

APOLLO GOLD CORP  
Form 10-K  
March 17, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2009

or  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number: 001-31593

Apollo Gold Corporation

(Exact name of registrant as specified in its charter)

Yukon Territory  
(State or other jurisdiction of  
incorporation or organization)

Not Applicable  
(I.R.S. Employer  
Identification No.)

5655 S. Yosemite Street, Suite 200  
Greenwood Village, Colorado 80111-3220  
(Address of Principal Executive Offices Including Zip Code)

Registrant's telephone number, including area code: (720) 886-9656

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Shares, no par value	NYSE Amex Toronto Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by a check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such filed). Yes  No

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Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  
R

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company)

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

As of June 30, 2009, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was \$95,828,992 based upon the closing sale price of the common stock as reported by the NYSE Amex on that date.

As of March 15, 2010, the registrant had 273,080,927 common shares, no par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Annual Report on Form 10-K is incorporated by reference from the registrant's definitive Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A no later than 120 days after the close of the registrant's fiscal year.

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## REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this Report are expressed in United States (“U.S.”) dollars. Unless otherwise indicated Canadian currency is denoted as “Cdn\$.”

Financial information is presented in accordance with generally accepted accounting principles (“GAAP”) in the U.S. (“U.S. GAAP”). Differences between accounting principles generally accepted in Canada (“Cdn GAAP”) and those applied in the U.S., as applicable to Apollo Gold Corporation, are discussed in Note 23 to the Consolidated Financial Statements.

Information in Part I and II of this report includes data expressed in various measurement units and contains numerous technical terms used in the gold mining industry. To assist readers in understanding this information, a conversion table and glossary are provided below.

References to “Apollo Gold,” “Apollo,” the “Company,” “we,” “our,” or “us” mean Apollo Gold Corporation, its predecessors consolidated subsidiaries, or any one or more of them, as the context requires.

## NON-GAAP FINANCIAL MEASURES

In this Annual Report on Form 10-K, we use the terms “cash operating costs,” “total cash costs,” and “total production costs,” each of which are considered non-GAAP financial measures as defined in the United States Securities and Exchange Commission (the “SEC”) Regulation S-K Item 10 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. These terms are used by management to assess performance of individual operations and to compare our performance to other gold producers.

The term “cash operating costs” is used on a per ounce of gold basis. Cash operating costs per ounce is equivalent to direct operating cost as found on the Consolidated Statements of Operations, less production royalty expenses and mining taxes but includes by-product credits for payable silver.

The term “total cash costs” is equivalent to cash operating costs plus production royalties and mining taxes.

The term “total production costs” is equivalent to total cash costs plus non-cash costs including depreciation and amortization.

These measures are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP and may not be comparable to similarly titled measures of other companies. See Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations for a reconciliation of these non-GAAP measures to our Statements of Operations.

## STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K and the documents incorporated by reference in this report contain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts. Forward-looking statements can be identified by the use of words such as “may,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “intends,” “continue,” or of such terms, or other comparable terminology. These statements include comments regarding:



- plans for the development of and production at the Black Fox project including, without limitation, estimates of future production at Black Fox, the determination to commence underground mining at Black Fox and the timing thereof, timing and issue of permits, including permits necessary to conduct phase II of open pit mining at Black Fox, whether the open pit will provide sufficient feed to the mill, the commissioning of the new conveyor, the recommissioning of the high pressure screen system and the expansion of the tailings dam water management system plans for the further development of the Black Fox project;
- our ability to reschedule quarterly principal payments under the Black Fox project finance facility;
- our ability to meet our repayment obligations under the Black Fox project finance facility;
- plans for and our ability to finance exploration at our Huizopa, Grey Fox, and Pike River properties;
  - the potential for an open pit minable area at Huizopa;
- our ability to repay the convertible debentures issued to RAB Special Situations (Master) Fund Limited (“RAB”) due August 23, 2010;
  - future financing of projects;
  - liquidity to support operations and debt repayment;
  - the effect of regulatory compliance on the Company;
  - the establishment and estimates of mineral reserves and resources;
  - daily production, mineral recovery rates and mill throughput rates;
    - total production costs;
    - cash operating costs;
    - total cash costs;
  - grade of ore mined and milled from Black Fox and cash flows therefrom;
  - anticipated expenditures for development, exploration, and corporate overhead;
    - expansion plans for existing properties;
    - estimates of closure costs and reclamation liabilities;
  - our ability to obtain financing to fund our estimated expenditure and capital requirements;
    - factors impacting our results of operations; and
    - the impact of adoption of new accounting standards.

Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions or expectations will be achieved. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and other factors described in more detail in this Annual Report on Form 10-K:

- unexpected changes in business and economic conditions, including the recent significant deterioration in global financial and capital markets;
  - significant increases or decreases in gold prices;
  - changes in interest and currency exchange rates including the LIBOR rate;
    - timing and amount of production;
    - unanticipated grade of ore changes;
    - unanticipated recovery or production problems;
    - changes in operating costs;
    - operational problems at our mining properties;
  - metallurgy, processing, access, availability of materials, equipment, supplies and water;
    - determination of reserves;
    - costs and timing of development of new reserves;



- results of current and future exploration and development activities;
  - results of future feasibility studies;
  - joint venture relationships;
- political or economic instability, either globally or in the countries in which we operate;
  - local and community impacts and issues;
  - timing of receipt of government approvals;
  - accidents and labor disputes;
  - environmental costs and risks;
- competitive factors, including competition for property acquisitions;
- availability of external financing at reasonable rates or at all; and
- the factors discussed in this Annual Report on Form 10-K under the heading “Risk Factors.”

Many of these factors are beyond our ability to control or predict. These factors are not intended to represent a complete list of the general or specific factors that may affect us. We may note additional factors elsewhere in this Annual Report on Form 10-K and in any documents incorporated by reference into this Annual Report on Form 10-K. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances.

#### GLOSSARY OF TERMS

We report our reserves on two separate standards to meet the requirements for reporting in both Canada and the United States (“U.S.”). Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 (“NI 43-101”). The definitions given in NI 43-101 are adopted from those given by the Canadian Institute of Mining Metallurgy and Petroleum. U.S. reporting requirements for disclosure of mineral properties are governed by SEC Industry Guide 7. These reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody differing approaches and definitions.

We estimate and report our resources and reserves according to the definitions set forth in NI 43-101 and modify and reconcile them as appropriate to conform to SEC Industry Guide 7 for reporting in the U.S. The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the parallels and differences.

#### NI 43-101 Definitions

indicated mineral resource	The term “indicated mineral resource” refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be established with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
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inferred mineral resource	The term “inferred mineral resource” refers to that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
measured mineral resource	The term “measured mineral resource” refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
mineral reserve	The term “mineral reserve” refers to the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that might occur when the material is mined.
mineral resource	The term “mineral resource” refers to a concentration or occurrence of natural, solid, inorganic material or natural solid fossilized organic material, including base and precious metals, coal and industrial metals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
probable mineral reserve	The term “probable mineral reserve” refers to the economically mineable part of an indicated, and in some circumstances a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.
proven mineral reserve	The term “proven mineral reserve” refers to the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study.

qualified person <sup>2</sup>	The term “qualified person” refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development, production activities and project assessment, or any combination thereof, including experience relevant to the subject matter of the mineral project or technical report and is a member or licensee in good standing of a professional association.
SEC Industry Guide 7 Definitions	
exploration stage	An “exploration stage” prospect is one which is not in either the development or production stage.
development stage	A “development stage” project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.
mineralized material <sup>3</sup>	The term “mineralized material” refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
probable reserve	The term “probable reserve” refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
production stage	A “production stage” project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.
proven reserve	The term “proven reserve” refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
reserve	The term “reserve” refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. (“Bankable standards” implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.

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- 1 For Industry Guide 7 purposes this study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
- 2 Industry Guide 7 does not require designation of a qualified person.
- 3 This category is substantially equivalent to the combined categories of measured and indicated mineral resources specified in NI 43-101.

Additional Definitions

adularia	a transparent or translucent variety of orthoclase (a monoclinic feldspar)
alloy	a homogeneous mixture or solid solution of two or more metals
breccia	rock consisting of angular fragments of other rocks held together by mineral cement or a fine-grained matrix
call	a financial instrument that provides the right, but not the obligation, to buy a specified number of ounces of gold or silver or of pounds of lead or zinc at a specified price
doré	unrefined gold bullion bars containing various impurities such as silver, copper and mercury, which will be further refined to near pure gold
electrum	an alloy of silver and gold
epithermal	pertaining to mineral veins and ore deposits formed from warm waters at shallow depth
fault	a rock fracture along which there has been displacement
feasibility study	a definitive engineering and economic study addressing the viability of a mineral deposit taking into consideration all associated technical factors, costs, revenues, and risks
fold	a curve or bend of a planar structure such as rock strata, bedding planes, foliation, or cleavage
formation	a distinct layer of sedimentary rock of similar composition
geotechnical	the study of ground stability
grade	quantity of metal per unit weight of host rock
host rock	the rock containing a mineral or an ore body
hydrothermal	the products of the actions of heated water, such as a mineral deposit precipitated from a hot solution
induced polarization	an exploration method which uses either the decay of an excitation voltage (time-domain method) or variations in the Earth's resistivity at two different but low frequencies (frequency-domain method).



Mafic	pertaining to or composed dominantly of the ferromagnesian rock-forming silicates; said of some igneous rocks and their constituent minerals
mapping or geologic mapping	the recording of geologic information such as the distribution and nature of rock units and the occurrence of structural features, mineral deposits, and fossil localities
metamorphism	the process by which rocks are altered in composition, texture, or internal structure by extreme heat, pressure, and the introduction of new chemical substances
metasediment	a sediment or sedimentary rock that shows evidence of having been subjected to metamorphism
mineral	a naturally formed chemical element or compound having a definite chemical composition and, usually, a characteristic crystal form
mineralization	a natural occurrence in rocks or soil of one or more metal yielding minerals
mining	the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product. Exploration continues during the mining process and, in many cases, mineral reserves are expanded during the life of the mine operations as the exploration potential of the deposit is realized.
National Instrument 43-101	Canadian standards of disclosure for mineral projects
open pit	surface mining in which the ore is extracted from a pit or quarry, the geometry of the pit may vary with the characteristics of the ore body
ore	mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions
ore body	a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable
outcrop	that part of a geologic formation or structure that appears at the surface of the earth
petrographic	the systematic classification and description of rocks, especially by microscopic examinations of thin sections
put	a financial instrument that provides the right, but not the obligation, to sell a specified number of ounces of gold or of pounds of lead or zinc at a specified price
pyrite	common sulfide of iron
quartz	a mineral composed of silicon dioxide, SiO <sub>2</sub> (silica)

reclamation	the process by which lands disturbed as a result of mining activity are modified to support beneficial land use. Reclamation activity may include the removal of buildings, equipment, machinery and other physical remnants of mining, closure of tailings storage facilities, leach pads and other mine features, and contouring, covering and re-vegetation of waste rock and other disturbed areas.
reclamation and closure costs	the cost of reclamation plus other costs, including without limitation certain personnel costs, insurance, property holding costs such as taxes, rental and claim fees, and community programs associated with closing an operating mine
recovery rate	a term used in process metallurgy to indicate the proportion of valuable material physically recovered in the processing of ore, generally stated as a percentage of the material recovered compared to the total material originally present
SEC Industry Guide 7	U.S. reporting guidelines that apply to registrants engaged or to be engaged in significant mining operations
sedimentary rock	rock formed at the earth's surface from solid particles, whether mineral or organic, which have been moved from their position of origin and redeposited
stockwork	a complex system of structurally controlled or randomly oriented veins
strike	the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal
strip	to remove overburden in order to expose ore
sulfide	a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing mineral often associated with gold mineralization
vein	a thin, sheet-like crosscutting body of hydrothermal mineralization, principally quartz
volcanic rock	originally molten rocks, generally fine grained, that have reached or nearly reached the earth's surface before solidifying

CONVERSION FACTORS AND ABBREVIATIONS

For ease of reference, the following conversion factors are provided:

1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometers
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per metric tonne	= 0.0292 troy ounce/short ton	1 square mile	= 2.59 square kilometers
1 short ton (2000 pounds)	= 0.9072 tonne	1 square kilometer	= 100 hectares
1 tonne	= 1,000 kg or 2,204.6 lbs	1 kilogram	= 2.204 pounds or 32.151 troy oz
1 hectare	= 10,000 square meters	1 hectare	= 2.471 acres

The following abbreviations could be used herein:

Ag	= silver	m	= meter
Au	= gold	m(2)	= square meter
Au g/t	= grams of gold per tonne	m(3)	= cubic meter
g	= gram	Ma	= million years
ha	= hectare	Oz	= troy ounce
km	= kilometer	Pb	= lead
km(2)	= square kilometers	t	= tonne
kg	= kilogram	T	= ton
lb	= pound	Zn	= zinc

Note: All units in this report are stated in metric measurements unless otherwise noted.

PART I

ITEM 1. BUSINESS

OVERVIEW OF APOLLO GOLD

The earliest predecessor to Apollo Gold Corporation was incorporated under the laws of the Province of Ontario in 1936. In May 2003, it reincorporated under the laws of the Yukon Territory. Apollo Gold Corporation maintains its registered office at 204 Black Street, Suite 300, Whitehorse, Yukon Territory, Canada Y1A 2M9, and the telephone number at that office is (867) 668-5252. Apollo Gold Corporation maintains its principal executive office at 5655 S. Yosemite Street, Suite 200, Greenwood Village, Colorado 80111-3220, and the telephone number at that office is (720) 886-9656. Our internet address is <http://www.apollogold.com>. Information contained on our website is not a part of this Annual Report on Form 10-K.

Apollo is engaged in gold mining including extraction, and processing, as well as related activities including exploration and development.

