Bonanza

AMERICAN BONANZA GOLD CORP.
QUARTERLY REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2008

American Bonanza Gold Corp.
Management's Discussion and Analysis
(Six months ended June 30, 2008, as of August 6, 2008)

General

The following discussion of performance, financial condition and analysis should be read in conjunction with American Bonanza Gold Corp. ("the Corporation") annual audited consolidated financial statements for the year ended December 31, 2007 and the unaudited consolidated financial statements of the Corporation for the six months ended June 2008 and 2007. All amounts are expressed in Canadian Dollars unless otherwise indicated.

Forward-Looking Statements

Certain statements contained in the following Management's Discussion and Analysis may be deemed forward-looking statements. All statements other than statements of historical facts, including the likelihood of commercial mining and possible future financings are forward-looking statements. Although the Corporation believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include unsuccessful exploration results, changes in metals prices, changes in the availability of funding for mineral exploration, unanticipated changes in key management personnel and general economic conditions. Mining is an inherently risky business. Accordingly the actual events may differ materially from those projected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are also advised to consider such forward-looking statements while considering the risks set forth below.

Description of Business

The Corporation is an exploration stage company engaged in the acquisition, exploration and development of high-grade gold properties located in the United States and Canada. The Corporation is developing its advanced stage 100% owned Copperstone gold project in Arizona and continues its advanced exploration program on its 100% owned Fenelon gold project located in Quebec. An aggressive surface drilling program is ongoing to expand the known resource of both projects and to test several high priority exploration targets. In addition to these advanced properties, the Corporation continues to progress other projects, including the Martiniere and Northway in Quebec, Gold Bar in Nevada, and Northshore in Ontario.

Overview of Performance

The Corporation's working capital as at June 30, 2008 was $6,138,601 compared with a working capital position of $5,963,158 as at December 31, 2007. The increase in working capital was the result of $2,000,000 payment received from the Taurus option agreement (note 6(b)(ii)) offset by the exploration expenditures at the Copperstone, Fenelon and other properties totalling $1,279,050 (2007 – $2,243,803). Funding for the operating activities in the period was $813,986 (2007 – $1,288,543). The loss for the six months ended June 30, 2008 was $587,686 or $0.01 per share compared with a net loss of $721,593 or $0.01 per share for the six months period ended June 30, 2007.

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 and Bonanza.

	Six months ended June 30,		Year ended December 31,		
	2008	**2007**	**2007**	**2006**	**2005**
	$	**$**	**$**	**$**	**$**
Net loss	**(587,686)**	(721,593)	(946,457)	(1,740,706)	(4,215,960)
Net loss per share	**(0.01)**	(0.01)	(0.01)	(0.02)	(0.06)
Total cash and cash equivalents	**4,165,240**	2,614,299	4,266,063	6,150,005	5,413,900
Working capital	**3,138,601**	4,414,693	5,963,158	6,980,811	5,177,422
Total liability	**1,712,619**	3,476,222	1,626,804	1,951,981	2,166,830
Total assets	**6,038,680**	59,266,374	60,963,361	59,751,226	54,428,595
Shareholders' equity	**58,326,061**	55,790,152	59,336,557	57,799,245	52,261,765

Results of Operations

For the six months ended June 30, 2008, the Corporation had a net loss of $587,686 or $0.01 per share compared to a net loss of $721,593 or $0.01 per share with the corresponding period in 2007. Stock-based compensation expense for this period was $108,650 (2007 - $128,700). Interest income decreased to $51,735 from $101,844 which was the direct result of decreased cash balances and lower interest rates for the current period compared to the same period during 2007. General and administrative costs decreased to $411,229 from $573,397 in 2007. Significant components of the decreases include office and administration expenses decreased to $20,874 from $75,382, legal and accounting decreased to $30,196 from $84,432 and public company expenses decreased to $127,637 from $168,502.

Exploration office expenses decreased to $45,008 in the six months from $64,490 in 2007. 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.

