Bonanza

AMERICAN BONANZA GOLD CORP.
QUARTERLY REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007

American Bonanza Gold Corp.
Management's Discussion and Analysis
(Nine months ended September 30, 2007, as of October 30, 2007)

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, 2006 and the unaudited consolidated financial statements of the Corporation for the nine months ended September 2007 and 2006. 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 September 30, 2007 was $3,378,963 compared with a working capital position of $6,980,811 as at December 31, 2006. The decrease in working capital was primarily attributable to the use of funds in the period for operating activities in the amount of $1,762,281 and exploration expenditures at the Copperstone, Fenelon and other properties totalling $3,104,831. The loss for the nine months ended September 30, 2007 was $883,882 or $0.01 per share compared with a net loss of $2,161,357 or $0.02 per share for the nine months period ended September 30, 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.

	September 30,		December 31,		
	2007	2006	2006	2005	2004
	$	$	$	$	$
Net loss	(883,882)	(2,161,357)	(1,740,706)	(4,215,960)	(1,219,731)
Net loss per share	(0.01)	(0.02)	(0.02)	(0.06)	(0.03)
Total cash and cash equivalents	1,279,553	7,538,033	6,150,005	5,413,900	9,467,224
Working capital	3,378,963	8,635,218	6,980,811	5,177,422	8,750,640
Total debt	Nil	Nil	Nil	Nil	Nil
Total assets	58,785,917	60,444,798	59,751,226	54,428,595	28,688,663
Shareholders' equity	55,612,263	57,231,657	57,799,245	52,261,765	27,496,142

Results of Operations

For the nine months ended September 30, 2007, the Corporation had a net loss of $883,882 or $0.01 per share compared to a net loss of $2,161,357 or $0.02 per share with the corresponding period in 2006. Stock-based compensation expense for this period was reduced to $128,700 from $1,014,160 in 2006. Interest income decreased to $121,697 from $148,649 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 slightly to $705,036 from $787,961. Public company expenses decreased to $215,458 from $314,971 primary as a result of decreased investor relations spending. Business development expenses decreased to $55,495 from $155,981 resulting from lower business acquisition activities compared to 2006.

Exploration office expenses decreased to $83,306 in the nine months period from $338,995 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.

Summary of Quarterly Results

Selected consolidated financial information for each of the most recently completely quarters of fiscal 2007, 2006 and 2005 are as follows:

	2007			2006				2005
	Sept.	**Jun.**	**Mar.**	**Dec.**	**Sept.**	**Jun.**	**Mar.**	**Dec.**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Interest income	19,853	38,328	63,516	65,825	81,664	38,891	28,094	26,865
Net income (loss) for period	(162,289)	(448,685)	(272,908)	420,651	(411,177)	(657,305)	(1,092,875)	(2,057,211)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)

Liquidity and Capital Resources

The Corporation's working capital as at September 30, 2007 was $3,378,963 compared with a working capital position of $6,980,811 as at December 31, 2006. Flow-through funds of $685,136 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 $1,762,281 used in operation and by expenditures in the period at the Copperstone, Fenelon and other gold properties totalling $3,104,831. As of September 30, 2007 $2,163,018 accrued receivable from Revenue Quebec and the Ministry of Natural Resources of the Government of Quebec related to exploration expenditures in that province during the previous years and up to the current quarter remained outstanding. As of September 30, 2007, accrued payable related to a 2002 and 2003 reassessment and interest by Revenue Quebec for the amount of $515,807 remained outstanding. The Corporation is contesting the interest portion of this assessment.

During 2007 and 2006, the Corporation continued its surface and underground drilling program at the Copperstone project. This program phase has been completed and the result of the preliminary assessment prepared by AMEC has been 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. Total development and exploration expenditures at the Copperstone project during the nine months period ended September 30, 2007 totalled $1,771,181 or $17,876,960 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.

On March 2, 2007 the Corporation announced it has reached an 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 21, 2007, the transaction was approved and closed. The Corporation received its first instalment of 1,500,000 common shares from Cusac.

