APOLLO GOLD CORP
Form 424B3
November 23, 2009

Filed Pursuant to Rule No. 424(b)(3)

Registration No. 333-162319

PROSPECTUS

APOLLO GOLD CORPORATION

27,677,692 Common Shares

The selling shareholders identified on page 24 may use this prospectus to offer and resell from time to time up to 27,677,692 common shares of Apollo Gold Corporation (together with its subsidiaries, "we," "us" or "our company"). The 27,677,692 common shares offered hereby are comprised of (i) 12,221,640 common shares issued to purchasers within and outside the United States and 13,889,390 common shares issued to Canadian purchasers on a "flow through" basis pursuant to the Income Tax Act (Canada), in each case, in a private placement competed on July 15, 2009 and (ii) 1,566,662 common shares issuable upon exercise of compensation options issued to Haywood Securities Inc., which we sometimes refer to as Haywood in this prospectus, and Blackmont Capital Inc. as consideration for placement services provided to us in connection with the July 15, 2009 private placement. For more information regarding the foregoing, see "The Company – Recent Events and Other Matters" on page 6 of this prospectus.

Our common shares are traded on the NYSE Amex exchange under the symbol "AGT" and on the Toronto Stock Exchange under the symbol "APG." On November 3, 2009, the closing price for our common shares on the NYSE Amex exchange was $0.50 per share and the closing price on the Toronto Stock Exchange was Cdn.$0.54 per share.

We will not receive any proceeds from the sale of the shares resold under this prospectus by the selling shareholders. The issuances of the common shares and compensation options described above were made in private placements in reliance upon exemptions from registration contained in Regulation S and Regulation D of the U.S. Securities Act of 1933, as amended.

The selling shareholders may sell the shares in transactions on the NYSE Amex exchange or the Toronto Stock Exchange and by any other method permitted by applicable law. The selling shareholders may sell the shares at prevailing market prices or at prices negotiated with purchasers and will be responsible for any commissions or discounts due to brokers or dealers. The amount of these commissions or discounts cannot be known at this time because they will be negotiated at the time of the sales. See "Plan of Distribution" beginning on page 27.

References in this prospectus to "$" are to United States dollars. Canadian dollars are indicated by the symbol "Cdn.$".

The common shares offered in this prospectus involve a high degree of risk. You should carefully consider the matters set forth in "Risk Factors" beginning on page 11 of this prospectus in determining whether to purchase our common shares.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved our common shares, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 12, 2009.

TABLE OF CONTENTS

You should rely only on information contained or incorporated by reference in this prospectus. See "Incorporation of Certain Documents by Reference" on page 2 of this prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. Information on any of the websites maintained by us does not constitute a part of this prospectus.

You should assume that the information appearing in this prospectus or any documents incorporated by reference in this prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (which we sometimes refer to in this prospectus as the Exchange Act), and file annual, quarterly and periodic reports, proxy statements and other information with the United States Securities and Exchange Commission, which we sometimes refer to in this prospectus as the SEC. The SEC maintains a web site (http://www.sec.gov) on which our reports, proxy statements and other information are made available. Such reports, proxy statements and other information may also be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

We have filed with the SEC a Registration Statement on Form S-3, under the Securities Act of 1933, as amended (which we sometimes refer to in this prospectus as the Securities Act), with respect to the securities offered by this prospectus. This prospectus, which constitutes part of the Registration Statement, does not contain all of the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the SEC. Reference is hereby made to the Registration Statement and the exhibits to the Registration Statement for further information with respect to the securities and us.

CURRENCY AND EXCHANGE RATE INFORMATION

We report in United States dollars. Accordingly, all references to "$," "U.S.$" or "dollars" in this prospectus refer to United States dollars unless otherwise indicated. References to "Cdn.$" or "Canadian dollars" are used to indicate Canadian dollar values.

The noon rate of exchange on November 3, 2009 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was Cdn.$1.00 equals $0.9342 and the conversion of United States dollars was $1.00 equals Cdn.$1.0704.