Summary of Quarterly Results

Selected consolidated financial information for each of the most recently completely quarters of fiscal 2008, 2007 and 2006 are as follows:

	2008		2007				2006	
	Jun.	**Mar.**	**Dec.**	**Sept.**	**Jun.**	**Mar.**	**Dec.**	**Sept.**
	$	$	**$**	**$**	$	$	**$**	**$**
Interest income	**24,410**	27,325	12,466	19,853	38,328	63,516	65,825	81,664
Net income (loss) for period	**(171,624)**	(416,062)	(62,575)	(162,289)	(448,685)	(272,908)	420,651	(411,177)
Net income (loss) per share	**(0.00)**	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

Liquidity and Capital Resources

The Corporation's working capital as at June 30, 2008 was $6,138,601 compared with a working capital position of $5,963,158 as at December 31, 2007. Flow-through funds of $590,490 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 $1,279,050 and support for operating activities totalling $813,968. As of June 30, 2008 $1,562,763 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 June 30, 2008, interest payable related to a 2002 and 2003 reassessment by Revenue Quebec amounts to $12,191 remained outstanding. The Corporation is contesting the interest portion of the 2002 and 2003 assessments.

During 2006 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 six months period ended June 30, 2008 totalled $913,203 or $19,052,962 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 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 was 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 until 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 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 compensation share until November 30, 2007.

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. These warrants expired on June 2, 2008.

On June 7, 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. On June 22, 2007 the Corporation received its first instalment of 1,500,000 common shares from Cusac. On December 19, 2007 Cusac entered into a definitive merger agreement with Hawthorne Gold Corp. ("Hawthorne") and as part of the merger agreement, Cusac assigned to Hawthorne all of its rights to the option to acquire the 46 mineral claims of the Taurus Gold property near Cassiar from the Corporation. The option assignment and amendment agreement (the "Agreement") amends the terms of the original option agreement and requires Hawthorne to pay the Corporation $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 and June 22, 2008 the Corporation received the $1,000,000 and $2,000,000 option payments respectively 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.

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 were subject to four month hold period that expired 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 issue 2,500,000 units with the same terms as the December 19, 2007 financing for total proceeds of $1,000,000.

As at June 30, 2008, the Corporation had cash of $4,165,240 compared to $4,266,063 as at December 31, 2007.

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.

Transactions with Related Parties

(a) The Corporation shares certain premises and facilities with companies which have certain directors in common, under cost-sharing arrangements. During the six months ended June 30, 2008 the Corporation recovered management and consulting fees of $77,500 and general and administration expenses of $25,750 from these companies.

(b) As at June 30, 2008, there were $58,774 accounts receivable due from companies with certain directors in common.

Management Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There have been no changes in our internal control over financial reporting during the period ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

Critical Accounting Estimates and Risk Factors

Critical accounting estimates used in the preparation of the financial statements include the Corporation's recoverability of the carrying value of these 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 of 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.

Adoption of New Accounting Standards

Inventories, Section 3031

In June 2007, the Canadian Institute of Chartered Accountants (CICA) issued section 3031, "Inventories," to replace existing section 3030. The new section, which was effective January 1, 2008, establishes standards for the measurement and disclosure of inventories. The application of this section did not have a significant impact on the Corporation's financial statements.

Goodwill and intangible assets, Section 3064

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets," which replaces Section 3062, "Goodwill and Other Intangible Assets." This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective for us beginning January 1, 2009. Concurrent with the adoption of this standard, EIC-27, "Revenues and Expenditures in the Pre-operating Period," will be withdrawn. This will result in a change to our accounting for the start up of mining operations, as pre-commercial production costs will no longer be capitalized as an asset. We are currently assessing the impact on our financial statements.

Section 1535, Capital Disclosures

This section specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosure requirements pertaining to this section are contained in note 14.

Section 3862, Financial Instruments Disclosures
Section 3863, Financial Instruments Presentation

These sections replace Section 3861, *Financial Instruments Disclosure and Presentation*, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. Disclosure requirements pertaining to this section are contained in note 13.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable and accounts payable. It is management's opinion that we are not exposed to significant interest, currency or credit risks arising from our cash and cash equivalents, accounts receivable and accounts payable.

Marketable securities are subject to market price fluctuations. The effect of adopting the new accounting standards on the marketable securities as at January 1, 2007 is summarized below. As prescribed by these standards, prior periods have not been restated.