Apollo owns Black Fox, an open pit and underground mine and mill located near Matheson in the Province of Ontario, Canada (“Black Fox”). The Black Fox mine site is situated seven miles east of Matheson and the mill complex is twelve miles west of Matheson. Mining of ores from the open pit began in March 2009, milling operations commenced in April 2009, and commercial gold production commenced in late May 2009. Underground mining at Black Fox is expected to commence in the second half of 2010. Apollo also owns the adjoining Grey Fox and Pike River properties, which, together with the Black Fox property, give Apollo a total land package of 17 square kilometers which extends over a 6.5 km strike of the Destor-Porcupine Fault Zone.

Apollo also owns Mexican subsidiaries which own concessions at the Huizopa exploration project, located in the Sierra Madres in Chihuahua, Mexico. The Huizopa project is subject to an 80% Apollo/20% Minas de Coronado joint venture agreement.

The Company was the operator of the Montana Tunnels mine, a 50% joint venture with Elkhorn Tunnels, LLC (“Elkhorn”). The Montana Tunnels mine is an open pit mine and mill which produced gold doré and lead-gold and zinc-gold concentrates. We ceased production at Montana Tunnels in April 2009 and the mine was placed on care and maintenance. On February 1, 2010, we sold our wholly owned subsidiary Montana Tunnels Mining, Inc., which held our 50% interest in the Montana Tunnels joint venture, to Elkhorn for consideration of certain promissory notes held by Elkhorn with an outstanding balance of approximately \$9.5 million.

See the disclosure below and Item 2 “Description of Properties” for further information about our properties.



## BACKGROUND

### Apollo Gold Corporation

The following chart illustrates Apollo's operations and principal operating subsidiaries and their jurisdictions of incorporation. Apollo owns 100% of the voting securities of each subsidiary.

### APOLLO GOLD CORPORATION AND ITS SUBSIDIARIES (as of March 16, 2010)

**APOLLO GOLD CORPORATION:** NYSE Amex Equities exchange and Toronto Stock Exchange listed holding company which owns and operates the Black Fox mine and mill.

**APOLLO GOLD, INC.:** Holding company, employs executive officers and furnishes corporate services to Apollo Gold Corporation and its subsidiaries.

**MINE DEVELOPMENT FINANCE INC.:** Provides intercompany loans and other financial services to its affiliated companies.

**MINERA SOL DE ORO S.A. de C.V.:** Holds rights to the Huizopa exploration property.

**MINAS de ARGONAUTAS, S. de R.L de C.V.:** Conducts exploration at the Huizopa exploration property in Mexico.

### Financial Information

Segmented information is contained in Note 22 of the "Notes to the Consolidated Financial Statements" contained within this Annual Report on Form 10-K.

## Products

The Black Fox mine and mill produce gold doré. The gold contained in the doré is sold to the counter-parties of the Company's gold forward sales contracts. 100% of sales are represented by the sale of gold doré.

The table below summarizes the Company's gold production and average gold prices for the periods indicated.

	Year ended December 31, 2009 (1)
Production Summary	
Gold ounces produced	52,152
Gold ounces sold	46,016
Average metals prices	
Gold – London Bullion Mkt. (\$/ounce)	\$ 972

(1) Black Fox commenced gold production in late May 2009.

## Gold

Black Fox commenced commercial gold production in late May 2009, and produced 52,152 ounces of gold during the year ended December 31, 2009.

Gold revenue is derived from the sale of refined gold in the form of doré bars. Because doré is an alloy consisting primarily of gold but also containing silver and other metals, bars are sent to refiners to produce bullion that meets the required market standard of 99.99% pure gold. Under the terms of our refining contracts, the bars are refined for a fee, and our share of the refined gold and the separately recovered silver is paid to us.

## Gold Uses

Gold has two primary uses: product fabrication and bullion investment. Fabricated gold has a variety of end uses, including jewelry, electronics, dentistry, industrial and decorative uses, medals, medallions and official coins. Gold investors purchase gold bullion, official coins and high-carat jewelry.

## Gold Supply

The worldwide supply of gold consists of a combination of new production from mining and existing stocks of bullion and fabricated gold held by governments, financial institutions, industrial organizations and private individuals.

## Gold Price Volatility

The price of gold is volatile and is affected by numerous factors beyond our control such as the sale or purchase of gold by various central banks and financial institutions, inflation or deflation, fluctuation in the value of the US dollar and foreign currencies, global and regional demand, and the political and economic conditions of major gold-producing countries throughout the world.

The following table presents the high, low and average afternoon fixing prices for gold per ounce on the London Bullion Market over the past ten years:

Year	High	Low	Average
2000	313	264	279
2001	293	256	271
2002	349	278	310
2003	416	320	364
2004	454	375	409
2005	537	411	445
2006	725	525	604
2007	841	608	696
2008	1,011	713	872
2009	1,213	810	972
2010*	1,153	1,058	1,107

\* Through February 28, 2010

#### Refining Process

We have an agreement with Johnson Matthey to refine gold doré produced at Black Fox to a final finished product. Johnson Matthey receives a fee for each ounce of gold doré it refines.

#### Mineral Reserves

Our proven and probable mineral reserves are estimated in conformance with definitions set out in National Instrument 43-101 (“NI 43-101”) and on a basis consistent with the definition of proven and probable mineral reserves set forth in SEC Industry Guide 7. See our “Glossary of Terms.”

Since we report our mineral reserves to both NI 43-101 and SEC Industry Guide 7 standards, it is possible for our reserve estimates to vary between the two. Where such a variance occurs it will arise from the differing requirements for reporting mineral reserves set forth by the different reporting authorities to which we are subject. No reconciliation between NI 43-101 and SEC Industry Guide 7 is included for Black Fox as there are no material differences.

On April 14, 2008, we filed a NI 43-101 Technical Report, which was prepared to a bankable standard (“bankable feasibility study”). A bankable feasibility study is a comprehensive analysis of a project’s economics (+/- 15% precision) used by the banking industry for financing purposes. The table below summarizes the Black Fox total mineral reserve. The mineral reserves shown in the table below were calculated based on a gold price of \$650 per ounce.

#### Black Fox Probable Reserve Statement as of December 31, 2008

Mining Method	Cutoff Grade Au g/t	Tonnes (000)	Grade Au g/t	Contained Au Ounces
Open Pit	1.0	4,350	5.2	730,000
Underground (1)	3.0	2,110	8.8	600,000
Total Probable Reserves				1,330,000

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(1) Underground reserves assume 95% mining recovery 17% planned dilution and 5% unplanned dilution at 0 grams per tonne grade.

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The estimated reserves presented above were reduced by mining of 632,000 ore tonnes from the Black Fox mine, including 425,000 tonnes at a grade of 3.7 grams per tonne (“gpt”) producing 46,621 ounces of gold from the Black Fox mill, with further 5,531 ounces of gold produced from toll processing in 2009.

There was no updated estimation of mineral reserves for the year ended December 31, 2009. This was due mainly to the Company undertaking in late 2009 a comprehensive mine plan re-modeling with tighter constraints and review of the 2010 mine plan as well as the life of mine plan to address the grade variability issue of a certain type of Black Fox ore, which had resulted in an over-projection of grade in part of the open pit ore. This lower grade negatively impacted 2009 gold production, which was lower than expected. The revised mine plan is expected to be completed by the end of the first quarter of 2010. Independent professional mining consultants and our staff determined that the new mine plan requires reconciliation of production against the plan forecasts over the rest of 2010. This will be in conjunction with a continuous improvement effort, benefitted by the mine operating in its first full year of production at a steady state of 2,000 tonnes of ore per day. Such assessment will provide more accurate information regarding mining costs, cut-off grade, and other parameters in the estimation of mineral reserves at the end 2010.

It is expected that the average gold grade of the open pit portion of reserves will decrease from the December 31, 2008 reserve estimate grade due to the anticipated lowering of the average grade in the certain type of ore in the open pit and the addition of more low grade tonnes than originally estimated. However, the change in the overall tonnage and contained ounces of open pit reserves will reflect the net effect of any negative adjustment and possible increments from the anticipated underground exploration drilling for resource and reserve additions. The comprehensive review included remodeling of the underground portion of reserves and found less variance (i.e. more consistency) against the 2008 feasibility study. The anticipated start-up of underground mining during 2010 will also provide actual production data for reconciliation purposes in the estimation of mineral reserves for the year ended December 31, 2010.

The Company expects to report updated estimated mineral reserves for 2010 in the first quarter of 2011, and on an annual basis thereafter.

#### Employee Relations

As of December 31, 2009, we had approximately 219 employees, including 9 employees at our principal executive office in Greenwood Village, Colorado, 21 employees at Montana Tunnels and 189 employees at Black Fox.

#### Competition

We compete with major mining companies and other natural mineral resource companies in the acquisition, exploration, financing and development of new mineral prospects. Many of these companies are larger and better capitalized than we are. There is significant competition for the limited number of gold acquisition and exploration opportunities. Our competitive position depends upon our ability to successfully and economically acquire, explore, and develop new and existing mineral prospects. Factors that allow producers to remain competitive in the market over the long term include the quality and size of their ore bodies, costs of operation, and the acquisition and retention of qualified employees. We also compete with other mining companies for skilled mining engineers, mine and processing plant operators and mechanics, geologists, geophysicists and other technical personnel. This could result in higher employee turnover and greater labor costs.

## Regulatory Environment

Our mining exploration, development and production activities are subject to extensive regulation at the federal, provincial and local levels in the countries in which we operate. These regulations relate to, among other things, prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. These laws are continually changing and, in general, are becoming more restrictive. We have made, and expect to make in the future, significant expenditures to comply with such laws and regulations. Changes to current local, state or federal laws and regulations in the jurisdictions where we operate could require additional capital expenditures and result in an increase in our operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could impact the economics of our projects.

For more information regarding the regulations to which we are subject and the risks associated therewith, see Item 1A “Risk Factors.”

## Recent Developments

### Letter of Intent with Linear Gold Corp.

General. On March 9, 2010, Apollo and Linear Gold Corp. (“Linear”) entered into a binding letter of intent (the “Letter of Intent”) pursuant to which it is expected that (i) the businesses of Apollo and Linear would be combined by way of a court-approved plan of arrangement (the “Arrangement”) pursuant to the provisions of the Canada Business Corporations Act (“CBCA”) and (ii) Linear would subscribe for approximately 62,500,000 common shares (the “Purchased Shares”) of Apollo at a price of Cdn\$0.40 per common share for aggregate proceeds of Cdn\$25.0 million (the “Private Placement”).

Structure. As set forth in the Letter of Intent, pursuant to the Arrangement:

- each outstanding Linear common share will be exchanged for 5.4742 Apollo common shares (the “Exchange Ratio”);
- each outstanding common share purchase warrant of Linear (the “Linear Warrants”) will be exchanged for common share purchase warrants of Apollo (the “Apollo Warrants”) on the basis of the Exchange Ratio and the exercise price of the Linear Warrants will be adjusted as provided for in the certificates representing the Linear Warrants;
- each outstanding option to purchase a Linear common share (the “Linear Options”) granted under Linear’s Stock Option Plan will be exchanged for options of Apollo (the “Apollo Options”) granted under Apollo’s Stock Option Plan on the basis of the Exchange Ratio and the exercise price of the Linear Options will be adjusted on the same basis as the exercise price of the Linear Warrants; provided that current employees of Linear holding Linear Options whose employment is terminated in connection with the Arrangement will have their Linear Options exchanged for Apollo Options which shall expire on the earlier of: (i) the current expiry date of the corresponding Linear Options; and (ii) the first anniversary of the date of completion of the Arrangement, regardless of whether such employees are otherwise “eligible persons” under the terms of the Apollo Stock Option Plan or applicable Toronto Stock Exchange (the “TSX”) rules; and
- each outstanding Apollo Option held by current directors of Apollo that will not continue to be directors of Apollo upon completion of the Arrangement would be amended to provide that such Apollo Options shall expire on the earlier of: (i) the current expiry date of such Apollo Options; and (ii) the first anniversary of the date of completion of the Arrangement, regardless whether such directors are “eligible persons” under the terms of the Apollo Stock Option Plan or applicable TSX rules.

Upon consummation of the Arrangement, Linear would become a wholly owned subsidiary of Apollo and the shareholders of Linear immediately prior to the Arrangement are expected to own approximately 42.9% of the outstanding common stock of Apollo (calculated on a fully-diluted basis).

Board of Directors and other Matters. Upon consummation of the Arrangement, the Letter of Intent contemplates that:

- Apollo and Linear will agree on a new name for Apollo; and
- The Board of Directors of Apollo would consist of seven directors, which would be composed of (i) Wade Dawe (the current President and Chief Executive Officer of Linear), who would be nominated as the Chairman of the Board of Directors, (ii) four current Apollo board members or Apollo nominees, (iii) one Linear nominee and (iv) one nominee who shall be a technical person mutually agreed upon by Apollo and Linear.

Definitive Business Combination Agreement. The Letter of Intent contemplates that Linear and Apollo will enter into a definitive arrangement agreement (the “Definitive Agreement”) governing the Arrangement on or before March 31, 2010 to implement the Arrangement to provide for the business combination of Linear and Apollo.

Support Agreements. The Letter of Intent provides that it is a condition to Apollo proceeding with the Arrangement that all directors and officers of Linear enter into support agreements (the “Linear Support Agreements”) under which they agree to vote in favor of the Arrangement all of the Linear common shares currently owned or controlled by them, being an aggregate of 3,415,887 Linear common shares representing, in aggregate, approximately 6.21% of the outstanding Linear common shares (calculated on a fully-diluted basis). In addition, the Letter of Intent provides that it is a condition to Linear proceeding with the Arrangement that all directors and officers of Apollo enter into support agreements (the “Apollo Support Agreements” and, together with the Linear Support Agreements, the “Support Agreements”) under which they agree to vote in favor of the Arrangement all of the Apollo common shares currently owned or controlled by them, being an aggregate of 3,736,273 Apollo common shares representing, in aggregate, approximately 1.0% of the outstanding Apollo common shares (calculated on a fully-diluted basis).