On August 7, 2007 the Corporation entered into a letter of intent dated June 21, 2007 (the "LOI") with Agnico-Eagle Mines Limited ("Agnico-Eagle"), setting out the principal terms of an agreement for the joint exploration and development of the Corporation's Northway property and Agnico-Eagle's Vezza property.

The LOI 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.

As at September 30, 2007, the Corporation had cash of $1,279,533 compared to $6,150,005 as at December 31, 2006. The Corporation currently has no debt and has adequate working capital to continue its drilling programs at the Fenelon and Copperstone gold projects designed to expand the known gold resources for purposes of advancing these projects to the development stage.

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 2007 at the Copperstone, Fenelon and Martiniere gold projects.

Transactions with Related Parties

The Corporation shares certain premises and facilities with companies which have certain directors in common, under cost-sharing arrangements with no profit elements involved. During the nine months period ended September 30, 2007 the Corporation recovered management and consulting fees of $105,000 (2006 - $82,000) and general and administration expenses of $52,500 (2006 - $40,500).

Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have instituted a system of disclosure controls for the Corporation to ensure proper and complete disclosure of material information. The limited number of employees within the Corporation facilitates access to real time information about developments in the business for the person responsible for drafting disclosure documents. All documents are circulated to responsible members of management and the board of directors according to the disclosure time-lines contained within the disclosure policy. The disclosure controls conform with the Corporation's Corporate Governance Policies and Procedures Manual dated July 15, 2005.

The Chief Executive Officer and Chief Financial Officer also have designed internal control over financial reporting, or caused it to be designed under their 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. After evaluating the effectiveness of the Corporation's disclosure controls and procedures, the Officers have concluded that, as of such date, the Corporation's disclosure controls and procedures were effective to ensure that material information relating to the Corporation was made known to them by others within the Corporation during the period.

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.

New Accounting Policy

The Corporation has applied the consensus of Abstract #146 of the Emerging Issues Committee of CICA in respect to its accounting for all flow-through renunciations. Under the Canadian *Income Tax Act* an enterprise may issue securities referred as flow-through shares whereby the investor may claim the tax deduction associated with the related resource expenditures. The Corporation records future income tax liabilities (or renounced expenditures multiplied by the effective corporate tax rate) on the earlier of the date that the resource expenditures are renounced to the investors and the date that, in the opinion of management, reasonable assurance exists that the expenditures will be completed. Subsequent to January 1, 2006 these future income tax liabilities have been presented in the balance sheet and the offset recorded as share issue costs.

Recent Canadian Accounting Pronouncements

Financial Instruments

Effective January 1, 2007, the Corporation has adopted CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement, CICA Handbook Section 3865 Hedges and CICA Handbook Section 1530 Comprehensive Income (the “Financial Instrument Standards”). As the Corporation has not previously undertaken hedging activities, adoption of Section 3865 will have no impact. Prior to January 1, 2007, the principal accounting policies affecting the Corporation’s financial instruments related to marketable securities that were valued at the lower of original cost and quoted market value.

The adoption of the Financial Instrument Standards will result in the Corporation classifying marketable securities and cash equivalents as available for sale investments and all derivative and other financial instruments as held for trading assets or liabilities measured at fair value. The Corporation has no derivative financial instruments or other financial instruments held for trading at September 30, 2007. Transitional adjustments in respect of these available for sale assets was recorded to the opening investment balances and accumulated other comprehensive income as of September 30, 2007.

As a consequence of adopting the Financial Instrument Standards on January 1, 2007, accumulated other comprehensive incomes were reduced by $48,000. This represents the net loss on measuring the fair value of available for sale investments, which has been not recognized on a fair value basis prior to January 1, 2007.

Gains or losses associated with items classified as available for sale will be separately recorded as unrealized within our other comprehensive income until such time the investment is disposed of or incurs a decline in fair value that is on an other-than-temporary basis, at which time any gains or losses will then be realized and reclassified to the income statement. The Corporation has elected to designate cash equivalents (consisting of guaranteed investment certificates and banker’s acceptances) and marketable securities (all of which are investments in common shares), as available for sale.

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 Corporation values its marketable securities at the lower of cost and market as of September 30, 2007. There was unrealized loss of $48,000 relating to marketable securities as of September 30, 2007 compared to unrealized gains of $12,300 relating to marketable securities at December 31, 2006.