	2008		
	Carrying Value, Opening	Accumulated Unrealized Gains (Loss)	Fair Value, June 30,
	$	$	**$**
- Bayswater Uranium Corporation	10,200	6,960	**17,160**
- Hawthorne Gold Corp.	300,000	(134,211)	**165,789**
	310,200	(127,251)	**182,949**

Pursuant to the terms of an Option Agreement entered into with Northern Canadian Minerals Inc. ("NCA") (note 6(c)) the Corporation received 60,000 NCA common shares and other consideration for entering into this Agreement. On January 11, 2008 Bayswater Uranium Corporation ("BAY") acquired NCA and exchanged 39,000 BAY shares for the 60,000 NCA shares. The quoted market value of BAY shares was $17,160 at June 30, 2008.

On June 22, 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 6(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. ("Hawthorne") entered into a definitive merger agreement to merge whereby holders of Cusac common shares would receive one Hawthorne common share in exchange for 19 common shares of Cusac. The merger closed in April, 2008. The quoted market value of Hawthorne share was $87,632 at June 30, 2008.

The Corporation has designated its marketable securities as available-for-sale and recorded the unrealized losses in other comprehensive income.

The Corporation is exposed to currency risk on the acquisition and exploration expenditures on its properties since it has to settle expenditures either in local currency or U.S. dollars. The Corporation's expenditures are negatively impacted by increases in value of either the U.S. dollar or local currencies versus the Canadian dollar.

Use of Financial and Other Instruments

The Corporation has not entered into any specialized financial agreements to minimize its investment, currency or commodity risk. There are no off-balance sheet arrangements. The principal financial instruments affecting the Corporation's financial condition and results of operations is currently its cash and cash equivalents.

Outlook

The Corporation will continue to focus the majority of its exploration and development efforts in the United States and Canada for purposes of the acquiring, exploring and developing high-grade gold projects.

The Corporation's current objective is to advance the Copperstone project towards gold production. The 2008 projects underway at Copperstone include underground mine planning, negotiation of plant construction contracts, drilling to expand the gold resources in two recent discovery areas, and other preparations to commence mine permitting during 2009.

As an Exploration Stage Company the future liquidity of the Corporation will be affected principally by the level of its development and exploration expenditures and by its ability to raise an adequate level of capital through the capital markets. In management's opinion the Corporation's current working capital position will be sufficient for purposes of completing its planned exploration programs at the Copperstone, Fenelon and other Canadian exploration assets.

The Corporation will continue to evaluate its funding requirements on a going forward basis in its efforts to meet its future development and growth initiatives.

Subsequent Event

As a result of the expiry of the Corporation's Stock Option Plan on March 24, 2008, which was subsequently approved on June 24, 2008 at the Corporation's Annual General Meeting, the stock option granting on March 28, 2008 was not approved by the TSX. Consequently the options were re-granted to the directors, officers, employees and consultants on August 6, 2008 with the option price equal to that of the market price on date of issue. An adjustment to the stock-based compensation expense was recorded in the current reporting quarter.

AMERICAN BONANZA GOLD CORP.

Consolidated Financial Statements
For the six months ended June 30, 2008

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Corporation have been prepared by management and approved by the Audit Committee and Board of Directors of the Corporation.

The Corporation's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

American Bonanza Gold Corp.

CONSOLIDATED BALANCE SHEETS
(In Canadian Dollars)
(Unaudited – Prepared by Management)

	June 30, 2008	December 31, 2007
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**4,165,240**	4,266,063
Amounts receivable (note 4)	**1,766,635**	1,852,614
Prepaid expenses	**119,787**	73,236
Marketable securities (note 5)	**102,452**	167,858
	6,154,114	6,359,771
RECLAMATION BOND	**22,000**	22,000
MINERAL PROPERTIES (note 6)	**53,830,274**	54,551,224
OFFICE EQUIPMENT, net	**32,292**	30,366
	60,038,680	60,963,361
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**15,513**	396,613
ASSET RETIREMENT OBLIGATION (note 12)	**33,677**	32,816
FUTURE INCOME TAXES (note 7)	**1,663,429**	1,197,375
	1,712,619	1,626,804
SHAREHOLDERS' EQUITY		
Share capital (note 7)	**59,621,860**	60,087,914
Contributed surplus (note 7)	**6,052,622**	5,943,972
Accumulated other comprehensive income (notes 5, and 8)	**(164,717)**	(99,311)
Deficit	**(7,183,704)**	(6,596,018)
	58,326,061	59,336,557
	60,038,680	60,963,361