The Support Agreements will include the typical covenants, including, but not limited to, covenants that the subject shareholders will:

- immediately cease and terminate existing discussions, if any, with respect to any potential business combination involving, Linear or Apollo, as the case may be, or any material part of their respective assets (in the case of Linear, a “Linear Proposal” or, in the case of Apollo, an “Apollo Proposal”) and will not make, solicit, assist, initiate, encourage or otherwise facilitate any inquiries, proposals or offers from any person (other than as contemplated by the Letter of Intent) relating to any Linear Proposal or Apollo Proposal, as the case may be, or participate in, any discussions or negotiations regarding any information with respect to any Linear Proposal or Apollo Proposal, as the case may be;
- not sell, transfer or encumber in any way any of the subject shareholder’s shares or securities convertible into such shares or restrict such shareholder’s right to vote any of its shares, other than pursuant to the Arrangement; and

- vote all the subject shareholder's shares against any proposed action, other than in connection with the Arrangement in respect of any amalgamation, merger, sale of Linear's or Apollo's, as applicable, or their respective affiliates' or associates' assets, take-over bid, plan of arrangement, reorganization, recapitalization, shareholder rights plan, liquidation or winding-up of, reverse take-over or other business combination or similar transaction involving Linear or Apollo, as the case may be, or any of its subsidiaries; (a) which would reasonably be regarded as being directed towards or likely to prevent or delay the successful completion of the Arrangement or an alternative transaction, or (b) which would reasonably be expected to result in a material adverse effect with respect to Linear or Apollo, as the case may be.

In addition, pursuant to the Letter of Intent, each of Linear and Apollo would agree to use its reasonable best efforts to obtain similar support agreements from significant institutional shareholders.

**Conditions to Consummation of Arrangement.** The Letter of Intent provides that each party's obligation to proceed with the Arrangement is subject to customary conditions precedent, including without limitation conditions relating to (i) material accuracy of representations and warranties as of the effective date of the Arrangement, (ii) material compliance with covenants, (iii) the absence of any material adverse change, (iv) absence of certain actions, suits, proceedings or objection or opposition before any governmental or regulatory authority, (v) absence of material breaches under the Letter of Intent, (vi) approval of the securityholders of Linear and Apollo of the transactions set forth in the Letter of Intent for which their approval is required under applicable law, (vii) approval Superior Court of Justice of Ontario (the "Court") of the Arrangement, (viii) obtaining all material consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant third parties and (ix) holders of not more than 5% of each of the issued and outstanding Linear common shares and Apollo common shares shall have exercised rights of dissent in relation to the Arrangement.

**Securityholder Approval.** The Arrangement will be subject to the approval of holders of not less than 66 2/3% of the Linear common shares and of a majority of the Apollo common shares held by disinterested shareholders voted at special meetings of shareholders that will be called to approve the Arrangement.

**Non-Solicitation.** The Letter of Intent includes mutual agreements by each of Linear and Apollo to immediately cease, and not to solicit or initiate discussions concerning, any alternative transactions to the proposed Arrangement. However, each of Linear and Apollo may take certain specified actions in response to an unsolicited alternative transaction that the board of directors of such party deems to be a "superior proposal" meeting the requirements set forth in the Letter of Intent. The Letter of Intent also provides that each of Apollo and Linear have certain other customary rights in respect of alternative transactions, including a right to match competing offers in certain circumstances.

**Break Fee.** If either Linear or Apollo terminates the Letter of Intent or the Definitive Agreement and abandons the Arrangement prior to closing for any reason (other than as a result of the failure of a condition to such party's obligation to close contained in the Letter of Intent or the Definitive Agreement not being satisfied, other than a failure to obtain the required approval of such party's shareholders (as described above)), such terminating party shall pay to the other party an amount equal to Cdn\$4,000,000.

**Covenants relating to Operation of Business.** Pursuant to the Letter of Intent, each party agrees that during the period from the date of execution of the Letter of Intent and ending on the earlier of the consummation of the Arrangement or the termination of the Letter of Intent, except as required by law or as otherwise expressly permitted or specifically contemplated by the Letter of Intent, it shall conduct its business only in the usual and ordinary course of business and consistent with past practice and it shall use all reasonable commercial efforts to maintain and preserve its business, assets and advantageous business relationships. In addition, during such period, each party agrees to restrictions with respect to, among other things, (i) amending its constating documents, (ii) dividends, distributions, issuances,



redemptions, repurchases or reclassifications of its capital stock, (iii) adopting a plan of liquidation or resolutions providing for its liquidation, dissolution, merger, consolidation or reorganization, (iv) sales, pledges or disposition of its assets, (v) capital expenditures, (vi) asset acquisitions, (vii) business acquisitions, (viii) indebtedness, (ix) material contract rights, (x) entry into or termination of hedges or other financial instruments or transactions, (xi) employee and director compensation, (xii) changes to employee plans and (xiii) maintenance of insurance policies.

Other. The Letter of Intent also provides that, among other things:

- Management terminations, buyouts and severance payments will be paid out to Linear management and staff on closing of the Arrangement in accordance with management contracts and common law amounts and are expected to total approximately Cdn\$3,400,000;
- Prior to the completion of the Arrangement, Apollo shall purchase and maintain director and officer liability “run-off” insurance for the benefit of the former directors and officers of Linear for a period of not less than six (6) years following the completion of the Arrangement, with coverage of not less than Cdn\$10,000,000, with respect to claims arising from facts or events that occurred on or before the closing of the Arrangement, including with respect to the Arrangement;
- Apollo will pay the fees and expenses of Linear in connection with the Private Placement up to a maximum of Cdn\$50,000; and
  - Customary representations and warranties from each of Apollo and Linear.

Termination of Letter of Intent. The Letter of Intent may be terminated (i) by mutual written consent of each of Apollo and Linear; (ii) by a party which accepts, recommends, approves or enters into an agreement to implement a “superior proposal” (as defined in the Letter of Intent) after having complied with the terms of the Letter of Intent (provided that concurrently with any such termination, the terminating party shall have paid the Cdn\$4,000,000 break fee described above following which the payor party shall have no further liabilities arising hereunder other than for a breach of any section of the Letter of Intent); and (iii) by either party if the Definitive Agreement is not executed by each of the parties on or before 5:00 pm (Toronto time) on March 31, 2010 (provided that concurrently with any such termination, the terminating party shall have paid the Cdn\$4,000,000 break fee described above following which the payor party shall have no further liabilities arising hereunder other than for a breach of any section of the Letter of Intent).

#### Subscription Agreement with Linear in respect of Private Placement

Concurrently with the execution of the Letter of Intent, Apollo and Linear entered into a subscription agreement providing for the Private Placement (the “Subscription Agreement”). Pursuant to the Letter of Intent and the Subscription Agreement, the closing of the Private Placement is subject to customary conditions precedent, including conditions relating to: (i) receipt of all necessary stock exchange approvals, (ii) delivery by Apollo of customary corporate and securities law opinions and title opinions, (iii) each of Macquarie Bank Limited and RMB Australia Holdings Limited (which we sometimes refer to herein as the “Project Facility Banks”) shall have entered into a support agreement, in form and substance satisfactory to Linear, pursuant to which each Project Facility Bank agrees, among other things, to support and vote in favor of the Arrangement; and (iv) each of the Project Facility Banks shall have entered into a lock-up agreement, in form and substance satisfactory to Linear, pursuant to which each Bank agrees, among other things, not to, directly or indirectly, exercise or offer, sell, contract to sell, lend, swap, or enter into any other agreement to transfer the economic consequences of any of the common shares or common share purchase warrants of Apollo held by them until December 31, 2010. The closing of the Private Placement is expected to occur on or before March 19, 2010.

The Subscription Agreement includes other covenants, representations and warranties customary for transactions of this type. The Private Placement will be conducted in reliance on the exemption from registration contained in Regulation S of the U.S. Securities Act of 1933, as amended.

The Arrangement is expected to close on or before July 2, 2010.

As part of the Arrangement, the Apollo common shares expected to be issued to Linear in the Private Placement will be cancelled without any payment. The Private Placement will not be conditioned on the completion of the Arrangement. If the Arrangement is not completed for any reason, Apollo has agreed to, upon the request of Linear, file a registration statement with the United States Securities and Exchange Commission to register the resale of the Apollo common shares by Linear in the United States.

#### Black Fox Financing Agreement

On February 20, 2009, we entered into a \$70.0 million project financing agreement (which we sometimes refer to herein as the “Project Facility”) with the Macquarie Bank Limited and RMB Australia Holdings Limited (which we sometimes refer to herein as the “Project Facility Banks”) and RMB Resources Inc. (which we sometimes refer to herein as the “Agent”), as agent for the Project Facility Banks. By June 2, 2009, the Company had borrowed the total amount of the \$70.0 million available under the Project Facility.

As a result of lower than planned gold production, during the third quarter of 2009 a “review event” as defined in the Project Facility was triggered. The occurrence of a review event allows the Banks to review the Project Facility and determine if they wish to continue with the Project Facility. In addition, we were unable to make (i) the first scheduled repayment of \$9.3 million due on September 30, 2009 under the Project Facility (the “First Repayment”), (ii) the second scheduled repayment of \$6.0 million due on December 31, 2009 (the “Second Repayment”) and (iii) the requirement to fund the associated debt service reserve account (the “Funding Obligation”) also due on September 30, 2009. Through three separate deferrals, the last of which was granted on February 25, 2010, the Banks agreed to defer the First Repayment, the Second Repayment and the Funding obligation until March 31, 2010.

In connection with the Letter of Intent executed with Linear, on March 9, 2010, the Project Facility Banks executed and delivered a consent letter (which we sometimes refer to herein as the “Consent Letter”), which was agreed to and accepted by each of Apollo and Linear, pursuant to which the Project Facility Banks and the Agent agreed, subject to the terms and conditions contained in the Consent Letter:

- to consent to the Arrangement (the “Consent”);
- prior to the earliest to occur of (i) the date on which the Agent determines, acting reasonably, that the Arrangement has been terminated or will not be completed, (ii) March 31, 2009, if the Definitive Agreements in respect of the Arrangement have not been executed by such date, or (iii) September 30, 2010, not to make demand, accelerate payment or enforce any security or any other remedies upon an “event of default” or a “review event” under the Project Facility unless and until the occurrence of certain “override events” set forth in to the Consent Letter (which “override events” are primarily related to breaches of certain covenants and provisions of the Consent Letter and the Project Facility) (the “Standstill Provisions”); and

- to amend certain provisions of the Project Facility, including without limitation the following revised repayment schedule:

Repayment Date	Repayment Amount
The earlier of two business days following completion of the Private Placement and March 19, 2010	\$ 10,000,000
The earlier of July 2, 2010 and the date that is two business days following the consummation of the Arrangement	\$ 10,000,000
The earlier of September 30, 2010 and the date on which the proceeds from any one or more equity raisings following the consummation of the Arrangement equals \$10,000,000	\$ 10,000,000
December 31, 2010	\$ 5,000,000
The remaining repayment dates between March 31, 2011 and March 31, 2013 to be agreed between Apollo and the Agent by no later than September 30, 2010 to reflect the “cashflow model” (as defined under the Project Facility) that is approved by the Agent. In the absence of agreement between Apollo and the Agent by September 30, 2010. “secured moneys” (as defined under the Project Facility) shall be due and payable on December 31, 2010.	\$ 35,000,000

The Project Facility Banks’ agreement to the Consent and the Standstill Provisions is subject to a number of conditions, including without limitation (i) delivery of the Apollo Support Agreement (as defined above) in connection with the Letter of Intent in a form and substance satisfactory to the Agent, (ii) prior approval by the Project Facility Banks of press releases and other public statements regarding the Arrangement that refer to the Project Facility Banks, (iii) the Agent, acting reasonably, approving the Definitive Agreements and such Definitive Agreements being executed by no later than March 31, 2010, (iv) the Agent, acting reasonably, being satisfied that the completion of the Arrangement will not cause a breach or default under any “project documents” (as defined in the Project Facility), (v) the Agent, acting reasonably, being satisfied that the Arrangement will not have any material negative tax implications for Apollo, Linear and each of their direct or indirect subsidiaries, (vi) the Agent being satisfied, acting reasonably, that, immediately following completion of the Arrangement and after making the payment of \$10,000,000 contemplated by the second row in the repayment schedule set forth above, Apollo having restricted cash on hand of not less than Cdn\$10,000,000, (vii) no amendment to the Definitive Agreements, no representation in the Definitive Agreements being untrue, no breach of any material covenant and no waiver of any material condition precedent in the Definitive Agreements, and (viii) at completion of the Arrangement, the Agent, acting reasonably, being satisfied regarding indebtedness and encumbrances of Linear and its direct and indirect subsidiaries.

#### Extension of Maturity Date for February 2007 Convertible Debentures held by RAB

On February 23, 2007, the Company concluded a private placement pursuant to which it sold \$8,580,000 aggregate principal amount of convertible debentures due February 23, 2009 (the “Convertible Debentures”). As originally issued, each \$1,000 principal amount of the Convertible Debentures was convertible at the option of the holder into 2,000 of the Company’s common shares, at any time until February 23, 2009. Additionally, each \$1,000 principal amount of the Convertible Debentures included 2,000 common share purchase warrants entitling the holder thereof to purchase one of the Company’s common shares at an exercise price of \$0.50 per share, which such warrants originally expired on February 23, 2009 (the “Warrants”).

