensation	733,248
Balance, December 31, 2005	4,702,772
Stock-based compensation	748,300
Balance, December 31, 2006	5,451,072
Valuation of agent compensation warrants	33,100
Stock-based compensation	459,800
Balance, December 31, 2007	5,943,972

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

	<u>2007</u>
	\$
Opening balance on adoption of new accounting standard on January 1, 2007:	
- Unrealized gain on available-for-sale marketable securities	12,300
- Foreign currency translation adjustment	43,031
Other comprehensive loss for the period - unrealized loss on available-for-sale securities	(154,642)
Accumulated other comprehensive loss at December 31, 2007	(99,311)

The components of other comprehensive income are:

	December 31,	On adoption	December 31,
	2007	January 1, 2007	2006 (note 3)
	\$	(note 3)	\$
	\$	\$	\$
Currency translation adjustment	43,031	43,031	43,031
Unrealized gains on Northern Canadian Resources	19,500	12,300	-
Unrealized loss on Cusac	(161,842)	-	-
	(99,311)	55,331	43,031

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

10. GENERAL AND ADMINISTRATIVE EXPENSES

	2007	2006	2005
	\$	\$	\$
Management fees, consulting and salaries	390,901	394,911	555,344
Office and administration	123,878	43,707	93,546
Legal and accounting	169,582	141,432	188,643
Insurance	83,631	97,033	93,228
Public company expenses	278,386	402,559	357,963
	1,046,378	1,079,642	1,288,724

11. LEASE OBLIGATION

The Corporation is committed under lease agreements expiring May 31, 2010 for office premises in Vancouver in the amount of \$47,220 per year and for office premises in Reno in the amount of \$26,900 per year.

The Corporation's lease obligation to The Patch Living Trust on the Copperstone mineral property is disclosed in note 7(a).

12. RELATED PARTY TRANSACTIONS

- (a) The Corporation shares certain premises and facilities with companies which have certain directors in common, under cost-sharing arrangements. During 2007 the Corporation recovered management and consulting fees of \$131,667 (2006 - \$74,120; 2005 - nil) and general and administration expenses of \$78,333 (2006 - \$87,500; 2005 - nil) from these companies.
- (b) As at December 31, 2007, there were \$21,703 (2006 - \$3,291) accounts receivable due from companies with certain directors in common.

13. ASSET RETIREMENT OBLIGATION

The Corporation's asset retirement obligations consist of reclamation and closure costs. The present value of obligations relating to explorations projects reflecting payments for approximately the next 8 years. Significant reclamation and closure activities include land rehabilitation, demolition of buildings and ongoing care and maintenance and other costs.

The liability for reclamation and closure cost obligations at December 31, 2007 is \$32,816 (2006 - \$31,179). The undiscounted value of this liability is \$45,000 (2006 - \$45,000). An accretion expense component of \$1,637 (2006 - \$1,555) has been charged to operations in 2007 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 5.25%.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

14. INCOME TAXES

(a) Effective tax rate:

The effective income tax rates differ from Canadian statutory rates for the following reasons in 2007 and 2006:

	<u>2007</u>	<u>2006</u>
	\$	\$
Combined federal and provincial tax rates at the expected rate of 34.12% (2006 - 34.15%)	(540,512)	(815,633)
Permanent differences	260,676	172,119
Change in valuation allowance	(489,026)	(340,086)
Future tax recovery resulting from reduction in statutory rate and expiry of loss carry-forward and other	131,168	333,823
	<u>(637,694)</u>	<u>(649,777)</u>
Recovery of income taxes	(637,694)	(649,777)

The Corporation has Canadian tax loss carry forwards of approximately \$7.6 million. The non-capital losses can offset future income for tax purposes which expire between 2008 and 2027. In addition, the Corporation has approximately \$50.6 million of resource pools in Canada and \$1.7 million in the United States, which can be utilized to be deducted against future resource profits.