NON-GAAP FINANCIAL MEASURES

In this prospectus or in the documents incorporated herein by reference, 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 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 U.S. generally accepted accounting principles or U.S. 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, lead and zinc.

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 generally accepted accounting principles in Canada and the United States 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 in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009 for a reconciliation of these non-GAAP measures to our Statements of Operations.

1

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" our publicly filed reports into this prospectus, which means that information included in those reports is considered part of this prospectus. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act, other than information in a report on Form 8-K furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K and exhibits filed in connection with such information, until all of the securities offered pursuant to this prospectus have been sold:

1. Our Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 27, 2009;

2. Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009 and June 30, 2009, filed with the SEC on May 15, 2009 and August 14, 2009, respectively;

3. Our Current Reports on Form 8-K, filed with the SEC on January 5, 2009, February 13, 2009, February 19, 2009, February 24, 2009, February 25, 2009, March 25, 2009, June 4, 2009, June 26, 2009, July 20, 2009, July 30, 2009, September 15, 2009 (Items 1.01, 8.01 and 9.01 only), October 2, 2009 and October 23, 2009; and

4. The description of our capital stock set forth in our Registration Statement on Form 10, filed June 23, 2003.

In addition, all reports and documents filed by us pursuant to the Exchange Act, other than information in a Current Report on Form 8-K furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K and exhibits filed in connection with such information, after the date of this registration statement and prior to effectiveness of this registration statement shall be deemed to be incorporated by reference into this prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus shall be deemed modified, superseded or replaced, as applicable, for purposes of this prospectus to the extent that a statement contained in this prospectus, or in any subsequently filed document that also is deemed to be incorporated by reference in this prospectus, modifies, supersedes or replaces such statement. Any statement so modified, superseded or replaced shall not be deemed, except as so modified, superseded or replaced, to constitute a part of this prospectus. Subject to the foregoing, all information appearing in this prospectus is qualified in its entirety by the information appearing in the documents incorporated by reference.

Statements contained in this prospectus as to the contents of any contract or other document are not necessarily complete, and in each instance we refer you to the copy of the contract or document filed as an exhibit to the registration statement or the documents incorporated by reference in this prospectus, each such statement being qualified in all respects by such reference.

We will furnish without charge to you, on written or oral request, a copy of any or all of the above documents, other than exhibits to such documents that are not specifically incorporated by reference therein. You should direct any requests for documents to the Chief Financial Officer, Apollo Gold Corporation, 5655 S. Yosemite Street, Suite 200, Greenwood Village, Colorado 80111-3220, telephone (720) 886-9656.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This prospectus and the documents incorporated by reference in this prospectus 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 the negative of such terms, or ot
comparable terminology. These statements include comments regarding:

2

- plans for the further development of the Black Fox mine and mill including, without limitation, the timing of the development of the underground mine at Black Fox;
- estimates of future production at Black Fox;
- our ability to resolve the review event with the project finance banks in a satisfactory manner or at all;
- 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 facility;
- the timing and completion of the technical review of the Black Fox project and the project completion test under the project finance facility;
- plans for and our ability to finance exploration at our Huizopa, Pike River and Grey Fox properties;
- our ability to repay the convertible debentures issued to RAB Special Situations (Master) Fund Limited due February 23, 2010;
- the future effect of recent issuances and registration for immediate resale of a significant number of common share purchase warrants on our share price;
- our ability to negotiate definitive agreements with respect to the sale of Montana Tunnels Mining, Inc. and successfully reach a closing with respect thereto;
- future financing of projects, including the financing required for the M Pit expansion at Montana Tunnels;
- costs associated with placing the Montana Tunnels mine and mill on care and maintenance and the decision to undertake the M Pit expansion;
- liquidity to support operations and debt repayment;
- 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;
- timing and issue of permits, including permits necessary to conduct phase II of open pit mining at Black Fox;
- expansion plans for existing properties;
- estimates of closure costs;
- estimates of environmental 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. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained or incorporated by reference in this prospectus. Disclosure of important factors that could cause actual results to differ materially from our plans, intentions or expectations are included under the heading “Risk Factors” in this prospectus and our Annual Report on Form 10-K for the year ended December 31, 2008.

Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to:

- changes in business and economic conditions, including the recent significant deterioration in global financial and capital markets;
- significant increases or decreases in gold and zinc prices;
- changes in interest and currency exchange rates including the LIBOR rate;

- changes in availability and cost of financing;
- timing and amount of production;
- unanticipated ore grade 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
- other risks and uncertainties set forth below under the caption “Risk Factors” in this prospectus and in our periodic report filings with the SEC.

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 prospectus and in any documents incorporated by reference into this prospectus. All forward-looking statements speak only as of the date made. 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.

THE COMPANY

Overview

Our earliest predecessor was incorporated under the laws of the Province of Ontario in 1936. In May 2003, we reincorporated under the laws of the Yukon Territory. We maintain our 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. We maintain our 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 prospectus or the documents incorporated herein by reference.

We are engaged in gold mining including extraction, processing, refining and the production of by-product metals, as well as related activities including exploration and development. We own the Black Fox project, an open pit mine and mill located near the Township of Matheson in the Province of Ontario, Canada. In addition, we are the operator of the Montana Tunnels mine located near Helena, Montana, which is a 50% joint venture with Elkhorn Tunnels, LLC. We placed the Montana Tunnels mine on care and maintenance on April 30, 2009. On September 30, 2009, we entered into a letter of intent to sell Montana Tunnels Mining, Inc., our indirect wholly owned subsidiary through which we own our interests in the Montana Tunnels mine, to Elkhorn Goldfields Inc., an affiliate of Elkhorn Tunnels, LLC. We also own Mexican subsidiaries which own concessions at the Huizopa exploration project, located in the Sierra Madres in Chihuahua, Mexico. The Huizopa project is an 80% Apollo/20% Mineras Coronado joint venture.

Black Fox

The Black Fox project consists of mining operations located 7 miles east of Matheson and the Black Fox mill complex located 12 miles west of Matheson, therefore approximately 19 miles from the mine. Mining of ores at the open pit mine began in March 2009 and milling operations commenced in April 2009. We also own exploration properties, which we refer to as Grey Fox and the Pike River properties, each of which is located approximately 3.5 kilometers from our Black Fox mine.

On April 14, 2008, we filed a Canadian Instrument, NI 43-101 Technical Report. The mineral reserves reflected in the table below are taken from this report and were calculated based on a gold price of $650 per ounce.

Black Fox Probable Reserve Statement as of February 29, 2008

Mining Method	Cutoff Grade Au g/t	Tonnes (000)	Grade Au g/t	Contained Au Ounces
Open Pit	0.88	4,350	5.2	730,000
Underground	3.0	2,110	8.8	600,000
Total Probable Reserves				1,330,000

Black Fox entered commercial production in May 2009 and, during May and June 2009, the Black Fox mill processed 75,800 tonnes of ore (1,242 tonnes per day), at a grade of 5.28 grams per tonne, achieving a recovery of 92.5%, for total gold production of 11,840 ounces. Sales of gold produced at Black Fox during the second quarter were 5,043 ounces at a total cash cost of $403 per ounce. During the first week of July, we commissioned the new crushing circuit which enabled us to increase mill throughput. During the month of July 2009, 54,600 tonnes of ore (1,761 tonnes per day) were processed at a grade of 3.6 grams per tonne achieving a recovery of 92.4% for total gold production of 5,822 ounces. The mill has been processing ore at the rate planned and recoveries have been satisfactory, however, the grade of ore delivered to the mill has been lower than expected. As a result, for the three-month period ended July 31, 2009, gold production was less than 80% of the amount that we agreed to produce with Macquarie Bank Limited and RMB Australia Holdings Limited, which we sometimes refer to as the project finance banks, pursuant to the $70,000,000 Black Fox project finance facility that we entered into with the project finance banks on February 20, 2009. This shortfall triggered a “review event” as defined in the project finance facility agreement between us and the project finance banks. A “review event” enables the project finance banks to review the project facility and determine if they wish to continue with the financing.