On February 16, 2009, the Company and RAB Special Situations (Master) Fund Limited ("RAB"), which owns \$4,290,000 aggregate principal amount of Convertible Debentures and 8,580,000 Warrants, entered into an agreement (the "First Amending Agreement") pursuant to which RAB agreed to extend the maturity date of its Convertible Debentures to February 23, 2010 (the "RAB Convertible Debentures"). In consideration for the foregoing, the Company (i) issued 2,000,000 common shares of the Company to RAB, (ii) extended the maturity date of the Warrants issued to RAB to February 23, 2010 (the "RAB Warrants") and (iii) reduced the exercise price of the RAB Warrants from \$0.50 to \$0.25. The Company filed a Form 8-K with the SEC on February 19, 2009 disclosing the terms of the First Amending Agreement.

On February 26, 2010, the Company and RAB entered into a third amending agreement (the "Third Amending Agreement") (which amended and restated in its entirety a second amending agreement entered into on February 23, 2010) pursuant to which RAB agreed to further extend the maturity date of the RAB Convertible Debentures to August 23, 2010 and, in consideration therefor, the Company agreed to repay the \$772,200 of accrued interest through February 23, 2010 on the RAB Convertible Debentures in cash and agreed to issue to RAB (i) 800,000 common shares of the Company and (ii) 2,145,000 common share purchase warrants (the "New Warrants"), which New Warrants entitle RAB to purchase one of the Company's common shares at an exercise price of \$0.50 per share at any time before 5:00 p.m. (Toronto time) on February 23, 2011.

#### Purchase of Duffy Promissory Note

On March 12, 2010, the Company, Calais Resources Colorado, Inc. ("Calais Colorado"), Calais Resources, Inc. ("Calais Resources" and, together with Calais Colorado, "Calais") and Duane A. Duffy, Glenn E. Duffy, Luke Garvey and James Ober, (collectively, the "Duffy Group") entered into a purchase agreement (the "Purchase Agreement") pursuant to which the Company agreed, subject to the terms and conditions contained in the Purchase Agreement, to issue 1,592,733 common shares to the Duffy Group in exchange for the assignment of their rights, title and interest in and to, among other things, a debt obligation owed by Calais (the "Loan") as more fully described below.

The Loan is evidenced by a promissory note dated August 11, 2005, in the original principal amount of \$807,650 (the "Promissory Note"), and is secured by a deed of trust in favor of the Duffy Group recorded against property owned by Calais located in Boulder County, Colorado. The Duffy Group's security interests in the property against which the Promissory Note is secured are to be transferred to the Company as part of the transaction. Pursuant to the terms of the Purchase Agreement, Calais agreed to issue Calais Resources common shares to the Duffy Group in payment of \$435,347 of the outstanding balance of principal and accrued interest and fees of the Promissory Note (the "Calais Share Issuance"). Immediately following the Calais Share Issuance, the outstanding balance of the Promissory Note (including accrued interest thereon) will be \$653,020.

The Promissory Note matured on December 31, 2009 and was not repaid. On January 2, 2010, the Duffy Group called the Loan due and payable and provided notice to Calais of the payment default on the Promissory Note. In accordance with the terms of the Promissory Note, following an uncured default on the Promissory Note, the Promissory Note bears interest at the rate of 24%. Pursuant to the Purchase Agreement, the Company agreed to forebear from enforcing its right to collect principal and interest outstanding under the Promissory Note until March 12, 2011 and reduce the interest rate on the Promissory Note during that period to 8%. In addition to the foregoing provision, the Purchase Agreement includes customary representations, warranties, covenants and indemnities for transactions of this type.

#### Available Information

We maintain a link to investor information on our website, [www.apollogold.com](http://www.apollogold.com), where we make available, free of charge, our filings with the SEC, including our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, or Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make available on our website copies of the charters of the audit, compensation, technical and nominating committees of our board of directors, our code of business conduct and ethics and our corporate governance principles. Shareholders may request a printed copy of these governance materials or any exhibit to this report by writing to our Vice President of Investor Relations, Apollo Gold Corporation, 5655 S. Yosemite Street, Suite 200, Greenwood Village, CO 80111. You may also read and copy any materials we file with the SEC at the SEC's Public Reference Room, which is located at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Information regarding the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at [www.sec.gov](http://www.sec.gov) that contains the documents we file with the SEC. Our website and the information contained on or connected to our website are not incorporated by reference herein and our web address is included as an inactive textual reference only.

#### ITEM 1A. RISK FACTORS

In addition to historical information, the information in this Annual Report on Form 10-K contains "forward-looking" statements about our future business and performance. Our actual operating results and financial performance may be very different from what we expect as of the date of this report. The risks below address some of the factors that may affect our future operating results and financial performance.

Failure to complete the business combination with Linear could negatively impact our stock price and our future business and financial results.

On March 9, 2010, we entered into a binding letter of intent (which we sometimes refer to herein as the "Letter of Intent") with Linear pursuant to which (i) the businesses of Apollo Gold and Linear would be combined upon the implementation of a plan of arrangement under the provisions of the Canada Business Corporations Act (which we sometimes refer to herein as the "Arrangement") and (ii) Linear would purchase approximately 62,500,000 of our common shares at a price of Cdn\$0.40 per common share in a private placement for aggregate proceeds to us of Cdn\$25.0 million (which we sometimes refer to herein as the "Private Placement").

The Letter of Intent contains a number of important conditions that must be satisfied before we can complete the proposed Arrangement, including, among other things, (i) material accuracy of representations and warranties as of the effective date of the Arrangement, (ii) material compliance with covenants, (iii) the absence of any material adverse change, (iv) absence of certain actions, suits, proceedings or objection or opposition before any governmental or regulatory authority, (v) absence of material breaches under the Letter of Intent, (vi) approval of the securityholders of Linear and Apollo of the transactions set forth in the Letter of Intent for which their approval is required under applicable law, (vii) approval Superior Court of Justice of Ontario of the Arrangement, (viii) obtaining all material consents, waivers, permissions and approvals necessary to complete the Arrangement by or from relevant third parties and (ix) holders of not more than 5% of each of the issued and outstanding Linear common shares and Apollo common shares shall have exercised rights of dissent in relation to the Arrangement.

If the proposed business combination with Linear is not completed for any reason, our ongoing business and financial results may be adversely affected. For example, the amended repayment schedule under the Project Facility with the Project Facility Banks agreed to on March 9, 2010 requires us to pay \$10,000,000 upon the earlier to occur of July 2, 2010 and two business days following the consummation of the Arrangement. If the Arrangement with Linear is not consummated, we may not have sufficient cash-on-hand to meet this and the other repayment obligations under the Project Facility or under the \$4,290,000 principal amount of convertible debentures due August 23, 2010 owned by RAB. In addition, if the proposed business combination with Linear is not completed, we will be subject to a number of additional risks, including the following:

- Under the terms of the Letter of Intent with Linear, in certain circumstances, if the Arrangement is not completed, we will be required to pay a Cdn\$4,000,000 termination fee to Linear; and
- The price of our common shares may decline to the extent that the current market price of our common shares reflect a market assumption that the proposed business combination will be completed and that the related benefits and synergies will be realized, or as a result of the market's perceptions that the business combination was not consummated due to an adverse change in our business or financial condition.

In addition, the pendency of the proposed business combination with Linear could adversely affect our operations because:

- matters relating to proposed business combination with Linear (including integration planning) require substantial commitments of time and resources by our management and employees, whether or not the transaction is completed, which could otherwise have been devoted to other opportunities that may have been beneficial to us;
- our ability to attract new employees and consultants and retain our existing employees and consultants may be harmed by uncertainties associated with proposed business combination, and we may be required to incur substantial costs to recruit replacements for lost personnel or consultants; and
- shareholder lawsuits could be filed against us challenging the proposed business combination. If this occurs, even if the lawsuits are groundless and we ultimately prevail, we may incur substantial legal fees and expenses defending these lawsuits, and the proposed business combination may be prevented or delayed.

We cannot guarantee when, or whether, the proposed business combination with Linear will be completed, that there will not be a delay in the completion of the business combination or that all or any of the anticipated benefits of this transaction will be obtained. If this transaction is not completed or is delayed, we may experience the risks discussed above which may adversely affect our business, financial results and share price.

If we are able to complete the proposed business combination with Linear, we may fail to successfully integrate our businesses which could harm our business, financial condition and operating results.

Business combinations involve numerous risks, including liabilities that we may assume from Linear, difficulties in assimilation of the operations and personnel of Linear, the diversion of management's attention from other business concerns, risks of exploring properties or operating in locations in which we have no direct prior experience, and the potential loss of key employees. Any of these factors could adversely affect our business, liquidity, results of operations and financial position.

If we are able to complete the proposed business combination with Linear, our shareholders will experience immediate dilution as a consequence of the issuance of our shares as consideration in the transaction. The existence of a large minority share position may reduce the influence that our current shareholders have on the management of the combined company.

If the proposed business combination with Linear is completed, the influence of our current shareholders, in their capacity as shareholders of the combined company, will be significantly reduced. If the proposed business combination is completed, our current shareholders would hold, in the aggregate, approximately 52.2% of the issued and outstanding shares of the combined company and Linear's current shareholders would hold, in the aggregate, approximately 47.8% of the combined company (based on the number of Apollo common shares and Linear common shares outstanding as of the date hereof). Therefore, the former Linear shareholders will have the ability to exercise influence over the election of directors and other issues submitted to the shareholders of the combined company.

A "review event" has occurred under our Black Fox Project Facility and we have been unable to make the first two originally scheduled repayments thereunder.

As a result of lower than planned gold production, during the third quarter of 2009 a "review event" as defined in the Project Facility was triggered. The occurrence of a review event allows the Banks to review the Project Facility and determine if they wish to continue with the Project Facility. In addition, we were unable to make (i) the first scheduled repayment of \$9.3 million due on September 30, 2009 under the Project Facility (the "First Repayment"), (ii) the second scheduled repayment of \$6.0 million due on December 31, 2009 (the "Second Repayment") and (iii) the requirement to fund the associated debt service reserve account (the "Funding Obligation") also due on September 30, 2009. Through three separate deferrals, the last of which was granted on February 25, 2010, the Banks agreed to defer the First Repayment, the Second Repayment and the Funding obligation until March 31, 2010. Furthermore, on March 9, 2010, the Project Facility Banks executed and delivered the Consent Letter pursuant to which, subject to the terms and conditions contained in the Consent Letter, the Project Facility Banks agreed prior to the earliest to occur of (i) the date on which the Agent determines, acting reasonably, that the proposed business combination with Linear has been terminated or will not be completed, (ii) March 31, 2009, if the definitive agreements in respect of the proposed business combination with Linear have not been executed by such date, or (iii) September 30, 2010, to not make demand, accelerate payment or enforce any security or any other remedies upon an "event of default" or a "review event" under the Project Facility unless and until the occurrence of certain "override events" (the "Standstill Agreement"). Pursuant to the Consent, the Project Facility Banks also agreed to amend certain provisions of the Project Facility, including revising the repayment schedule thereunder as described in more above under the heading "Item 1 – Background – Recent Developments."

However, the Project Facility Banks' Standstill Agreement is subject to a number of conditions, including those set forth above under the heading "Item 1 – Background – Recent Developments." Consequently, there is no guarantee that we will be able to satisfy these conditions to the Project Facility Banks' Standstill Agreement. Any default under the Project Facility may result in the Project Facility Banks foreclosing on our assets which could force us to seek protection under applicable bankruptcy laws and, accordingly, would materially impair the value of our common shares.





Our substantial debt could adversely affect our financial condition; and our related debt service obligations may adversely affect our cash flow and ability to invest in and grow our businesses.

We now have, and for the foreseeable future will continue to have, a significant amount of indebtedness. As of December 31, 2009, we had an aggregate principal amount of approximately \$93.9 million in short- and long-term debt outstanding. Under the revised repayment schedule relating to Project Facility that was agreed to with the Project Facility Banks on March 9, 2010 we will be required to make repayments totaling at least \$35 million in 2010, with the remaining \$35 million to be repaid between March 31, 2011 and March 31, 2013 on dates to be agreed to by Apollo and the Project Facility Banks. If we are unable to agree on a repayment schedule with respect to this remaining \$35 million, it will become due and payable on December 31, 2010.

The interest rate on this loan is floating based on the LIBOR rate plus 7 percent per annum; accordingly, if the LIBOR rate is increased, interest expense will be higher. The maturity date on this loan is March 31, 2013(subject to all amounts becoming due and payable on December 31, 2010 if we are unable to agree to a revised repayment schedule as noted above in this risk factor). We intend to fulfill our debt service obligations from cash generated by our Black Fox project, which is currently expected to be our only source of significant revenues. Because we anticipate that a substantial portion of the cash generated by our operations will be used to service this loan during its term, such funds will not be available to use in future operations, or investing in our businesses. The foregoing may adversely impact our ability to repay the \$4,290,000 principal amount of convertible debentures due August 23, 2010 owned by RAB and conduct all of our planned exploration activities at our Grey Fox, Pike River, and Huizopa properties or pursue other corporate opportunities.

If we do not generate sufficient cash flow from Black Fox operations in 2010 or by raising additional equity or debt financing in the near term, then we may not be able to meet our debt obligations.

As of December 31, 2009, we had an aggregate principal amount of approximately \$93.9 million in short- and long-term debt outstanding. Currently, we are not generating positive cash flow. If we are unable to satisfy our debt service, we may not be able to continue our operations. We may not generate sufficient cash from operations to repay our debt obligations or satisfy any additional debt obligations when they become due and may have to raise additional financing from the sale of equity or debt securities, enter into commercial transactions or otherwise restructure our debt obligations. There can be no assurance that any such financing or restructuring will be available to us on commercially acceptable terms, or at all, and our existing debt agreements prohibit us from incurring additional indebtedness without the consent of the lenders thereunder. If we are unable to restructure our obligations, we may be forced to seek protection under applicable bankruptcy laws. Any restructuring or bankruptcy would materially impair the value of our common shares.

Operational problems may disrupt mining and milling operations at Black Fox.