The income tax expenses for the years ending December 31, 2007, 2006 and 2005 are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$
Current	-	-	-
Future tax recovery (expense)	<u>637,694</u>	<u>649,777</u>	<u>(84,965)</u>
	637,694	649,777	(84,965)

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

	<u>2007</u>	<u>2006</u>
	\$	\$
Future income tax assets:		
Tax loss carry forwards	2,977,000	2,562,000
Book and tax base differences on resource properties	2,196,000	2,105,000
Share Issue costs	59,000	322,000
Book and tax base differences on office equipment	31,000	44,000
	<u>5,263,000</u>	5,033,000
Valuation allowance	<u>(2,476,757)</u>	(1,987,104)
Future income tax assets	2,786,243	3,045,896
Future tax liabilities:		
Mineral properties	<u>(3,983,618)</u>	(4,198,987)
Net future income tax liabilities	<u>(1,197,375)</u>	(1,153,091)

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). A description of US GAAP and practices prescribed by the US Securities and Exchange Commission (SEC) that result in material measurement differences from Canadian GAAP are as follows:

(a) Mineral properties and deferred exploration costs

US GAAP requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Corporation is to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. SEC staff has indicated that their interpretation of US GAAP requires mineral property exploration and land use costs to be expensed as incurred until commercially mineable deposits are determined to exist within a particular property as cash flows cannot be reasonably estimated prior to such determination. Accordingly, for all periods presented, the Corporation has expensed all mineral property exploration and land use costs for US GAAP purposes. The costs remaining for US GAAP purposes relate to mineral property acquisition costs.

For Canadian GAAP, cash flows relating to mineral property costs are reported as investing activities. For US GAAP, these costs would be characterized as operating activities.

(b) Stock-based compensation

As permitted by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), the Corporation continued to measure compensation costs using the intrinsic value based method for US GAAP purposes of accounting for employee stock-based compensation as prescribed by APB Opinion No. 25 and related interpretations until January 1, 2005. Under the intrinsic value method, compensation cost is the excess, if any, of the quoted market value of the stock at the date of the granting of options to employees and directors to purchase stock over the amount an optionee must pay to acquire the stock at that date. This excess is recognized by a charge to operations over the vesting period. As the exercise price of options granted by the Corporation to employees and directors is equal to or is greater than, the market value at the grant date, the Corporation has determined that the application of this accounting policy for stock options granted to employees and directors resulted in no compensation expense for US GAAP purposes for any of the periods presented.

The Corporation adopted the fair value based method of accounting for employee stock-based compensation under US GAAP effective January 1, 2005 using the modified prospective transition method. Under this method, the Company recognized employee stock-based compensation beginning January 1, 2005 as if the fair value method had been used for all employee awards granted, modified, or settled in fiscal years beginning after December 15, 1994. Results of prior years were not restated and no cumulative adjustment was required upon adoption.

In accordance with one of the transitional options permitted under amended CICA Handbook Section 3870, during the year ended December 31, 2004 the Corporation adopted and retroactively applied the fair value based method under Canadian GAAP for employee and director stock options granted on or after January 1, 2002, without restatement. The effect of retroactively adopting the fair value based method, without restatement, under Canadian GAAP was to increase the deficit and contributed surplus by \$2,874,967 as at January 1, 2004. For US GAAP purposes, no adjustment would be made as the Corporation continued to follow the intrinsic value method until January 1, 2005.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(b) Stock-based compensation (continued)

Under SFAS 123, stock options granted to non-employees for services rendered to the Corporation are required to be accounted for using the fair value method as compensation cost and charged to operations as the services are performed and the options are earned. This method is similar to the Canadian standard adopted as of January 1, 2002 for awards granted on or after January 1, 2002.

Effective January 1, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 123R, *Share Based Payment* for all employee equity classified awards granted, modified or settled after the effective date using the fair value measurement method of this standard. For unvested awards outstanding as of the effective date, compensation is recognized based upon the grant date fair value determined under SFAS 123. Upon adoption of SFAS 123R, there was no cumulative effect adjustment required and no differences existed in accounting for stock-based compensation between Canadian and US GAAP in 2006 and 2007.

(c) Unrealized holding gains and losses on marketable securities

Statement of Financial Accounting Standards Board No. 115, *Accounting for Investments in Debt and Equity Securities* (SFAS 115) requires that the Corporation's marketable securities be classified as available-for-sale securities and that they be recorded at market value with unrealized gains or losses recorded outside of income as a component of shareholders' equity unless a decline in value is considered to be other than temporary. The Corporation's marketable securities are presented at lower of cost or market value before January 1, 2007 under Canadian GAAP. Upon adoption of CICA Handbook Section 3855 on January 1, 2007 (note 3), there are no ongoing differences between Canadian and US GAAP in the accounting for marketable securities.