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.

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.

AMERICAN BONANZA GOLD CORP.

Consolidated Financial Statements
For the nine months ended September 30, 2007

(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)

	September 30, 2007	December 31, 2006
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**1,279,533**	6,150,005
Amounts receivable (note 4)	**2,392,819**	1,499,433
Prepaid expenses	**48,768**	88,884
Marketable securities (notes 3 and 5)	**262,200**	10,200
	3,983,320	7,748,522
MINERAL PROPERTIES (note 6)	**54,769,456**	51,964,625
OFFICE EQUIPMENT, net	**33,141**	38,079
	58,785,917	59,751,226
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 4)	**604,357**	767,711
ASSET RETIREMENT OBLIGATION (note 12)	**32,406**	31,179
FUTURE INCOME TAXES	**2,536,891**	1,153,091
	3,173,654	1,951,981
SHAREHOLDERS' EQUITY		
Share capital (note 7)	**56,570,903**	57,954,703
Contributed surplus (note 7)	**5,579,772**	5,451,072
Accumulated other comprehensive income (loss) (notes 3, 5, and 8)	**(4,969)**	43,031
Deficit	**(6,533,443)**	(5,649,561)
	55,612,263	57,799,245
	58,785,917	59,751,226

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

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 September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
	$	$	$	$
EXPENSES (INCOME)				
Amortization	**2,777**	2,694	**8,298**	9,309
Accretion of asset retirement obligation	**409**	-	**1,227**	-
Business development	**12,500**	33,860	**55,495**	155,981
Exploration	**21,816**	173,353	**86,306**	338,995
Foreign exchange	**13,001**	2,456	**20,517**	3,600
General and administrative (note 9)	**131,639**	280,478	**705,036**	787,961
Stock-based compensation	**-**	-	**128,700**	1,014,160
Interest income	**(19,853)**	(81,664)	**(121,697)**	(148,649)
NET LOSS	**(162,289)**	(411,177)	**(883,882)**	(2,161,357)
DEFICIT, beginning of year	**(6,371,154)**	(5,659,035)	**(5,649,561)**	(3,908,855)
DEFICIT, end of period	**(6,533,443)**	(6,070,212)	**(6,533,443)**	(6,070,212)
LOSS PER COMMON SHARE				
Basic and diluted	**(0.00)**	(0.00)	**(0.01)**	(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES	**100,628,976**	100,628,976	**100,628,976**	94,815,401

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 September 30,		Nine Months Ended September 30,	
	2007	2006	**2007**	2006
	$	**$**	$	$
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Loss for the period	**(162,289)**	(411,177)	**(883,882)**	(2,161,357)
Items not affecting cash				
Amortization	**2,777**	2,694	**8,298**	9,309
Accretion of asset retirement	**409**	-	**1,227**	-
Stock-based compensation	**-**	-	**128,700**	1,014,160
	(159,103)	(408,483)	**(745,657)**	(1,137,888)
Changes in non-cash operating accounts				
Amounts receivable	**(10,137)**	109,189	**(893,386)**	(995,355)
Prepaid expenses	**(1,522)**	(72,408)	**40,116**	(26,853)
Accounts payable and accrued liabilities	**(302,976)**	(312,992)	**(163,354)**	(311,455)
	(473,738)	(684,694)	**(1,762,281)**	(2,471,551)
INVESTING ACTIVITIES				
Mineral properties	**(861,028)**	(552,495)	**(3,104,831)**	(2,854,717)
Office equipment	**-**	(16,694)	**(3,360)**	(23,288)
	(861,028)	(569,189)	**(3,108,191)**	(2,878,005)
FINANCING ACTIVITIES				
Issue of common shares, net of issue costs	-	-	**-**	7,473,689
DECREASE IN CASH	**(1,334,766)**	(1,253,883)	**(4,870,472)**	2,124,133
CASH AND CASH EQUIVALENTS, beginning of period	**2,614,299**	8,791,916	**6,150,005**	5,413,900
CASH AND CASH EQUIVALENTS, end of period	**1,279,533**	7,538,033	**1,279,533**	7,538,033

SUPPLEMENTARY INFORMATION:

Cash flows include the following elements:				
Interest paid	-	**-**	-	**-**
Interest received	**19,853**	81,644	**121,697**	148,649
Income taxes paid	-	**-**	-	**-**
Non-cash financing and investing activities:				
Increase of marketable securities under property option agreement	**-**	**-**	**300,000**	**-**

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

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 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. SIGNIFICANT ACCOUNTING POLICIES

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 Company. In the opinion of management, all of the adjustments necessary to fairly present the interim consolidated financial statement have been made.