Mining and milling operations, including our Black Fox mine and mill, inherently involve risks and hazards. Although we commenced mining of the Black Fox open pit in March 2009, commenced milling in April 2009, and commenced commercial production in late May 2009, future production at Black Fox could be prevented, delayed or disrupted by, among other things:

- unanticipated changes in grade and tonnage of material to be mined and processed;
  - unanticipated adverse geotechnical conditions;
  - adverse weather conditions;
- incorrect data on which engineering assumptions are made;
- availability and cost of labor and other supplies and equipment;
- availability of economic sources of power;



- adequacy of access to the site;
- unanticipated transportation costs;
- government regulations (including regulations relating to prices, royalties, duties, taxes, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- lower than expected ore grades;
- the physical or metallurgical characteristics of the ore are less amenable to mining or treatment than expected;
  - delivery and installation of equipment necessary to continue operations as planned; or
  - failure of our equipment, processes or facilities to operate properly or as expected.

Production delays or stoppages will adversely affect our sales and operating results, and could prevent us from meeting our debt repayment obligations under the project facility agreement.

We do not currently have and may not be able to raise sufficient funds to explore our Grey Fox, Pike River, and Huizopa properties.

We do not currently have sufficient funds to conduct all of our planned exploration activities at our Grey Fox, Pike River, and Huizopa properties. The exploration of these properties will require significant capital expenditures. Sources of external financing may include bank and non-bank borrowings and future debt and equity offerings. There can be no assurance that financing will be available on acceptable terms, or at all. The failure to obtain financing would have a material adverse effect on our growth strategy and our results of operations and financial condition.

In addition, in recent quarters, the U.S. stock market indexes have experienced significant instability and the available debt financing has tightened. In light of these developments, concerns by investors regarding the stability of the U.S. and international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter operating covenants, thereby preventing us from obtaining the financing required to conduct all of our planned exploration activities at our Grey Fox, Pike River, and Huizopa properties.

The existence of outstanding rights to purchase common shares may impair our share price and our ability to raise capital.

Approximately 118.1 million of our common shares are issuable on exercise of warrants, options or other rights to purchase common shares at prices ranging from approximately \$0.15 to \$2.24 and a weighted average price of \$0.35. In addition, there are 8,580,000 common shares issuable upon the conversion of the \$4,290,000 outstanding principal amount of convertible debentures due August 23, 2010 held by RAB, which are convertible at the option of the holder at a conversion price of \$0.50 per share. During the term of the warrants, options, convertible debentures and other rights, the holders are given an opportunity to profit from a rise in the market price of our common shares with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional equity financing during the period such rights are outstanding may be adversely affected, and the existence of the rights may have an adverse effect on the price of our common shares. The holders of the warrants, options, convertible debentures and other rights can be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable to us than those provided by the outstanding rights.

Past and future equity issuances could impair our share price.

If our shareholders sell substantial amounts of our common shares, the market price of our common shares could decrease. We have 273,080,927 common shares outstanding as at March 15, 2010. In addition, we may sell additional common shares in subsequent offerings and issue additional common shares to finance future acquisitions or as compensation in financing transactions.

On March 9, 2010, Apollo and Linear entered into a binding letter of intent pursuant to which it is expected that (i) the businesses of Apollo and Linear would be combined by way of a court-approved plan of arrangement (the "Arrangement") pursuant to the provisions of the Canada Business Corporations Act ("CBCA") and (ii) Linear would subscribe for approximately 62,500,000 Apollo common shares of Apollo at a price of Cdn\$0.40 per common share for aggregate proceeds of Cdn\$25.0 million (the "Private Placement"). The Private Placement is expected to be completed on or before March 19, 2010. As part of the Arrangement, the Apollo common shares expected to be issued to Linear in the Private Placement will be cancelled without payment upon the completion of the Arrangement. If the proposed business combination is completed, we anticipate that approximately 242,059,314 Apollo common shares would be issued pursuant to the Arrangement and that our current shareholders would hold, in the aggregate, approximately 52.2% of the issued and outstanding shares of the combined company and Linear's current shareholders would hold, in the aggregate, approximately 47.8% of the combined company (based on the number of Apollo common shares and Linear common shares outstanding as of the date hereof).

We cannot predict the size of future issuances of common shares or the effect, if any, that future issuances and sales of common shares will have on the market price of our common shares. Sales or issuances of large numbers of our common shares, or the perception that such sales might occur, may adversely affect prevailing market prices for our common shares. With any additional issuance of common shares, investors will suffer dilution and we may experience dilution in our earnings per share.

There is no guarantee that we will be able to collect amounts due under the Calais Promissory Notes.

On February 1, 2010, Apollo Gold, Inc., our direct wholly owned subsidiary and the sole shareholder of Montana Tunnels, entered into a purchase agreement pursuant to which it sold all of the outstanding capital stock of Montana Tunnels to Elkhorn in exchange for (i) promissory notes held by Elkhorn and certain investors in Elkhorn or its affiliates from Calais with an outstanding balance of approximately \$7,700,000, (ii) Elkhorn's and the Lenders' rights with respect to an additional amount of approximately \$1,450,000 loaned to Calais, and (iii) a promissory note held by Elkhorn and the Lenders from Calais with an outstanding balance of approximately \$380,000. Pursuant to the Elkhorn purchase agreement, we agreed to forebear from enforcing our right to collect principal and interest outstanding under these promissory notes until February 1, 2011.

On March 12, 2010, we entered into a purchase agreement with Calais and the Duffy Group pursuant to which we agreed to issue 1,592,733 common shares to the Duffy Group in exchange for the assignment of its rights, title and interest in and to, among other things, a promissory note from Calais with an outstanding balance, including accrued interest thereon, of \$653,020. Pursuant to the Duffy Group purchase agreement, we agreed to forebear from enforcing our right to collect principal and interest outstanding under the promissory note until March 12, 2011.

Each of the notes described above is past due and there is no guarantee that we will be able to collect the principal and interest outstanding under these promissory notes once the forbearance periods have expired. Additionally, if we decided to pursue a collection of these notes, we may incur significant legal fees in pursuing collection and in enforcing our rights and remedies under the security agreements related thereto, including the costs associated with retaking possession of the collateral property and, if necessary, selling, leasing, transferring or otherwise disposing of such property. Moreover, we have no assurance that Calais will take required actions to preserve the condition and value of the collateral property or that, even if Calais takes all required actions, the value of the property or the proceeds realizable from the sale thereof, will, at the time such remedy is sought or obtained, be sufficient to cover all unpaid amounts due under the promissory notes. Any such delay, additional costs, loss or nonpayment could adversely affect our financial results.

The market price of our common shares has experienced volatility and could decline significantly.

Our common shares are listed on the NYSE Amex exchange and the Toronto Stock Exchange. Our share price has declined significantly since 2004, and over the last year the closing price of our common shares has fluctuated from a low of \$0.19 per share to a high of \$0.59 per share. Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Our share price is also likely to be significantly affected by global economic issues, as well as short-term changes in gold prices or in our financial condition or liquidity. As a result of any of these factors, the market price of our common shares at any given point in time might not accurately reflect our long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

We have a history of losses.

With the exception of the fiscal year ended December 31, 2008, during which we had a net income of \$1.2 million, we have incurred significant losses. Our net losses were \$61.7 million and \$13.9 million for the years ended December 31, 2009 and 2007, respectively. In addition, Black Fox is our only current source of revenue. Further, we have significant obligations under loan agreements related to Black Fox. Although commercial production commenced in late May 2009 at Black Fox, there can be no assurance that we will achieve or sustain profitability in the future.

Our earnings may be affected by the volatility of gold prices.

We historically have derived all of our revenues from the sale of gold, and our development and exploration activities are focused on gold. As a result, our future earnings are directly related to the price of gold. Since the beginning of 2009, the London P.M. or afternoon fix gold spot price, as reported by the Wall Street Journal, has fluctuated from a high of \$1,213/oz to a low of \$810/oz and was \$1,106/oz on March 12, 2010. Changes in the price of gold significantly affect our profitability and the trading price of our common shares. Gold prices historically have fluctuated widely, based on numerous industry factors including:

- industrial and jewelry demand;
- central bank lending, sales and purchases of gold;
- forward sales of gold by producers and speculators;
- production and cost levels in major gold-producing regions; and
- rapid short-term changes in supply and demand because of speculative or hedging activities.

Gold prices are also affected by macroeconomic factors, including:



- confidence in the global monetary system;
- expectations of the future rate of inflation (if any);
- the strength of, and confidence in, the U.S. dollar (the currency in which the price of gold is generally quoted) and other currencies;
- interest rates; and
- global or regional political or economic events, including but not limited to acts of terrorism.

The current demand for, and supply of, gold also affects gold prices. The supply of gold consists of a combination of new production from mining and existing shares of bullion held by government central banks, public and private financial institutions, industrial organizations and private individuals. As the amounts produced by all producers in any single year constitute a small portion of the total potential supply of gold, normal variations in current production do not usually have a significant impact on the supply of gold or on its price. Mobilization of gold held by central banks through lending and official sales may have a significant adverse impact on the gold price.

All of the above factors are beyond our control and are impossible for us to predict. If the market prices for gold fall below our costs to produce gold for a sustained period of time, that will make it more difficult to obtain financing for our projects, we will experience additional losses and we could also be required to discontinue exploration, development and/or mining at one or more of our properties.

Hedging activities have resulted in significant losses and may continue to result in losses in the future.

As a part of the project finance facility, we and the lenders have entered into a hedging program covering both gold sales and part of our Canadian dollar operating costs. Specifically, we have entered into a 250,420 ounce gold forward sales program which is allocated across the four year term of the project facility agreement. As of December 31, 2009, we have settled 50,099 ounces of gold in the program. The weighted average price of the sales program is \$876 per ounce of gold. The foreign exchange hedge program is for the Canadian dollar equivalent of \$58.0 million, at an exchange rate of Cdn\$1.21=US\$1.00, over the four year term of the project facility agreement. As of December 31, 2009, we have settled Cdn\$8.1 million of the program.

In the future, we may enter into hedging contracts that may involve outright forward sales contracts, spot-deferred sales contracts, the use of options which may involve the sale of call options and the purchase of all these hedging instruments. There can be no assurance that we will be able to successfully hedge against price, currency and interest rate fluctuations. Further, there can be no assurance that the use of hedging techniques will always be to our benefit. Some hedging instruments may prevent us from realizing the benefit from subsequent increases in market prices with respect to covered production. This limitation would limit our revenues and profits. Hedging contracts are also subject to the risk that the other party may be unable or unwilling to perform its obligations under these contracts. It is our intention to deliver the quantity of gold required by our forward sales on a going forward basis; however, we may cash settle these forward sale obligations if it is beneficial to us. Any significant nonperformance could have a material adverse effect on our financial condition and results of operations.



Disruptions in the supply of critical equipment and increases in prices of raw materials could adversely impact our operations.

We are a significant consumer of electricity, mining equipment, fuels and mining-related raw materials, all of which we purchase from outside sources. Increases in prices of electricity, equipment, fuel and raw materials could adversely affect our operating expenses and profitability. Furthermore, failure to receive raw materials in a timely manner from third party suppliers could impair our ability to meet production schedules or our contractual commitments and thus adversely impact our revenues. From time to time, we obtain critical mining equipment from outside North America. Factors that can cause delays in the arrival of such equipment include weather, political unrest in countries from which equipment is sourced or through which it is delivered, terrorist attacks or related events in such countries or in the U.S., and work stoppages by suppliers or shippers. Prolonged disruptions in the supply of any of our equipment or other key raw materials, implementing use of replacement equipment or new sources of supply, or a continuing increase in the prices of raw materials and energy could have a material adverse effect on our operating results, financial condition or cash flows.

Our investments in auction rate securities are subject to risks which may cause losses and affect the liquidity of these investments.

We acquired auction rate securities in 2007 with a face value of \$1.5 million. The securities were marketed by financial institutions with auction reset dates at 28 day intervals to provide short-term liquidity. All such auction rate securities were rated AAA when purchased, pursuant to our investment policy. Beginning in August 2007, a number of auctions failed and there is no assurance that auctions for the auction rate securities in our investment portfolio, which currently lack liquidity, will succeed. An auction failure means that the parties wishing to sell their securities could not do so as a result of a lack of buying demand. As at December 31, 2009, our auction rate securities held an adjusted cost basis and fair value of \$1.0 million based on liquidity impairments to these securities. Uncertainties in the credit and capital markets could lead to further downgrades of our auction rate securities holdings and additional impairments. Furthermore, as a result of auction failures, our ability to liquidate and fully recover the carrying value of our auction rate securities in the near term may be limited or not exist.

Substantially all of our assets are pledged to secure our indebtedness.

Substantially all of the Black Fox assets are pledged to secure indebtedness outstanding under the Project Facility. Since these assets represent substantially all of our assets, we will not have access to additional secured lending with other financial institutions, which will require us to raise additional funds through unsecured debt and equity offerings, and covenants in our borrowing agreements limit our ability to incur unsecured indebtedness. Default under our debt obligations would entitle our lenders to foreclose on our assets.

Our reserve estimates are potentially inaccurate.

We estimate our reserves on our properties as either “proven reserves” or “probable reserves.” Our ore reserve figures and costs are primarily estimates and are not guarantees that we will recover the indicated quantities of these metals. We estimate proven reserve quantities based on sampling and testing of sites conducted by us and by independent companies hired by us. Probable reserves are based on information similar to that used for proven reserves, but the sites for sampling are less extensive, and the degree of certainty is less. Reserve estimation is an interpretive process based upon available geological data and statistical inferences and is inherently imprecise and may prove to be unreliable.

Our reserves are reduced as existing reserves are depleted through production. Reserves may be reduced due to lower than anticipated volume and grade of reserves mined and processed and recovery rates.