(d) Reporting comprehensive income

Statement of Financial Accounting Standards No. 130 (SFAS 130) *Reporting Comprehensive Income*, establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Comprehensive income equals net income (loss) for the year as adjusted for all other non-owner changes in shareholders' equity. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement. For the years ended December 31, 2007, 2006 and 2005, comprehensive loss equals the loss for the year. Upon adoption of CICA Handbook Section 1530 on January 1, 2007 (note 3), there are no ongoing differences between Canadian and US GAAP in reporting and displaying comprehensive income.

(e) Development stage company

Pursuant to US GAAP, the Corporation would be subject to the disclosure requirements applicable to a development stage enterprise as the Corporation is devoting its efforts to establishing commercially viable mineral properties. However, the identification of the Corporation as such for accounting purposes does not impact the measurement principles applied to these financial statements.

(f) Consolidated statements of cash flows

The Corporation has included a subtotal in cash flows from operating activities. Under US GAAP, no such subtotal would be disclosed.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(g) Elimination of accumulated deficit

During the year ended December 31, 2005, the Corporation reduced its share capital by \$18,683,952 to eliminate its accumulated deficit at closing of the Arrangement (note 8).

As it was not necessary to revalue the assets of the Corporation in order to effect this reduction, all conditions necessary under US GAAP quasi-reorganization rules were not met and the recapitalization of the deficit is not recorded.

(h) Income taxes

Under Canadian GAAP, future tax assets and liabilities recorded at substantively enacted tax rates. Under US GAAP, deferred tax assets and liabilities are recorded at enacted tax rates. There were no significant differences between enacted and substantively enacted tax rates for the information presented.

(i) Flow-through equity financings

Under Canadian income tax legislation, a corporation is permitted to issue shares whereby the corporation agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation has accounted for the issue of flow-through shares by reducing shareholders' equity and recognizing a future income tax liability for the amount of tax credit renounced to the investors, in accordance with Canadian GAAP.

For US GAAP, the amount received by the Corporation on the issuance of flow-through shares in excess of the fair value of common shares is required to be credited to liabilities and included in operations when the Corporation renounces the qualified expenditures. As at December 31, 2007, total flow-through share fair value premiums were \$50,170 (2006 - \$2,217,826; 2005 - \$1,724,000) which relates to \$4,070,000 qualified expenditures renounced in 2007 (2006 - \$540,000; 2005 - nil) and, therefore, \$50,170 would remain in liabilities at December 31, 2007 (2006 - \$1,184,000; 2005 - nil) under US GAAP.

Also, notwithstanding there is no specific contractual restrictions or requirements to segregate the funds received for the flow-through shares, funds that are unexpended at the consolidated balance sheet dates are considered to be restricted funds and are not considered to be cash or cash equivalents under the SEC staff interpretation of US GAAP. Such amounts would be required to be disclosed separately in a consolidated balance sheet prepared in accordance with US GAAP. As at December 31, 2007, unexpended flow-through funds were \$1,271,275 (2006 - \$2,960,528; 2005 - \$3,230,385).

(j) Unit offerings

Under Canadian GAAP, the proceeds received on issuance of units, consisting of common shares and warrants, are not required to be allocated to the individual common share and warrant components when the instruments and its components are all determined to be equity instruments. Under US GAAP, the Company is required to allocate the proceeds received on unit offerings to the individual common share and warrant components on a relative fair value basis when both components are determined to be equity classified. The fair value of the share purchase warrants was determined using the Black-Scholes method based on the following factors:

	<u>2007</u>	<u>2006</u>
Risk-free interest rate	3.75%	4.18%
Expected dividend yield	0%	0%
Stock price volatility	50.5%	87.0%
Expected life of options	1.5 years	1.5 years

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(j) Unit offerings (continued)

The weighted average fair value of warrants granted during the year ended December 31, 2007 was \$0.02 (2006 - \$0.12) per warrant.

Under US GAAP, share capital would be reduced and contributed surplus would be increased by \$75,170 at December 31, 2007 (2006 - \$862,953) respectively, to reflect the relative fair values of the shares and warrants.