Principles of consolidation

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

- International Taurus Resources Inc.;
- 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.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company has adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

(In Canadian Dollars)

3. CHANGES IN ACCOUNTING POLICIES (continued)

Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)

In accordance with this new standard 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 on the statement of loss.

The Company has classified its short-term investments as held for trading and therefore carries its investments at fair market value, with the unrealized gain or loss recorded in interest income. This change in accounting policy had no material effect on the Company's previous financial statements.

The Company has classified its marketable securities and long-term investment as available-for-sale and therefore carries them at fair market value, with the unrealized gain or loss 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 sold. 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 $48,000 decrease in the carrying value of marketable securities as at September 30, 2007, representing the aggregate cumulative unrealized gains at that time as disclosed in Note 5 and 8.

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, and has been added to the shareholders' equity section of the consolidated balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. The components of accumulated other comprehensive loss for the nine month period ended September 30, 2007 are disclosed in Note 5 and Note 8.

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. The Company has not designated any hedging relationships.

4. AMOUNTS RECEIVABLE AND OTHER ACCRUED LIABILITY

Amounts receivable consist of the following:

	2007	2006
	$	$
Goods and services tax	**17,337**	36,502
Quebec sales tax	**151,018**	19,955
GIC Interest Accrual	**6,066**	92,866
Mining duty receivable (a)	**2,163,018**	1,292,884
Other	**55,380**	57,226
	2,392,819	1,499,433

(In Canadian Dollars)

4. AMOUNTS RECEIVABLE AND OTHER ACCRUED LIABILITY (continued)

(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. During 2005, the Corporation was re-assessed for its 2002 tax year filing reducing its claim for Refundable Tax Credit Claim received by $587,604, plus interest of $171,374. In 2006, the Corporation was re-assessed for its 2003 Refundable Tax Credit for $235,881 and the Government of Quebec applied $528,488 of the 2005 refund towards the amounts owing by the Corporation. As of September 30, 2007, the Corporation has accrued an additional interest payable of $8,161 to a total liability of $515,807 (2006 - $507,646).

5. 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.

	2007
	$
Carrying Value, December 31, 2006	
- Northern Canadian Minerals Inc.	**10,200**
Cusac Gold Mines Ltd. (note 6(b)(ii))	**300,000**
Unrealized losses	**(48,000)**
Fair Value, September 30	**262,200**

Pursuant to the terms of the Option Agreement entered into with Northern Canadian Minerals Inc. (formerly "American Nevada Gold Corp.") (note 6(c)) the Corporation received 60,000 common shares and other consideration for entering into this Agreement. The quoted market value of these securities was $22,200 at September 30, 2007.

On June 21, 2007, the Corporation received 1,500,000 common shares of Cusac Gold Mines Ltd. upon the execution of the option agreement as described on note 6(b)(ii). The shares were valued as $300,000 based on previous day's market closed. On September 30, 2007 the quoted value of these securities was $240,000 (note 6(b)(ii)).

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

6. MINERAL PROPERTIES

Project	**2007**	2006
	$	$
Copperstone (a)	**24,675,512**	22,904,331
Fenelon (b(i))	**14,696,032**	14,183,469
Taurus Gold (b(ii))	**6,314,640**	6,583,770
Gold Bar (c)	**1,062,471**	1,035,264
Northway (b(iii))	**4,138,725**	3,915,092
Martiniere (b(iii))	**3,122,543**	2,659,280
Northshore (b(iv))	**575,616**	524,051
Other (d)	**183,917**	159,368
	54,769,456	51,964,625

(In Canadian Dollars)