Reserve estimates are calculated using assumptions regarding metals prices. Our reserves at Black Fox were estimated using a gold price of \$650/oz. These prices have fluctuated widely in the past. Declines in the market price of metals, as well as increased production costs, capital costs and reduced recovery rates, may render reserves uneconomic to exploit, and lead to a reduction in reserves. Any material reduction in our reserves may lead to lower earnings or higher losses, reduced cash flow, asset write-downs and other adverse effects on our results of operations and financial condition, including difficulty in obtaining financing and a decrease in our stock price. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. No assurance can be given that the amount of metal estimated will be produced or the indicated level of recovery of these metals will be realized.

We may not achieve our production estimates.

We prepare estimates of future production for our operations. We develop our estimates based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) and estimated rates and costs of mining and processing. In the past, our actual production from time to time has been lower than our production estimates and this may be the case in the future. In particular, our estimate of 2009 gold production was lower than originally predicted as a direct result of encountering lower grade ore than our reserve model predicted.

Each of these factors also applies to future development properties not yet in production. In the case of mines we may develop in the future, we do not have the benefit of actual experience in our estimates, and there is a greater likelihood that the actual results will vary from the estimates. In addition, development and expansion projects are subject to financing contingencies, unexpected construction and start-up problems and delays.

Our future profitability depends in part on actual economic returns and actual costs of developing mines, which may differ significantly from our estimates and involve unexpected problems, costs and delays.

We are engaged in the development of new ore bodies. Our ability to sustain or increase our present level of production is dependent in part on the successful exploration and development of new ore bodies and/or expansion of existing mining operations. Decisions regarding future projects, including Grey Fox, Pike River, and Huizopa, are subject to the successful completion of feasibility studies, issuance of necessary governmental permits and receipt of adequate financing.

Development projects have no operating history upon which to base estimates of future cash flow. Our estimates of proven and probable ore reserves and cash operating costs are, to a large extent, based upon detailed geologic and engineering analysis. We also conduct feasibility studies that derive estimates of capital and operating costs based upon many factors.

It is possible that actual costs and economic returns may differ materially from our best estimates. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase and to require more capital than anticipated. There can be no assurance that Black Fox or any future expansion at Black Fox will be profitable.

Our operations may be adversely affected by risks and hazards associated with the mining industry.

Our business is subject to a number of risks and hazards including adverse environmental effects, technical difficulties due to unusual or unexpected geologic formations, and pit wall failures as well as the associated risks of underground mining.



Such risks could result in personal injury, environmental damage, damage to and destruction of production facilities, delays in mining and liability. For some of these risks, we maintain insurance to protect against these losses at levels consistent with our historical experience and industry practice. However, we may not be able to maintain current levels of insurance, particularly if there is a significant increase in the cost of premiums. Insurance against environmental risks is generally too expensive or not available for us and other companies in our industry, and, therefore, we do not maintain environmental insurance. To the extent we are subject to environmental liabilities, we would have to pay for these liabilities. Moreover, in the event that we are unable to fully pay for the cost of remediating an environmental problem, we might be required to suspend or significantly curtail operations or enter into other interim compliance measures.

Mineral exploration in general, and gold exploration in particular, are speculative and are frequently unsuccessful.

Mineral exploration is highly speculative in nature, capital intensive, involves many risks and frequently is nonproductive. There can be no assurance that our mineral exploration efforts will be successful. If we discover a site with gold or other mineralization, it will take a number of years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish ore reserves through drilling, to determine metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. As a result of these and other uncertainties, no assurance can be given that our exploration programs will result in the expansion or replacement of existing ore reserves that are being depleted by current production.

The titles to some of our properties may be uncertain or defective.

While we have no reason to believe that our rights to mine on any of our properties are in doubt, title to mining properties are subject to potential claims by third parties claiming an interest in them.

We may lose rights to properties if we fail to meet payment requirements or development or production schedules.

We derive the rights to most of our mineral properties from unpatented mining claims, leaseholds, joint ventures or purchase option agreements which require the payment of maintenance fees, rents, purchase price installments, exploration expenditures, or other fees. If we fail to make these payments when they are due, our rights to the property may lapse. There can be no assurance that we will always make payments by the requisite payment dates. In addition, some contracts with respect to our mineral properties require development or production schedules. There can be no assurance that we will be able to meet any or all of the development or production schedules. Our ability to transfer or sell our rights to some of our mineral properties requires government approvals or third party consents, which may not be granted.

The titles to some of our properties may be uncertain or defective.

If there are title defects with respect to any of our properties, we might be required to compensate other persons or perhaps reduce our interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert management's time from ongoing exploration and development programs. Furthermore, if we lose our rights in and to any of our properties, we could incur substantial and protracted losses.

We face substantial governmental regulation.

Our Black Fox mining operations and our Canadian and Mexican exploration activities are subject to regulations promulgated by various Canadian and Mexican government agencies governing the environment, agricultural zoning, prospecting, development, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Currently, our Canadian properties are subject to the jurisdiction of the federal laws of Canada, the provincial laws of Ontario, as well as local laws where they are located. In addition, our Mexican property is subject to Mexican federal laws as well as local laws where it is located. Any changes in current regulations, the adoption of new regulations or shifts in political conditions are beyond our control of and may adversely affect our business.

Companies such as ours that engage in exploration and development activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Issuance of permits for our exploration and mining activities is subject to the discretion of government authorities, and we may be unable to obtain or maintain such permits. Permits required for future exploration or development may not be obtainable on reasonable terms or on a timely basis. Existing and possible future laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on us and cause increases in our capital expenditures or require abandonment or delays in the exploration or development of our properties. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of the our past and current operations, or possibly even those actions of parties from whom we acquired its mines or properties, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. It is difficult to strictly comply with all regulations imposed on us. We retain competent and well trained individuals and consultants in jurisdictions in which we do business, however, even with the application of considerable skill we may inadvertently fail to comply with certain laws. Such events can lead to financial restatements, fines, penalties, and other material negative impacts on us.

The Canadian mining industry is subject to federal and provincial environmental protection legislation. This legislation imposes strict standards on the mining industry in order to reduce or eliminate the effects of waste generated by extraction and processing operations and subsequently emitted into the air or water. Consequently, drilling, refining, extracting and milling are all subject to the restrictions imposed by this legislation. In addition, the construction and commercial operation of a mine typically entail compliance with applicable environmental legislation and review processes, as well as the obtaining of permits, particularly for the use of the land, permits for the use of water, and similar authorizations from various government bodies. Canadian federal, provincial, and local laws and regulations relating to the exploration for and development, production and marketing of mineral production, as well as environmental and safety matters have generally become more stringent in recent years, often imposing greater liability on a larger number of potentially responsible parties. Because the requirements imposed by such laws and regulations are frequently changed, we are unable to predict the ultimate cost of compliance with such requirements. There is no assurance that environmental laws and regulations enacted in the future will not adversely affect our financial condition and results of operations.

Our Huizopa exploration project is subject to political and regulatory uncertainty and our ownership of the Huizopa properties is subject to litigation.

Our Huizopa exploration project is located in the northern part of the Sierra Madres in the State of Chihuahua, Mexico. There are numerous risks inherent in conducting business in Mexico, including political and economic instability, exposure to currency fluctuations, greater difficulties in accounts receivable collection, difficulties in staffing and managing operations and potentially adverse tax consequences. In addition, our ability to explore and develop our Huizopa exploration project is subject to maintaining satisfactory relations with the Ejido Huizopa, which is a group of local inhabitants who under Mexican law are granted rights to conduct agricultural activities and control surface access on the property. In 2006, we entered into an agreement with the Ejido Huizopa pursuant to which we agreed to make annual payments to the Ejido Huizopa in exchange for the right to use the land covering our mining concessions for all activities necessary for the exploration, development and production of potential ore deposits. There can be no assurances that the Ejido Huizopa will continue to honor the agreement. If we are unable to successfully manage our operations in Mexico or maintain satisfactory relations with the Ejido Huizopa, our development of the Huizopa property could be hindered or terminated and, as a result, our business and financial condition could be adversely affected.

In addition, on September 4, 2009, Joe Green and companies owned or controlled by him, including a Mexican company named Minas de Coronado, S. de R.L. de C.V., with whom our Mexican subsidiary, Minera Sol de Oro, S.A. de C.V., has a joint venture relationship at the Huizopa exploration project in the State of Sonora, Mexico, filed a complaint against us alleging, among other things, that we breached various agreements and failed to recognize Minas de Coronado's right joint venture interest in the Huizopa exploration project. Mr. Green is seeking the return of the Huizopa exploration project properties to Mr. Green's companies. We believe that the claims in the complaint are without merit, and intend to vigorously defend against those claims. See Item 3 "Legal Proceedings" for more information.

We are subject to environmental risks.

**Environmental Liability.** We are subject to potential risks and liabilities associated with environmental compliance and the disposal of waste rock and materials that could occur as a result of our mineral exploration and production. In certain circumstances, the potential liabilities can include liability for costs of remediation and clean up of mines which we owned or operated in the past, but no longer own or operate. To the extent that we are subject to environmental liabilities, the payment of such liabilities or the costs that we may incur to remedy any non-compliance with environmental laws would reduce funds otherwise available to us and could have a material adverse effect on our financial condition or results of operations. If we are unable to fully remedy an environmental problem, we might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on us. We have not purchased insurance for environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) because it is not generally available at a reasonable price or at all.

**Environmental Permits.** All of our exploration, development and production activities are subject to regulation under one or more of the various state, federal and provincial environmental laws and regulations in Canada and Mexico. Many of the regulations require us to obtain permits for our activities. We must update and review our permits from time to time, and are subject to environmental impact analyses and public review processes prior to approval of the additional activities. It is possible that future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have a significant impact on some portion of our business, causing those activities to be economically reevaluated at that time. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond our financial capabilities. The posting of bonds in accordance with regulatory determinations is a condition to the right to operate under all material operating permits,

and therefore increases in bonding requirements could prevent our operations from continuing even if we were in full compliance with all substantive environmental laws.

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We face strong competition from other mining companies for the acquisition of new properties.

Mines have limited lives and as a result, we may seek to replace and expand our reserves through the acquisition of new properties. In addition, there is a limited supply of desirable mineral lands available in the United States, Canada and Mexico and other areas where we would consider conducting exploration and/or production activities. Because we face strong competition for new properties from other mining companies, most of which have greater financial resources than we do, we may be unable to acquire attractive new mining properties.

We are dependent on certain key personnel.

We are currently dependent upon the ability and experience of R. David Russell, our President and Chief Executive Officer; Richard F. Nanna, our Senior Vice President-Exploration; and Melvyn Williams, our Chief Financial Officer and Senior Vice President-Finance and Corporate Development. We believe that our success depends on the continued service of our key officers and there can be no assurance that we will be able to retain any or all of such officers. We currently do not carry key person insurance on any of these individuals, and the loss of one or more of them could have a material adverse effect on our operations.

There may be certain tax risks associated with investments in our company.

U.S. persons who are potential holders of our common shares, warrants or options to purchase our common shares, or debentures convertible into our common shares, which we sometimes refer to in this report as equity securities, should be aware that we could constitute a “passive foreign investment company” (or a “PFIC”) for U.S. federal income tax purposes. The tests for determining PFIC status for a taxable year depend upon the relative values of certain categories of assets and the relative amounts of certain kinds of income. The application of these factors depends upon our financial results for the year, which is beyond our ability to predict or control, and may be subject to legal and factual uncertainties. While we do not believe that we were a PFIC in 2009 and do not expect to be a PFIC in 2010, we cannot guarantee that we were not a PFIC in 2009 and we are unable to predict whether we will be a PFIC in 2010 or in later years. We undertake no obligation to advise investors as to our PFIC status for any year.

If we are a PFIC for any year, any holder of our equity securities who is a U.S. person for U.S. federal income tax purposes, which we sometimes refer to in this report as a U.S. holder, and whose holding period for the equity securities includes any portion of a year in which we are a PFIC generally would be subject to a special adverse tax regime in respect of “excess distributions.” Excess distributions would include certain distributions received with respect to our common shares. Gain recognized by a U.S. holder on a sale or other transfer of our equity securities also would be treated as an excess distribution. Under the PFIC rules, excess distributions would be allocated ratably to a U.S. holder’s holding period. For this purpose, the holding period of common shares acquired through either an exercise of warrants or options or a conversion of debentures includes the holder’s holding period in those warrants, options, or convertible debentures.

The portion of any excess distributions (including gains treated as excess distributions) allocated to the current year would be includible as ordinary income in the current year. In contrast, the portion of any excess distributions allocated to prior years would be taxed at the highest marginal rate applicable to ordinary income for each year (regardless of the taxpayer’s actual marginal rate for that year and without reduction by any losses or loss carryforwards) and would be subject to interest charges to reflect the value of the U.S. federal income tax deferral.

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called “QEF” and “mark-to-market” elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. The QEF and mark-to-market elections are not available to U.S. holders with respect to warrants, options, or convertible debentures. We have not decided whether we will provide the U.S. Holders of our common shares with the annual information required to make a QEF election.

Additional special adverse rules could apply to our equity securities if we are a PFIC and have a non-U.S. subsidiary that is also a PFIC. Finally, special adverse rules that impact certain estate planning goals could apply to our equity securities if we are a PFIC.

You could have difficulty or be unable to enforce certain civil liabilities on us, certain of our directors and our experts.

We are a Yukon Territory, Canada, corporation. While our chief executive officer is located in the United States, many of our assets are located outside of the United States. Additionally, a number of our directors are residents of Canada. It might not be possible for investors in the United States to collect judgments obtained in United States courts predicated on the civil liability provisions of U.S. securities legislation. It could also be difficult for you to effect service of process in connection with any action brought in the United States upon such directors and experts. Execution by United States courts of any judgment obtained against us, or any of the directors, executive officers or experts identified in this report or documents incorporated by reference herein, in United States courts would be limited to the assets, or the assets of such persons or corporations, as the case might be, in the United States. The enforceability in Canada of United States judgments or liabilities in original actions in Canadian courts predicated solely upon the civil liability provisions of the federal securities laws of the United States is doubtful.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

##### Maps of Operations and Properties

The maps below show the locations of Black Fox and the Huizopa project in North America. These properties are described in further detail below.