(k) Recent adopted accounting standards

(i) In June 2006, FASB issued Financial Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An Interpretation of SFAS Statement No. 109. This interpretation provides guidance on recognition and measurement of uncertainties in income taxes and is effective for the Corporation's 2007 fiscal year end. The adoption of this Interpretation did not have a significant effect on the Corporation's results of operations or financial position.

(ii) In September 2006, FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R). This statement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes that occur in the funded status in the year in which they occur. Employers will also be required to measure plan assets and benefit obligations as of fiscal year end. The requirement to measure plan assets and benefit obligations as of the balance-sheet date is applicable for all entities for fiscal years ending after December 15, 2008. The adoption of this standard did not have a significant effect on the Corporation's results of operations or financial position.

(l) Impact of recently issued accounting standards

(i) In September 2006, FASB issued SFAS No. 157, Fair Value Measurement to define fair value, establish a framework for determining fair value measurements that are already required or permitted under current accounting standards and to expand disclosures about fair value measurements. The statement only applies to fair value and is effective for fiscal years beginning after November 15, 2007. The Corporation does not expect the adoption of this Interpretation to have a significant effect on the Corporation's results of operations or financial position.

(ii) In February, 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities the option to measure financial instruments at fair value (fair value option) thereby achieving an offsetting effect for accounting purposes for certain changes in fair value of certain related assets and liabilities without having to apply hedge accounting. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Retrospective application to fiscal years preceding the effective date (or early adoption date) is prohibited. The Corporation does not expect the adoption of this Interpretation to have a significant effect on the Corporation's results of operations or financial position.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(i) Impact of recently issued accounting standards (continued)

- (iii) In December 2007, the FASB issued SFAS 160, a standard on accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. This statement specifies that non-controlling interests are to be treated as a separate component of equity, with increases and decreases in the parent's ownership interest as capital transactions. This standard requires net income and comprehensive income to be displayed for both the controlling and the non-controlling interests. Additional required disclosures and reconciliations include a separate schedule that shows the effects of any transactions with the non-controlling interests on the equity attributable to the controlling interest.

The statement is effective for periods beginning on or after December 15, 2008 and is to be applied prospectively to all non-controlling interests, including any that arose before the effective date. The Corporation does not expect the adoption of this Interpretation to have a significant effect on the Corporation's results of operations or financial position.

- (iv) In December 2007, the FASB issued a revised standard on accounting for business combinations SFAS 141(R).

The major changes to accounting for business combinations are summarized as follows:

- all business acquisitions would be measured at fair value
- most acquisition-related costs would be recognized as expenses as incurred (they would no longer be part of the purchase consideration)
- non-controlling interests would be measured at fair value at the date of acquisition (i.e., 100% of the assets and liabilities would be measured at fair value even when an acquisition is less than 100%)
- goodwill, if any, arising on a business combination reflects the excess of the fair value of the acquiree, as a whole, over the net amount of the recognized identifiable assets acquired and liabilities assumed. Goodwill is allocated to the acquirer and the non-controlling interest

The statement is effective for business combination transactions occurring in periods beginning on or after December 15, 2008. The Corporation not expect the adoption of this Interpretation to have a significant effect on the Corporation's results of operations or financial position.

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(m) Reconciliation

The effect of the above measurement differences between Canadian GAAP and US GAAP (including practices prescribed by the SEC) on the consolidated balance sheets and statements of loss and deficit and cash flows is summarized as follows:

(i) Assets

	2007	2006
	\$	\$
Total assets, under Canadian GAAP	60,963,361	59,751,226
Adjustment for mineral properties land use and deferred exploration costs (note 15(a))	(25,954,161)	(23,367,562)
Total assets, under US GAAP	35,009,200	36,383,664

(ii) Liabilities

	2007	2006
	\$	\$
Total liabilities, under Canadian GAAP	1,626,804	1,951,981
Adjustment for flow-through shares (note 15(i))	50,170	1,184,000
Adjustment for income taxes related to mineral properties (note 15(a)) and flow-through shares (note 15(i))	(868,721)	(294,026)
Liabilities, under US GAAP	808,253	2,841,955