NATURE OF OPERATIONS (note 1)
COMMITMENTS (notes 6 and 10)
SUBSEQUENT EVENT (note 15)

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)
(Unaudited – Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
	$	$	**$**	$
EXPENSES (INCOME)				
Amortization	**3,114**	2,670	**5,861**	5,521
Accretion of asset retirement obligation	**430**	409	**861**	818
Business development	**28,329**	14,647	**60,008**	42,995
Exploration	**22,931**	19,841	**45,008**	64,490
Foreign exchange	**4,602**	4,909	**7,804**	7,516
General and administrative (note 9)	**245,178**	323,201	**411,229**	573,397
Stock-based compensation (note 15)	**(108,550)**	121,336	**108,650**	128,700
Interest income	**(24,410)**	(38,328)	**(51,735)**	(101,844)
NET LOSS	**(171,624)**	(448,685)	**(587,686)**	(721,593)
DEFICIT, beginning of period	**(7,012,080)**	(5,922,469)	**(6,596,018)**	(5,649,561)
DEFICIT, end of period	**(7,183,704)**	(6,371,154)	**(7,183,704)**	(6,371,154)
LOSS PER COMMON SHARE				
Basic and diluted	**(0.00)**	(0.00)	**(0.01)**	(0.01)
WEIGHTED AVERAGE NUMBER OF SHARES	**115,662,976**	100,628,976	**115,662,976**	100,628,976

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
	$	$	**$**	$
LOSS FOR THE PERIOD	**(171,624)**	(448,685)	**(587,686)**	(721,593)
OTHER COMPREHENSIVE INCOME (LOSS):				
Unrealized gains on available-for-sale marketable securities (note 5)	**(80,497)**	(49,200)	**(65,406)**	(32,400)
COMPREHENSIVE LOSS FOR THE PERIOD (note 5)	**(252,121)**	(497,885)	**(653,092)**	(753,993)

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

American Bonanza Gold Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Canadian Dollars)
(Unaudited – Prepared by Management)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
	$	$	**$**	$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Loss for the period	**(171,624)**	(448,685)	**(587,686)**	(721,593)
Items not affecting cash				
Amortization	**3,114**	2,670	**5,861**	5,521
Accretion of asset retirement	**430**	409	**861**	818
Stock-based compensation	**(108,550)**	121,336	**108,650**	128,700
	(276,630)	(324,270)	**(472,314)**	(586,554)
Changes in non-cash operating accounts				
Amounts receivable	**234,977**	(660,416)	**85,979**	(883,249)
Prepaid expenses	**(262,595)**	18,766	**(46,551)**	41,638
Accounts payable and accrued liabilities	**(69,107)**	273,894	**(381,100)**	139,622
	(373,355)	(692,026)	**(813,986)**	(1,288,543)
INVESTING ACTIVITIES				
Mineral properties, net of Taurus option payment (note 6)	**1,138,501**	(1,528,428)	**720,950**	(2,243,803)
Office equipment	**1,491**	(3,360)	**(7,787)**	(3,360)
	1,139,992	(1,531,788)	**713,163**	(2,247,163)
INCREASE (DECREASE) IN CASH	**766,637**	(2,223,814)	**(100,823)**	(3,535,706)
CASH AND CASH EQUIVALENTS, beginning of period	**3,398,603**	4,838,113	**4,266,063**	6,150,005
CASH AND CASH EQUIVALENTS, end of period	**4,165,240**	2,614,299	**4,165,240**	2,614,299

SUPPLEMENTARY INFORMATION:

Cash flows include the following elements:

Interest paid	**-**	-	**-**	-
Interest received	**24,410**	38,328	**51,735**	101,844
Taurus property option payments received	**2,000,000**	-	**2,000,000**	-
Income taxes paid	**-**	-	**-**	-

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

1. NATURE OF OPERATIONS

American Bonanza Gold Corp. (the “Corporation” or “Company”) 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 Corporation will be required to raise additional funding to complete its long-term business objectives. Failure to raise additional funding may require the Corporation to reduce operations.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) using standards for interim financial statements and do not contain all of the information required for annual financial statements. These statements follow the same accounting policies and methods of application of the most recent annual audited financial statements. Accordingly, they should be read in conjunction with the most recent annual audited financial statements of the Corporation. In the opinion of management, all of the adjustments necessary to fairly present the interim consolidated financial statement have been made.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

On January 1, 2008, the Corporation adopted new accounting standards related to general standard of financial statement presentation, capital disclosure and financial instruments that were issued by the Canadian Institute of Chartered Accountants (“CICA”). The new CICA standards are as follows:

Inventories, Section 3031

In June 2007, the Canadian Institute of Chartered Accountants (CICA) issued section 3031, “Inventories,” to replace existing section 3030. The new section, which was effective January 1, 2008, establishes standards for the measurement and disclosure of inventories. The application of this section did not have a significant impact on the Corporation’s financial statements.