Figure 1 – Property locations in North America



## Black Fox

The Black Fox property was formerly known as the Glimmer mine. In April 1996, Exall Resources Ltd. (“Exall”) purchased 60% of the property from Hemlo Gold Inc., and Glimmer Resource Inc. (“Glimmer”) held the remaining 40%.

In September 2002, we purchased all of the real estate and related assets of the mine, which ceased operations in May 2001, from Exall and Glimmer and renamed it “Black Fox”. We paid Exall and Glimmer an aggregate purchase price consisting of Cdn\$3.0 million in cash and an aggregate of 2,080,000 of our common shares. Pursuant to the terms of the acquisition, an additional Cdn\$3 million was paid to Exall and Glimmer on January 6, 2006.

From 1997 until 2001, the mine produced approximately 210,000 ounces of gold from underground workings.

On July 28, 2008, we completed the acquisition from St Andrew Goldfields Ltd. (“St Andrew”) of its Stock Mill and related equipment, infrastructure, property rights, laboratory and tailings facilities, located near Timmins, Ontario for Cdn\$20.0 million.

Figure 3 – Black Fox mine and Black Fox mill locations along the Destor-Porcupine Fault Zone in the Province of Ontario, Canada

## Location

Black Fox consists of two properties: a mine and a mill. The Black Fox mine is located approximately seven miles east of Matheson, Ontario, Canada. The stock mill complex purchased from St Andrew, which we renamed the Black Fox mill, is located approximately 12 miles west of Matheson, which means that it is approximately 19 miles west of the Black Fox mine site. Both properties are easily accessible by provincial highway and power is supplied by Hydro One.

Property, plant and equipment at the mine consists of an administration office, change house facilities, workshop facilities, core sheds and surface infrastructure for the underground mine (pumps, heating, etc.), all of which are in good working condition. Property, plant and equipment at the Black Fox mill consists of an administrative office, electrical and mechanical shops, laboratory and a 2,000 tonnes per day mill for processing the Black Fox ores. All plant facilities and equipment are in good working order. The mill operations were started in April 2009 and commercial production commenced in late May 2009. Within the mill property, there is also a permitted tailings compound.

The Black Fox mine sits astride the Destor-Porcupine Fault Zone (DPFZ), which is a deep break in the Precambrian rocks of the Abitibi Greenstone Belt. This fault system hosts many of the deposits in the Timmins area. The system regionally strikes east-west and dips variably to the south. Black Fox lies on the southern limb of a large scale fold on a flexure in the DPFZ Fault where the strike changes from east-west to southeast. Folded and altered ultra mafic and mafic are the host rocks for mineralization. Gold occurs as free gold in quartz veining and stockworks in altered ultra mafics and in gold associated with pyrite in altered tholeiitic basalts.

The Black Fox mine consists of 4,529 acres of which: 1,063 acres are leasehold patents, 2,001 acres are owned by Apollo, 319 acres are leased by us, 820 acres where we have surface rights only and 326 acres where we have mineral rights but no surface rights. The 4,529 acres includes property known as Pike River and Grey Fox, which are contiguous to the Black Fox mine property boundaries and stretch two miles southeast of the Black Fox open pit mine.

The Black Fox mill property consists of:

Leasehold – 15 parcels	2,608 acres
Patented – 9 parcels	1,068 acres
Unpatented – 21 parcels	2,451 acres
Total of all property	6,127 acres

None of the currently defined reserves are subject to production royalties. However, Apollo owns properties totaling 2,164 acres that are subject to net smelter return royalties, ranging from 2.0% to 3.25%, if there is production in the future from any reserves found on that property.

#### Exploration and Development

From 2003 to 2007, we conducted a drilling program during which we completed a total of 504 surface diamond drill holes totaling 149,548 meters and 396 underground holes totaling 78,644 meters. Apollo's drilling supplemented the data from the 286 surface and 707 underground drill holes drilled by the previous owners. A table of total drill holes is shown below.

## Black Fox Project Drill Hole Database

Company	Period	Location	Number	Meters
Noranda	1989-1994	Surface	143	28,015
Exall	1995-1999	Surface	143	21,520
Exall	1996-2001	Underground	707	61,115
Apollo	2002-2006	Surface	454	136,390
Apollo	2004-2006	Underground	371	75,704
Apollo	2007	Surface	50	13,158
Apollo	2007	Underground	25	2,940
Totals			1,893	338,842

In addition to the above, 69 holes have been drilled in 2008 and 2009 on the Grey Fox and Pike River properties for a total of 13,651 meters as more fully described under Exploration Stage Properties.

## Mineral Reserves

On April 14, 2008, we filed a Canadian National Instrument, NI 43-101 Technical Report, which was prepared to a bankable standard (“bankable feasibility study”). A bankable feasibility study is a comprehensive analysis of a project’s economics (+/- 15% precision) used by the banking industry for financing purposes. The table below summarizes the Black Fox Total Mineral Reserve as of December 31, 2008. The mineral reserves shown in the table below were calculated based on a gold price of \$650 per ounce.

## Black Fox Probable Reserve Statement as of December 31, 2008

Mining Method	Cutoff Grade Au g/t	Tonnes (000)	Grade Au g/t	Contained Au Ounces
Open Pit	1.0	4,350	5.2	730,000
Underground (1)	3.0	2,110	8.8	600,000
<b>Total Probable Reserves</b>				<b>1,330,000</b>

(1) Underground reserves assume 95% mining recovery 17% planned dilution and 5% unplanned dilution both at 0 grams per tonne grade.

The reserve estimates were based on information from 1,893 drill holes totaling 338,842 meters. All assays over 170 grams of gold per tonne (5.5 oz of gold per ton) were capped at this level, which represents 0.25% of the assays.

The estimated reserves presented above were reduced by mining of 632,000 ore tonnes from the Black Fox mine, including 425,000 tonnes at a grade of 3.7 gpt producing 46,621 ounces of gold from the Black Fox mill, with further 5,531 ounces of gold produced from toll processing in 2009.

There was no updated estimation of mineral reserves for the year ended December 31, 2009. This was due mainly to the Company undertaking in late 2009 a comprehensive mine plan re-modeling with tighter constraints and review of the 2010 mine plan as well as the life of mine plan to address the grade variability issue of a certain type of Black Fox ore, which had resulted in an over-projection of grade in part of the open pit ore. This lower grade negatively impacted 2009 gold production, which was lower than expected. The revised mine plan is expected to be completed by the end of the first quarter of 2010. Independent professional mining consultants and our staff determined that the new mine plan requires reconciliation of production against the plan forecasts over the rest of 2010. This will be in conjunction

with a continuous improvement effort, benefitted by the mine operating in its first full year of production at a steady state of 2,000 tonnes of ore per day. Such assessment will provide more accurate information regarding mining costs, cut-off grade, and other parameters in the estimation of mineral reserves at the end 2010.

It is expected that the average gold grade of the open pit portion of reserves will decrease from the December 31, 2008 reserve estimate grade due to the anticipated lowering of the average grade in the high grade portion of the open pit and the addition of more low grade tonnes than originally estimated. However, the change in the overall tonnage and contained ounces of open pit reserves will reflect the net effect of any negative adjustment and possible increments from the anticipated underground exploration drilling for resource and reserve additions. The comprehensive review included remodeling of the underground portion of reserves and found less variance (i.e. more consistency) against the 2008 feasibility study. The anticipated start-up of the underground during 2010 will also provide actual production data for reconciliation purposes in the estimation of mineral reserves for the year ended December 31, 2010.

The Company expects to report updated estimated mineral reserves for 2010 in the first quarter of 2011, and on an annual basis thereafter.

#### Permits

We have received all necessary permits and approvals required for mining activities of phase I of the open pit. In particular, we have received Certified Closure Plan Approval, an Amended Certificate of Approval for Industrial Sewage Works, and a Permit to Take Water (Surface and Ground Water.) The open pit reserves are divided into phase I and phase II and we expect to receive the permits necessary to conduct phase II in the second quarter of 2010.

#### Process and equipment - Mining Operations

In September 2008 a contract was awarded for the removal of approximately 2 million cubic meters of glacial till material which overlaid phase 1 of the open pit. This stripping contract commenced in October 2008 and by March 2009 progress was sufficient to allow Apollo personnel and equipment to commence the mining of open pit ore and waste. The stripping contract was completed in July 2009.

Open pit mining of ore and waste at Black Fox is conducted 24 hours per day 7 days per week. Mining is performed by two excavators, five CAT 777 85-tonne haul trucks, two CAT D9T dozers, and three drills in addition to ancillary equipment. This mining fleet averages approximately 23,000 tonnes per day ("tpd") ore and waste. The mining of ore is only done during daylight hours. Ore is crushed to -150 mm at the mine site and is transported to the Black Fox mill by a fleet of contract road trucks.

#### Process and equipment – Milling Operation

In the third quarter of 2008 an engineering, procurement and construction management ("EPCM") contract was awarded to GBM Ltd., for the expansion of the Black Fox Mill to increase the throughput from 1,000 tpd up to 2,000 tpd. Commissioning of the mill commenced in March 2009 with the mill commencing the processing of ores during April 2009. The first gold bullion was poured and shipped to the refiner in late May 2009. During the remainder of 2009 the mill throughput rate was increased from the initial 1,500 tpd up to the design capacity of 2,000 tpd which was achieved steadily during the last quarter of 2009.



Ore is crushed to -150 mm at the mine site and is transported to the Black Fox mill by a fleet of contract road trucks. The ore is stockpiled at the mill site and fed via a conveyor system to the crushing circuit, with a crushing capacity of 160 tonnes per hour, where it is further reduced from -150mm through three stages of crushing to -10mm. This crushed product is transferred to a 1,500 tonne fine ore surge bin. The ore is then fed into a grinding circuit at a rate of 2,000 tonnes per operating day through two stages of closed circuit ball milling. Soluble gold is recovered by adsorption upon granular activated carbon in CIC, CIL, and CIP trains at an efficiency of approximately 95%. Elution of adsorbed gold is carried out via pressure Zadra in closed circuit with electro-winning deposition. Gold plate is further refined by induction smelting and cast in 1,000 ounce moulds before shipment to the refiner. After extraction of the gold the ores are discharged into the tailing impoundment area.

The Black Fox Mill also hosts administrative offices, warehousing and storage facilities, mechanical and electrical repair facilities, and a water treatment plant in association with the mill process.

### Production

For the year ending December 31, 2009 the open pit produced 4,184,000 tonnes of waste and 631,000 tonnes of ore for a total mined material of 4,815,000 tonnes and a strip ratio of 6.64:1.

For the year ended December 31, 2009 the mill processed 422,000 of ore at an average grade of gold of 3.7 grams/t to produce 46,621 ounces of gold in dore bars. Overall recovery of gold averaged 93%.

In addition to the gold ore processed by the Black Fox mill, 109,000 tonnes of low grade ore was shipped to and processed by the nearby Holt mill, owned by St Andrew. The grade of ore processed was 1.67 grams per tonne with a recovery of approximately 93% and gold production of 5,531 ounces.

Therefore combined gold production from the Black Fox mill and the Holt mill was 52,152 ounces.

### Bonding

Closure plans for both the mine and mill sites prepared by AMEC Earth and Environmental, a Division of AMEC Americas Limited, were submitted to and accepted by the Ontario Ministry of Northern Development and Mines (“MNDM”) during 2008. Bonding requirements for each site were set by the MNDN as follows (in Cdn\$);

Phase I of Black Fox mine	\$ 7,428,830
Black Fox mill complex	8,123,460
Total	\$ 15,552,290

We have met these bonding requirements through letters of credit issued by TD Canada Trust secured by a pledged deposit account of Cdn\$14,321,130 and a deposit directly with the MNDM of Cdn\$1,231,160. The obligations to reimburse TD Canada Trust for any drawing under the letter of credit are secured by Apollo’s maintenance of an amount equal to the amount available for drawing the above mentioned deposit account pledged to TD Canada Trust. The annual letter of credit fee is 1% of the amount available for drawing. Interest is earned on the deposit account at a rate established by TD Canada Trust from time to time. We expect that there will be additional bonding requirements in connection with an amended closure plan for phase II of the open pit, but we are unable to quantify the amount at this time.



## Montana Tunnels Mine

The Montana Tunnels mine was originally owned and operated by Pegasus Gold, a mining company incorporated in Canada. Pegasus commenced operations at the Montana Tunnels mine in 1987 and in 1998, Pegasus filed for bankruptcy. In 2002, we purchased Montana Tunnels Mining, Inc. (“MTMI”), from the receiver in the bankruptcy proceeding.

On July 28, 2006, Apollo entered into a joint venture (“JV Agreement”) with Elkhorn Tunnels LLC (“Elkhorn”), in respect of the Montana Tunnels mine. The JV Agreement called for Elkhorn to contribute \$13 million in return for a 50% interest in the Montana Tunnels mine. Apollo was the operator of the mine.

On February 1, 2010, we sold all of the capital stock of Montana Tunnels Mining, Inc., which held our remaining 50% interest in the Montana Tunnels joint venture, to Elkhorn for consideration of certain promissory notes held by Elkhorn with an outstanding balance of approximately \$9.5 million.

## Exploration Stage Properties

### Grey Fox

The Grey Fox Project sits along the Destor Porcupine Fault Zone (“DPFZ”) in the Timmins Mining District of Ontario and is located about 3.5 kilometers southeast of the Black Fox mine. The initial drilling program of 16 core holes was completed in 2008 and was successful in intersecting gold mineralization in rocks similar to the host rocks of the Black Fox ore deposit on the DPFZ and verified, in-filled and expanded historic drilling results on the “Contact Zone.”. The Contact Zone is a north-south structure in the DPFZ hanging wall. The 2008 drilling program also hit very high grade gold mineralization in a silicified breccia within the Contact Zone. This high grade “Calcite Zone” is unique, with a late stage gold-calcite mineralizing event and may represent a shoot formed at a structural intersection.