(iii) Deficit

	2007	2006
	\$	\$
Deficit, under Canadian GAAP	(6,596,018)	(5,649,561)
Adjustment for mineral properties land use and deferred exploration costs (note 15(a))	(25,954,161)	(23,367,562)
Stock-based compensation (note 15(b))	2,874,967	2,874,967
Elimination of accumulated deficit (note 15(g))	(18,683,952)	(18,683,952)
Adjustment for flow-through shares (note 15(i))	966,940	(109,777)
Deficit, under US GAAP	(47,392,224)	(44,935,885)

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(m) Reconciliation (continued)

(iv) Share capital

	2007	2006
	\$	\$
Share capital, under Canadian GAAP	60,087,914	57,954,703
Elimination of share capital on deficit elimination (note 15(g))	18,683,952	18,683,952
Adjustment for flow-through shares (note 15(i))	(148,389)	(780,197)
Reclassification of warrant value to contributed surplus (note 15(j))	(75,170)	(862,953)
Share capital, under US GAAP	78,548,307	74,995,505

(v) Contributed surplus

	2007	2006
	\$	\$
Contributed surplus, under Canadian GAAP	5,943,972	5,451,072
Stock-based compensation (note 15(b))	(2,874,967)	(2,874,967)
Warrant value (note 15(j))	75,170	862,953
Contributed surplus, under US GAAP	3,144,175	3,439,058

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(m) Reconciliation (continued)

(vi) Net loss and loss per share for the year

	Years ended December 31		
	2007	2006	2005
	\$	\$	\$
Loss for the year, under Canadian GAAP	(946,457)	(1,740,706)	(4,215,960)
Adjustment for mineral property land use and deferred exploration costs (note 15(a))	(2,586,599)	(4,016,959)	(5,860,497)
Adjustment for income taxes related to mineral properties adjustments	1,076,717	(109,777)	-
Loss for the year, under US GAAP	(2,456,339)	(5,867,442)	(10,076,457)
Other comprehensive income (loss):			
Unrealized gain (loss) on available-for-sale marketable securities	(154,642)	(300)	12,607
Comprehensive loss, under US GAAP	(2,610,981)	(5,867,742)	(10,063,850)
Weighted average number of common shares outstanding under US GAAP, basic and diluted	100,958,861	96,280,740	72,356,898
Basic and diluted loss per share, under US GAAP	(0.02)	(0.06)	(0.14)

American Bonanza Gold Corp.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian Dollars)

December 31, 2007, 2006 and 2005

15. RECONCILIATION BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) (continued)

(m) Reconciliation (continued)

(vii) Statement of Cash Flows

Cash provided by (used in) operating activities

	Years ended December 31		
	2007	2006	2005
	\$	\$	\$
Cash used in operating activities, under Canadian GAAP	(1,842,272)	(2,618,054)	(1,373,209)
Adjustment for mineral properties and deferred exploration (note 15(a))	(2,886,599)	(4,096,242)	(6,249,577)
Cash used in operating activities, under US GAAP	(4,728,871)	(6,714,296)	(7,622,786)
Cash used in investing activities, under Canadian GAAP	(2,889,959)	(4,119,530)	(6,290,519)
Adjustment for mineral properties and deferred exploration (note 15(a))	2,886,599	4,096,242	6,249,577
Cash used in investing activities, under US GAAP	(3,360)	(23,288)	(40,942)
Cash provided by financing activities, under Canadian GAAP	2,848,289	7,473,689	3,610,404
Change in restricted cash from issuance of flow-through shares (note 15(i))	1,689,253	269,857	(3,230,385)
Cash used in financing activities, under US GAAP	4,537,542	7,743,546	380,019
Cash and cash equivalents, end of year, Canadian GAAP	4,266,063	6,150,005	5,413,900
Restricted cash from issue of flow-through shares (note 15(i))	(1,271,275)	(2,960,528)	(3,230,385)
Cash and cash equivalents, end of year, US GAAP	2,994,788	3,189,477	2,183,515

16. SUBSEQUENT EVENTS

- (a) Subsequent to December 31, 2007, the Corporation renounced \$1,503,400 of exploration expenditures to investors who purchased flow-through shares in 2007.
- (b) The Corporation has signed a Letter of Intent to merge into a wholly owned subsidiary of Gryphon Gold Corporation (Gryphon Gold) through a Plan of Arrangement. Subsequently, both companies have determined not to proceed with the proposed merger. No break-up fees are payable to either party.