6. 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**	**683,419**	**51,964,625**	47,947,666
Decline, drilling and underground support	941,531	291,273	-	1,600	255,382	426,018	3,103	**1,918,907**	2,319,939
Geological consulting and related	367,018	314,109	30,870	488	71,075	53,246	30,209	**867,015**	941,796
Assaying	99,926	38,733	-	-	45,312	50,155	7,107	**241,333**	225,442
Geophysics	-	-	-	-	-	-	-	**-**	-
Feasibility	-	-	-	-	-	-	-	**-**	-
Engineering/environmental	-	-	-	-	-	-	-	**-**	495,325
Advance royalty payment	-	-	-	-	-	-	-	**-**	-
BLM land payments/permit, licenses	190,948	-	-	16,595	-	-	24,549	**232,092**	134,278
Property acquisition and related	74,792	-	-	-	-	-	7,020	**81,812**	92,058
Property payment – tax, permits	-	15,687	-	61	1,946	4,974	3,308	**25,976**	25,213
Computer and related	5,370	-	-	-	-	-	-	**5,370**	3,047
Site maintenance and camp:									
Utilities and power	20,440	-	-	-	-	-	-	**20,440**	57,482
Property caretakers	36,349	70,552	-	-	10,817	-	-	**117,718**	366,798
Equipment and truck rental	38,090	40,378	-	-	-	240,876	818	**320,162**	236,244
Telephone	3,230	10,719	-	-	-	-	-	**13,949**	20,132
Maintenance, supplies, other	(6,513)	99,889	-	8,463	-	21,301	-	**123,140**	-
Accrued government subsidies	-	(368,777)	-	-	(160,899)	(333,307)	-	**(862,983)**	(821,512)
Write-down	-	-	-	-	-	-	-	**-**	(79,283)
Option agreement (note 6(b)(ii))	-	-	(300,000)	-	-	-	-	**(300,000)**	-
	1,771,181	**512,563**	**(269,130)**	**27,207**	**223,633**	**463,263**	**76,114**	**2,804,831**	4,016,959
Balance, end of period	**24,675,512**	**14,696,032**	**6,314,640**	**1,062,471**	**4,138,725**	**3,122,543**	**759,533**	**54,769,456**	51,964,625

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 paid 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 September 30, 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 6(b)(iii). The remaining consideration included 2,027,579 common shares of Taurus which were issued 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. As at September 30, 2007, the remaining

6. MINERAL PROPERTIES (continued)

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

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.

(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 March 2, 2007 the Corporation reached an agreement in principle with Cusac Gold Mines Ltd. ("Cusac") for the sale of its Taurus Project for total cash consideration valued of up to $11,000,000 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 transaction was approved and closed. The Corporation received its first instalment of 1,500,000 common shares from Cusac (Note 5).

(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.

6. MINERAL PROPERTIES (continued)

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

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 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.

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, of which $75,000 had been paid as of September 30, 2007. The Corporation will receive the 25% interest upon payment of the final $75,000 instalment.

On August 7, 2007 the Corporation entered into a letter of intent dated June 21, 2007 (the "LOI") with Agnico-Eagle Mines Limited ("Agnico-Eagle"), setting out the principal terms of an agreement for the joint exploration and development of the Corporation's Northway property and Agnico-Eagle's Vezza property.

The LOI 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.

6. MINERAL PROPERTIES (continued)

(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. The Pamlico property was subject to a cash payment of US$25,000 due November 2001 which was deferred and paid in 2002. In 2002, a further cash payment of US$150,000 was made. On November 13, 2003 the Corporation made a cash payment of US$150,000 and deferred the final remaining cash payment of US$525,000 until November 2004. On November 10, 2004, the Corporation made a cash payment of US$100,000 and deferred the final remaining cash payment of US$425,000 to November 2005. In November 2005, the Corporation determined that cash resources were required for other active exploration projects and as a result elected not to make the final property payment 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 September 30, 2007 and the claims held are in good standing until August 2008.

Northern Canadian Minerals Inc. holds a 5% interest in both Pamlico and Gold Bar properties 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.

(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)	-	(1,383,800)
Balance, September 30, 2007	**100,628,976**	**56,570,903**

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 2005.