Goodwill and intangible assets, Section 3064

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets,” which replaces Section 3062, “Goodwill and Other Intangible Assets.” This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets and is effective for us beginning January 1, 2009. Concurrent with the adoption of this standard, EIC-27, “Revenues and Expenditures in the Pre-operating Period,” will be withdrawn. This will result in a change to our accounting for the start up of mining operations, as pre-commercial production costs will no longer be capitalized as an asset. The application of this section did not have a significant impact on the Corporation’s financial statements.

Section 1400, General Standard of Financial Statement Presentation

This section specifies requirements to assess an entity’s ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The Corporation disclosure reflects such assessment.

(In Canadian Dollars)

3. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Section 1535, Capital Disclosures

This section specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance. Disclosure requirements pertaining to this section are contained in note 14.

Section 3862, Financial Instruments Disclosures
Section 3863, Financial Instruments Presentation

These sections replace Section 3861, *Financial Instruments Disclosure and Presentation*, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. Disclosure requirements pertaining to this section are contained in note 13.

4. AMOUNTS RECEIVABLE

Amounts receivable consist of the following:

	June 30, 2008	December 31, 2007
	$	$
Goods and services tax	**56,809**	36,633
Quebec sales tax	**33,920**	13,404
Interest receivable	**30,389**	9,592
Mining duties and refundable tax credits receivable (a)	**1,562,763**	1,747,876
Other	**82,754**	45,109
	1,766,635	1,852,614

(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.

(In Canadian Dollars)

5. MARKETABLE SECURITIES

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

	June 30, 2008		
	Fair Value Closing	**Fair Value Opening**	**Six Months unrealized gains (losses)**
	$	$	**$**
- Bayswater Uranium (a)	**14,820**	29,700	**(14,880)**
- Hawthorne Gold Corp. (b)	**87,632**	138,158	**(50,526)**
	102,452	167,858	**(65,406)**

	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)

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 relating to the unrealized gain on available-for-sale marketable securities held by the Corporation at January 1, 2007. During the period ended June 30, 2008, the Corporation recorded an unrealized loss of $65,406 (2007 – 32,400) on marketable securities in other comprehensive loss.

(a) Pursuant to the terms of an Option Agreement entered into with Northern Canadian Minerals Inc. ("NCA") (note 6(c)) the Corporation received 60,000 NCA common shares and other consideration for entering into this Agreement. On January 11, 2008 Bayswater Uranium Corporation ("BAY") acquired NCA and exchanged 39,000 BAY shares for the 60,000 NCA shares. The quoted market value of BAY shares was $14,820 at June 30, 2008.

(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 6(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. ("Hawthorne") entered into a definitive merger agreement to merge whereby holders of Cusac common shares would receive one Hawthorne common share in exchange for 19 common shares of Cusac. The merger closed in April, 2008. The quoted market value of Hawthorne share was $87,632 at June 30, 2008.

(In Canadian Dollars)

6. MINERAL PROPERTIES

Project	**2008**	2007
	$	$
Copperstone (a)	**25,851,514**	24,938,311
Fenelon (b(i))	**15,067,527**	14,768,533
Taurus Gold (b(ii))	**3,334,826**	5,324,013
Gold Bar (c)	**1,062,471**	1,062,471
Northway (b(iii))	**4,237,161**	4,223,809
Martiniere (b(iii))	**3,136,840**	3,129,259
Northshore (b(iv))	**949,393**	914,286
Other (d)	**190,542**	190,542
	53,830,274	54,551,224

(In Canadian Dollars)

6. MINERAL PROPERTIES (continued)

Schedule of mineral property expenditures during 2008:

	Copperstone	Fenelon	Taurus	Gold Bar	Northway	Martiniere	Northshore	Other	Total 2008	Total 2007
	$	$	$	$	$	$	$	$	$	$
Balance, beginning of period	**24,938,311**	**14,768,533**	**5,324,013**	**1,062,471**	**4,223,809**	**3,129,259**	**914,286**	**190,542**	**54,551,224**	51,964,625
Decline, drilling and underground support	401,598	179,923	-	-	-	-	-	-	**581,521**	2,240,208
Geological consulting and related	254,880	143,509	-	-	19,631	11,691	9,684	-	**439,395**	1,066,121
Assaying	17,993	-	-	-	-	-	15,206	-	**33,199**	242,153
Engineering/environmental	-	-	10,813	-	-	-	-	-	**10,813**	-
Advance royalty payment	30,600	-	-	-	-	-	-	-	**30,600**	-
BLM land payments/permit, licenses	-	-	-	-	-	-	-	-	**-**	78,669
Property acquisition and related	-	-	-	-	-	-	6,500	-	**6,500**	244,380
Property payment – tax, permits	2,106	20,188	-	-	-	600	841	-	**23,735**	113,472
Computer and related	-	-	-	-	-	-	-	-	**-**	64,125
Site maintenance and camp:	-	-	-	-	-	-	-	-	**-**	-
Utilities and power	11,206	-	-	-	-	-	-	-	**11,206**	23,471
Property caretakers	43,371	53,331	-	-	-	-	-	-	**96,702**	162,209
Equipment and truck rental	89,747	16,136	-	-	-	-	630	-	**106,513**	419,764
Telephone	678	7,528	-	-	-	-	-	-	**8,206**	16,876
Maintenance, supplies, other	61,024	77,973	-	-	2,976	573	2,246	-	**144,792**	184,258
Joint venture payment	-	-	-	-	-	-	-	-	**-**	11,022
Accrued government subsidies	-	(199,594)	-	-	(9,255)	(5,283)	-	-	**(214,132)**	(982,469)
Write-down	-	-	-	-	-	-	-	-	**-**	-
Option agreement (note 6(b)(ii))	-	-	(2,000,000)	-	-	-	-	-	**(2,000,000)**	(1,297,660)
	913,203	**298,994**	**(1,989,187)**	**-**	**13,352**	**7,581**	**35,107**	**-**	**(720,950)**	2,586,599
Balance, end of period	**25,851,514**	**15,067,527**	**3,334,826**	**1,062,471**	**4,237,161**	**3,136,840**	**949,393**	**190,542**	**53,830,274**	54,551,224

6. 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 and the claims held are in good standing through August 2009.

(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 6(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.

6. MINERAL PROPERTIES (continued)

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

As at June 30, 2008, 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

Subject to the option agreement with Hawthorne Gold Corp. as discussed below, 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 7, 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. On June 22, 2007 the Corporation received its first instalment of 1,500,000 common shares from Cusac (note 5).

On December 19, 2007 Cusac entered into a definitive merger agreement with Hawthorne Gold Corp. ("Hawthorne") and as part of the merger agreement, Cusac assigned to Hawthorne all of its rights to the option to acquire the 46 mineral claims of the Taurus Gold property from the Corporation. The option assignment and amending agreement (the "Agreement") amends the terms of the original option agreement and requires Hawthorne to pay the Corporation $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 and on June 22, 2008, the Corporation received the $1,000,000 and $2,000,000 option payments respectively from Hawthorne as per the Agreement.

(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 6(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, the Corporation must make the cumulative combined payments of US$450,000, commencing on commercial production, which are described above under note 6(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.

6. MINERAL PROPERTIES (continued)

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. The Corporation paid the final $75,000 instalment and received the remaining 25% interest.

On 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 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 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 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 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. 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.

(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 royalties 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.

6. MINERAL PROPERTIES (continued)

(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 and the claims held are in good standing through 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 had occurred on these properties in over three years. This write-down is required to comply with existing accounting guidelines.

(In Canadian Dollars)

7. 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, 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**
Share issue costs on flow-through renunciation (see below)	-	(466,054)
Balance, June 30, 2008	**115,662,976**	**59,621,860**

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 totalling $3,678,300 and 1,588,000 non-flow through units at a price of $0.45 per unit totalling $714,600. Each unit consisted of one common share of the Corporation and one half of one common share purchase warrant. Each whole warrant was exercisable to acquire a further common share at $0.56 per share and expired 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 totalling 572,180 warrants and 7 percent of the number of non-flow through units sold totalling 166,740 warrants. Each Agent's Warrant was exercisable to acquire a common share at $0.45 and expired August 5, 2007.