The 2009 drilling program commenced in August of 2009 and by the end of 2009, 53 holes had been completed. Forty-seven of these holes were drilled on the Grey Fox Property and six were drilled on the newly acquired Pike River Property. Drilling results continue to show continuity in multiple shallow, mineralized zones. All holes have been drilled with the objective of showing continuity to the mineralization, and as a result thereof, an initial NI 43-101 compliant estimate of measured and indicated resources is expected later in 2010.

### Pike River

During 2009, Apollo completed the acquisition of the Pike River property from Newmont Canada Corporation (“Newmont”). The Pike River property is located in the Township of Hislop, Ontario, Canada and is contiguous to the south-east boundary of Apollo’s Black Fox mine and the north-west boundary of Apollo’s Grey Fox property. This newly acquired property consists of the surface and mineral rights to approximately 1,145 acres consisting of parcels 1735 LC, 1726 LC, 23687 SEC, 23777 SEC, 3852 SEC and 11125 SEC. With the acquisition of Pike River, Apollo now controls a 17 square kilometer land package (Black Fox, Grey Fox and Pike River).

The 2009 drilling program included the first six holes drilled on Pike River to test the northern extension of mineralization from the adjoining Grey Fox property. This mineralized target area is the northern extension of the fault contact between metasediments and mafic volcanic rocks called the Contact Zone.

## Huizopa

We own Mexican subsidiaries which own 100% of the concessions at the Huizopa exploration project. Pursuant to an agreement with the previous owner (the "Previous Owner") of one of those Mexican subsidiaries, we have a joint venture arrangement with the Previous Owner in which we hold an 80% interest and the Previous Owner holds a 20% free carry interest.

The Huizopa project is located in the northern part of the Sierra Madres Mountains in the state of Chihuahua, Mexico, near the border with the State of Sonora, and encompasses a block of mining concession claims of approximately 170 sq. km.

Sporadic shallow underground mining, limited to a few high-grade zones was done in the past but no mining has taken place at Huizopa since 1936. The geology is characterized by a series of parallel, low sulfidation gold-silver, quartz veins striking 340 degrees and dipping east, hosted by Tertiary-age volcanic rocks. Silver to gold ratios in the veins and from the material on historic mine dumps indicate the Huizopa area hosts an extensive gold-bearing hydrothermal system.

We established an extensive remote field camp at the project and refurbished an existing airstrip. The camp is supplied by fixed wing aircraft and helicopter.

Geologic mapping suggests that the faults that host gold-silver mineralization may be more numerous and more continuous than earlier field work indicated. Petrographic examination revealed the presence of native gold, silver, and electrum in many samples and widespread vein features indicative of repeated boiling and explosive brecciation. Overall vein textures are consistent with high-level exposures of epithermal quartz-adularia and/or fault breccia veins.

Apollo has entered into an agreement with the Ejido Huizopa (the "Ejido"). Pursuant to the agreement, and in consideration for certain payments to the Ejido, we have a right to use the Ejido lands covering our mining concessions in Huizopa for all activities necessary for the exploration, development, and production of potential ore deposits in our Huizopa project area. We can in the future apply for a change of use of land without any additional obligations to the Ejido. In addition, we may traverse adjoining and nearby Ejido land outside the boundaries of the Huizopa mining concessions for the purpose of constructing, operating, and maintaining improvements or facilities necessary for the Huizopa project.

A geophysical program was initiated on the property and used to select initial drilling targets. A drilling contractor commenced helicopter supported core drilling in 2008. On August 14, 2008 we announced the results of the core drilling program on the Puma De Oro exploration target. Twenty-five core holes were drilled on a north-trending zone targeted for drilling based on Apollo's geochemical sampling and geologic mapping. Anomalous gold and silver was found in twenty of the holes with six of the twenty holes having significant gold and silver values, including hole PDO 10 with 2.5 meters of 42.5 grams per ton.

Drilling at a second target, Lobo De Oro, approximately 2 kilometers east of the Puma De Oro zone, tested a large induced polarization ("IP") anomaly of 1 kilometer by 3 kilometers that is open in all directions. Three holes were drilled. Drill hole LDO-1 intercepted 280 meters of anomalous silver mineralization ranging from 1 to 19 grams silver, and locally anomalous gold mineralization up to 0.6 grams per tonne gold. Drill holes LDO-2 and LDO-3 intercepted similar grades of silver up to 300 meters away from LDO-1. The silver and gold values, in combination with the broad IP anomaly, could indicate the potential for both an open pit minable target in the area as well as deeper underground targets, although future drilling and test work would need to be performed to confirm any such potential.



In May 2009, we completed an NI 43-101 Exploration Report for the Huizopa project which describes the property and drill results in detail. This NI 43-101 does not contain any resources and reserves.

### ITEM 3. LEGAL PROCEEDINGS

On September 4, 2009, Joe Green and companies owned or controlled by him, including a Mexican company named Minas de Coronado, S. de R.L. de C.V., with whom the Company's Mexican subsidiary, Minera Sol de Oro, S.A. de C.V., has a joint venture relationship at the Huizopa exploration project in the State of Sonora, Mexico, filed a complaint against us in the United States District Court for the District of Nevada. In that complaint, Mr. Green alleges, among other things, that we and Minera Sol de Oro have breached various agreements and alleged fiduciary duties and have failed to recognize Minas de Coronado's right to a joint venture interest in the Huizopa exploration project, and asks the Court to undo the parties' 80/20 joint venture arrangement and compel the return of the Huizopa exploration project properties to Mr. Green's companies. We believe that the claims in the complaint are without merit, and intend to vigorously defend ourselves against those claims.

On October 5, 2009, we filed a motion to dismiss the complaint and to compel arbitration or, in the alternative, to stay proceedings pending the conclusion of the arbitration. On March 2, 2010, the court held a hearing on that motion and on March 9, 2010, the court granted our motion and dismissed the action. We intend to proceed with the commencement of arbitration proceedings with respect to this matter.

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## PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

## Price Range of Common Shares and Number of Holders

Our common shares are listed on the NYSE Amex under the trading symbol "AGT" and on the Toronto Stock Exchange under the trading symbol "APG." As of March 15, 2010, 273,080,927 common shares were outstanding, and we had approximately 1,000 shareholders of record. On March 12, 2010, the closing price per share for our common shares as reported by the NYSE Amex was \$0.37 and as reported by the Toronto Stock Exchange was Cdn\$0.39.

The following table sets forth, for the periods indicated, the reported high and low market closing prices per share of our common shares:

	NYSE Amex (AGT)		Toronto Stock Exchange (APG)	
	High (\$)	Low	High (Cdn\$)	Low
<b>2009</b>				
First Quarter	\$ 0.38	\$ 0.19	\$ 0.47	\$ 0.24
Second Quarter	0.49	0.30	0.55	0.38
Third Quarter	0.52	0.37	0.56	0.41
Fourth Quarter	0.59	0.44	0.61	0.47
<b>2008</b>				
First Quarter	\$ 0.74	\$ 0.49	\$ 0.72	\$ 0.50
Second Quarter	0.70	0.51	0.71	0.53
Third Quarter	0.54	0.24	0.51	0.25
Fourth Quarter	0.25	0.11	0.30	0.13

## Dividend Policy

We have not declared or paid cash dividends on our common shares since our inception and we expect for the foreseeable future to retain all of our earnings from operations for use in expanding and developing our business. Future dividend decisions will consider our then current business results, cash requirements and financial condition. Furthermore, the Black Fox project facility agreement with the project finance banks party thereto currently restricts our ability to pay dividends.

## Performance Graph and Table

The following graph and table illustrates the cumulative total shareholder return on the common shares for the fiscal years ended December 31, 2004 through 2009, together with the total shareholder return of the S&P/TSX Composite Index, and the S&P/TSX Global Gold Index for the same period. The graph and table assumes an initial investment of \$100 at December 31, 2004 and is based on the trading prices of the common shares for the periods indicated. Because we did not pay dividends on our common shares during the measurement period, the calculation of the cumulative total shareholder return on the common shares does not include dividends.





	2004	2005	2006	2007	2008	2009
<b>Apollo Gold Corporation</b>						
Dollar value	\$ 100	\$ 25	\$ 51	\$ 58	\$ 22	\$ 43
Annualized return since base year		(74.8)%	(28.3)%	(16.5)%	(31.3)%	(15.6)%
Return over previous year		(74.8)%	103.8%	13.2%	(61.7)%	91.3%
<b>S&amp;P/TSX Composite index</b>						
Dollar value	\$ 100	\$ 122	\$ 140	\$ 150	\$ 97	\$ 127
Annualized return since base year		21.9%	18.2%	14.4%	(0.7)%	4.9%
Return over previous year		21.9%	14.5%	7.2%	(35.0)%	30.7%
<b>S&amp;P/TSX Global Gold Index</b>						
Dollar value	\$ 100	\$ 121	\$ 157	\$ 150	\$ 151	\$ 161
Annualized return since base year		21.4%	25.2%	14.3%	10.8%	10.0%
Return over previous year		21.4%	29.2%	(4.7)%	0.8%	6.9%

#### Securities Authorized for Issuance under Equity Compensation Plans

See “Part III — ITEM 11. EXECUTIVE COMPENSATION” for information relating to our equity compensation plans.

#### NYSE Amex Corporate Governance Requirements

Our common shares are listed on the NYSE Amex equities exchange (“NYSE Amex”). Section 110 of the NYSE Amex company guide permits it to consider the laws, customs and practices of foreign issuers in relaxing certain of its listing criteria, and to grant exemptions from NYSE Amex listing criteria based on these considerations. Any listed company seeking relief under these provisions is required to provide written certification from independent local counsel that the non-complying practice is not prohibited by home country law.

One significant manner in which our governance practices differ from those followed by U.S. domestic companies pursuant to NYSE Amex standards concerns shareholder approval requirements. Section 713 of the NYSE Amex company guide requires a listed company to obtain the approval of its shareholders for certain types of securities issuances, including private placements that may result in the issuance of common shares (or securities convertible into common shares) equal to 20% or more of the presently outstanding shares for less than the greater of book or market value of the shares. In general, there is no such requirement under Yukon law or under the rules of the Toronto Stock Exchange unless the transaction results in a change of control or the issuance of common shares (or securities convertible or exercisable into common shares) equal to 25% or more of the currently issued and outstanding shares of the listed company. Furthermore, under certain circumstances, the Toronto Stock Exchange may, pursuant to Section 604(e) of the Toronto Stock Exchange company guide, grant waivers to its shareholder approval requirements where the listed company would suffer financial hardship in complying with such requirements. The conditions under which the Toronto Stock Exchange grants such waivers from its shareholder approval requirements may depart from similar NYSE Amex waivers or exemptions, if any. We will seek a waiver from the NYSE Amex's shareholder approval requirements in circumstances where the securities issuance does not trigger such a requirement under Yukon law or under the rules of the Toronto Stock Exchange.

The foregoing is consistent with the laws, customs and practices in Canada.

#### Unregistered Sales of Equity Securities

Our unregistered sales of equity securities during the year ended December 31, 2009, have previously been reported on Current Reports on Form 8-K dated February 24, 2009 and July 20, 2009.

#### Repurchase of Securities

During 2009, neither the Company nor any affiliate of the Company repurchased common shares of the Company registered under Section 12 of the Exchange Act.

#### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical consolidated financial data for Apollo Gold Corporation as of December 31, 2009, 2008, 2007, 2006, and 2005, derived from our audited financial statements. The data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, our financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K and with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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Summary of Financial Condition  
(In thousands of U.S. dollars, except per share data)

U.S. GAAP	Years Ended December 31,				
	2009 (1)	2008	2007	2006 (2)	2005 (2)
<b>Statements of Operations Data</b>					
Revenue from sale of minerals	\$ 47,008	\$ -	\$ -	\$ -	\$ -
Direct operating costs	26,126	-	-	-	-
Exploration and business development	1,960	5,517	6,903	4,206	6,051
Operating income (loss)	6,700	(9,313)	(11,654)	(10,151)	(15,940)
Loss from discontinued operations	-	-	-	(2,012)	(8,793)
Net (loss) income	(61,650)	1,202	(13,897)	(12,163)	(24,733)
Net (loss) earnings per share, basic and diluted					
Continuing operations	(0.25)	0.01	(0.10)	(0.08)	(0.16)
Discontinued operations	-	-	-	(0.02)	(0.09)
Total	\$ (0.25)	0.01	(0.10)	(0.10)	(0.24)

At December 31,

<b>Balance Sheet Data</b>					
Total assets	\$ 159,261	\$ 87,001	\$ 29,119	\$ 19,042	\$ 39,331
Long-term debt, including current portion	83,769	28,448	15,376	9,664	8,785
Total shareholders' (deficiency) equity	(12,429)	42,354	8,771	6,940	7,714

Canadian GAAP (2)	Years Ended December 31,				
	2009 (1)	2008	2007	2006	2005
<b>Statements of Operations Data</b>					
Revenue from sale of minerals	\$ 47,008	\$ -	\$ -	\$ -	\$ -
Direct operating costs	26,126	-	-	-	-
Exploration and business development	1,960	3,185	2,430	1,033	918
Operating income (loss)	5,130	(6,981)	(7,181)	(5,153)	(9,254)
Loss from continuing operations	(50,098)	(6,759)	(8,451)	(7,603)	(11,487)
(Loss) income from discontinued operations	(5,353)	8,355	10,867	(7,984)	(10,721)
Net (loss) income	(55,451)	1,596	2,416	(15,587)	(22,208)
Net income (loss) per share, basic and diluted					
Continuing operations	(0.20)	(0.03)	(0.06)		