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 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 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 are exercisable at a price of $0.65 per share for a period of 18 months after the closing date.

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 $1,383,800 which is equal to the amount renounced times the corporate tax rate when the expenditures were renounced, with 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 September 30, 2007, the Corporation has stock options outstanding to acquire an aggregate of 7,365,000 common shares to directors, officers, employees and consultants exercisable at between $0.30 and $1.68 per share exercisable at varying times up until April 30, 2012.

	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	(502,500)	$0.40
Cancelled	(2,312,500)	$0.71
Granted	850,000	$0.31
Balance, September 30, 2007	**7,365,000**	**$0.75**

The following table summarizes stock options outstanding and exercisable at September 30, 2007:

Number of Options	Exercise Price	Expiry Date
662,500	$0.68	December 6, 2007
287,500	$1.24	February 24, 2008
40,000	$1.10	April 8, 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 10, 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
7,365,000		

(In Canadian Dollars)

7. SHARE CAPITAL (continued)

During the nine months ended September 30, 2007, under the fair value based method, $128,700 (2006 - $1,014,160) in compensation expense was recorded for options granted to 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:

	September 30, 2007	December 31, 2006
Risk free interest rate	**4.55%**	4.20%
Expected dividend yield	**0%**	0%
Stock price volatility	**79%**	85%
Expected life of options	**4.1 years**	4.3 years

The weighted average fair value of options granted during the nine months ended September 30, 2007 was $0.15 (2006 - $0.40).

Warrants

At September 30, 2007, the Corporation has granted common share purchase warrants ("warrants") to acquire an aggregate of 6,174,080 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	(683,340)	0.45
Balance, September 30, 2007	**6,174,080**	

The following table summarizes warrants outstanding and exercisable at September 30, 2007:

Number of warrants	**Exercise Price**	**Expiry Date**
4,736,000	$0.65	November 30, 2007
600,000	$1.50	December 1, 2007
838,080	$0.56	February 5, 2008
6,174,080		

(In Canadian Dollars)

7. SHARE CAPITAL (continued)

Contributed Surplus

The following summarizes contributed surplus as of September 30, 2007:

	2007
	$
Balance, December 31, 2005	**4,702,772**
Stock-based compensation	748,300
Balance, December 31, 2006	**5,451,072**
Stock-based compensation	128,700
Balance, September 30, 2007	**5,579,772**

8. ACCUMULATED OTHER COMPREHENSIVE INCOME

	2007
	$
Opening balance on adoption of new accounting standard on January 1, 2007 - Gain on currency translation adjustment	**(43,031)**
Other comprehensive loss for the period	48,000
Accumulated other comprehensive loss at September 30, 2007	**4,969**

9. GENERAL AND ADMINISTRATIVE EXPENSES

	Nine months ended September 30,	
	2007	2006
	$	$
Management fees, consulting and salaries	**234,852**	318,889
Office and administration	**104,224**	32,758
Legal and accounting	**89,428**	46,093
Insurance	**61,074**	75,250
Public company expenses	**215,458**	314,971
	705,036	787,961

10. COMMITMENTS

The Corporation is committed under lease agreements for office premises in Vancouver and Reno in the amount of $74,120 per year expiring May 31, 2008.

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

The Corporation shares certain premises and facilities with companies which have certain directors in common, under cost-sharing arrangements. During the period ended September 30, 2007 the Corporation recovered management and consulting fees of $105,000 (2006 - $82,000) and general and administration expenses of $52,500 (2006 - $40,500) from these companies.

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 seven (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 September 30, 2007 is $32,406 (2006 – $31,568). The undiscounted value of this liability is $45,000 (2006 – $45,000). An accretion expense component of $1,227 (2006 – $1,167) 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%.

CORPORATE INFORMATION

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Ronald K. Netolitzky
Victoria, Canada

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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 September 30, 2007)
Shares Issued and Outstanding: 100,628,976

AUDITOR
KPMG LLP, Chartered Accountant
Vancouver, Canada

LEGAL COUNSEL
Lang Michener
Vancouver, Canada

Harris, Mericle & Wakayama
Seattle, United States

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

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