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.

7. SHARE CAPITAL (continued)

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.

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. The warrants expired on June 2, 2008.

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 were subject to four month hold period that expired on 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.

During the first quarter of 2008, exploration expenditures relating to flow-through shares totalling $1,503,400 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 $466,054 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.

(In Canadian Dollars)

7. 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 June 30, 2008, the Corporation has stock options outstanding to acquire an aggregate of 9,630,000 common shares to directors, officers, employees and consultants exercisable at between $0.07 and $.071 per share exercisable at varying times up until August 6, 2013.

	Number of Options	Weighted average exercise price
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**
Expired	(390,000)	$1.21
Cancelled	(1,567,500)	$1.46
Granted (note 15)	2,385,000	$0.07
Balance, June 30, 2008	**9,630,000**	**$0.31**

The following table summarizes stock options outstanding and exercisable at June 30, 2008:

Number of Options	Exercise Price	Expiry Date
1,690,000	$0.43	May 5, 2010
450,000	$0.45	July 14, 2010
50,000	$0.50	September 26, 2010
480,000	$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
125,000	$0.40	October 17, 2011
600,000	$0.30	April 30, 2012
2,400,000	$0.22	November 6, 2012
2,385,000	$0.07	August 6, 2013 (note 15)
9,630,000		

(In Canadian Dollars)

7. SHARE CAPITAL (continued)

Options (continued)

During the six months ended June 30, 2008, under the fair value based method, $108,650 (2007 - $128,700) 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:

	2008	December 2007
Risk free interest rate	**3.21%**	4.55%
Expected dividend yield	**0%**	0%
Stock price volatility	**77%**	79%
Expected life of options	**5 years**	4.1 years

The weighted average fair value of options granted during the six months ended June 30, 2008 was $0.05 (December 2007 - $0.15).

Warrants

At June 30, 2008, the Corporation has outstanding common share purchase warrants (warrants) to acquire an aggregate of 4,281,220 common shares outstanding.

	Number of Warrants	**Weighted Average Exercise Price**
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
Expired	(5,574,080)	0.34
Balance, June 30, 2008	**4,281,220**	0.30

The following table summarizes warrants outstanding and exercisable at June 30, 2008:

Number of warrants	**Exercise Price**	**Expiry Date**
3,031,220	$0.30	June 19, 2009
1,250,000	$0.30	June 30, 2009
4,281,220		

(In Canadian Dollars)

7. SHARE CAPITAL (continued)

Contributed Surplus

The following summarizes contributed surplus activity:

	Amount
	$
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**
Stock-based compensation (note 15)	108,650
Balance, June 30, 2008	**6,052,622**

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

	Amount
	$
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)**
- Unrealized gain on available-for-sale marketable securities	(65,406)
Accumulated other comprehensive loss at June 30, 2008	**(164,717)**

The components of other comprehensive income are:

	June 30, 2008	December 31, 2007
	$	**$**
Currency translation adjustment	**43,031**	43,031
Unrealized gains on Bayswater Uranium (note 5)	**4,620**	19,500
Unrealized loss on Hawthorne Gold Corp. (note 5)	**(212,368)**	(161,842)
	(164,717)	(99,311)

(In Canadian Dollars)

9. GENERAL AND ADMINISTRATIVE EXPENSES

Six months ended June 30,	**2008**	2007
	$	$
Management fees, consulting and salaries	**187,410**	203,443
Office and administration	**20,874**	75,382
Legal and accounting	**30,196**	84,432
Insurance	**45,112**	41,638
Public company expenses	**127,637**	168,502
	411,229	573,397

10. 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 6(a).

11. RELATED PARTY TRANSACTIONS

(a) The Corporation shares certain premises and facilities with companies which have certain directors in common, under cost-sharing arrangements. During the six months ended June 30, 2008 the Corporation recovered management and consulting fees of $77,500 (2007 - $70,000) and general and administration expenses of $25,750 (2007 - $35,000) from these companies.

(b) As at June 30, 2008, there were $58,774 (December 2007 - $21,703) accounts receivable due from companies with certain directors in common.

12. 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 7 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 June 30, 2008 is $33,677 (December 31, 2007- $32,816). The undiscounted value of this liability is $45,000 (2007 - $45,000). An accretion expense component of $861 (2007 - $818) has been charged to operations in 2008 to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a discount rate of 5.25%.

(In Canadian Dollars)

13. FINANCIAL INSTRUMENTS

Financial Assets and Liabilities

The fair value of financial instruments as at June 30, 2008 and December 31, 2007 is summarized as follows:

	As of June 30, 2008		As of December 31, 2007	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Amount**
	$	**$**	$	$
Financial Assets				
Held for trading				
Cash and cash equivalent	**4,165,240**	**4,165,240**	4,266,063	4,266,063
Available for sale				
Marketable Securities	**102,452**	**102,452**	167,858	167,858
Loans and receivables				
Amounts receivable	**1,751,135**	**1,751,135**	1,852,614	1,852,614
Financial Liabilities				
Accounts payable and accrued liabilities	**15,513**	**15,513**	396,613	396,613

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about the financial instruments.

Financial risk factors

The Corporation manages its exposure to financial risks, including foreign exchange risk and interest rate risk, base on a conservative framework to protect itself against adverse rate movements. All transactions undertaken are to support the Corporation's ongoing business and does not acquire or issue derivative financial instruments for trading or speculative purposes. The Corporation's Board of Directors oversees management's risk management practices by setting trading parameters and reporting requirements.

The Corporation's activities are exposed to financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

a) Market risks

i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at market rates. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature and non-interest bearing.

13. FINANCIAL INSTRUMENTS (continued)

ii) Currency risk

The Corporation is exposed to currency fluctuations in the acquisition of foreign currencies. The Corporation holds balances in cash and cash equivalents, and accounts payable and accrued liabilities in foreign currencies (US dollars) and is therefore exposed to gain or losses on foreign exchange. Based on the balance in foreign currencies as at June 30, 2008, a variance in foreign currency exchange rate of 1% would not have a significant impact on the Corporation's financial statements.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash equivalent and accounts receivable. The Corporation has reduced its credit risk by investing its cash and cash equivalent in guaranteed investment certificates with a Schedule 1 Canadian chartered bank. Also, as the majority of its receivables are with the governments of Quebec and Canada in the form of sales tax receivables and government's incentives, the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet the obligations associated with its financial liabilities. At the end of June 2008, the Corporation had enough funds available to meet its financial liabilities and future financial liabilities from its commitments for the current year. The Corporation handles liquidity risk through the management of its capital structure.

14. MANAGEMENT OF CAPITAL

The Corporation's objectives of capital management are intended to safeguard the entity's ability to support the Corporation's development and exploration of its mineral properties and support any expansionary plans.

The capital of the Corporation consists of the items included in shareholders' equity and debt obligations net of cash and cash equivalents. The Corporation manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Corporation's underlying assets.

To effectively manage the entity's capital requirements, the Corporation has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its objectives. The Corporation may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. The Corporation is not subject to externally imposed capital requirements.

15 SUBSEQUENT EVENT

As a result of the expiry of the Corporation's Stock Option Plan on March 24, 2008, which was subsequently approved on June 24, 2008 at the Corporation's Annual General Meeting, the stock option granting on March 28, 2008 was not approved by the TSX. Consequently the options were re-granted to the directors, officers, employees and consultants on August 6, 2008 with the option price equal to that of the market price on date of issue. An adjustment to the stock-based compensation expense was recorded in the current reporting quarter.

CORPORATE INFORMATION

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James Bagwell
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Victoria, Canada

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Brian P. Kirwin
President & Chief Executive Officer

Giulio T. Bonifacio
Chief Financial Officer

Joe Chan
Vice President, Controller

Catherine Tanaka
Corporate Secretary

REGISTRAR AND TRANSFER AGENT
Computershare Investor Services Inc.
Vancouver, Canada

SHARES LISTED
Toronto Stock Exchange: BZA

CAPITALIZATION
(As at August 6, 2008)
Shares Issued and Outstanding: 115,662,976

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Vancouver, Canada

LEGAL COUNSEL
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Vancouver, Canada

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WEBSITE
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