On September 28, 2009, the project finance banks agreed, subject to the condition that we provide a new resource model and life of mine plan to the project finance banks prior to November 15, 2009, to defer (i) the first scheduled repayment of $9,300,000 due on September 30, 2009 under project finance facility and (ii) the requirement to fund the associated debt service reserve account also due on September 30, 2009, which, in accordance with the terms of the project finance facility, requires a reserve amount equal to, at all times after initial funding, the greater of $5,000,000 or the aggregate repayment amount due on the next repayment date. This deferral will enable the project finance banks and our company to complete an ongoing technical review of the Black Fox project with the objective of rescheduling the quarterly repayment installments under the project finance facility. As a result of the deferral, the payment of $9,300,000 and the reserve account funding obligation, each originally due on September 30, 2009, now must be satisfied on the earlier to occur of (i) the completion of the project finance bank’s technical review process of the Black Fox mine and (ii) December 31, 2009. We expect the technical review to be completed before December 31, 2009. In addition, as part of the deferral, the project finance banks agreed to extend the date by which the project completion test under the project finance facility must be satisfied to March 31, 2010.

We have continued to make progress at Black Fox since July 2009. Specifically, during the three months of July through September 2009, the Black Fox mill processed approximately 161,000 tonnes of ore at an average grade of 4.1 grams of gold per tonne ore to produce an estimated 19,750 ounces of gold (recovery approximately 94%). The average mill throughput rate was therefore approximately 1,750 tonnes per day during this period.

As we discuss below under the heading “Recent Events and Other Matters – Toll Milling Arrangement,” we have an agreement with St Andrew Goldfields to toll mill approximately 100,000 tonnes of our Black Fox mine ore at St Andrew Goldfields’ Holt mill facility. Accordingly, in addition to the gold production from the Black Fox mill, we had additional gold production from ore from the Black Fox mine that was milled at St Andrew Goldfields' Holt mill facility, located approximately 30 miles east of the Black Fox mine. As at September 30, 2009, the Holt mill had processed approximately 62,000 tonnes of Black Fox ore at an average grade of 1.9 grams of gold per tonne to produce an estimated 3,500 ounces of gold (recovery approximately 92%). Therefore, total gold produced by us in the third quarter 2009 was an estimated 23,250 ounces.

5

Montana Tunnels Mine

On September 30, 2009, we entered into a letter of intent, which we refer to in this prospectus as the Montana Tunnels letter of intent, with Elkhorn Goldfields Inc. pursuant to which Elkhorn Goldfields Inc. agreed to purchase all of the outstanding capital stock of Montana Tunnels Mining, Inc., our indirect wholly owned subsidiary. Montana Tunnels Mining, Inc. is the owner of the Montana Tunnels open pit mine and mill (a 50/50 joint venture with Elkhorn Tunnels LLC, an affiliate of Elkhorn Goldfields Inc.), the Diamond Hill mine and mill and assets ancillary thereto. The Montana Tunnels mine has been on care and maintenance since April 30, 2009 as a result of exhausting the ore in the L Pit. We have received all necessary permits to expand the current pit at Montana Tunnels, which expansion plan we refer to as the M Pit project. The M Pit project would involve a 12 month pre-stripping program that would cost approximately $70 million, during which time no ore would be produced. .

The Montana Tunnels letter of intent provides for staged cash payments in the aggregate amount of $5 million payable over a seven month period, of which a non-refundable deposit of $250,000 was received by us on or about October 19, 2009. Pursuant to the terms of the Montana Tunnels letter of intent, payment of this initial non-refundable deposit of $250,000 rendered the Montana Tunnels letter of intent binding on the parties (subject to our ability to terminate the Montana Tunnels letter of intent if Elkhorn Goldfields Inc. fails to timely make any payment required under the Montana Tunnels letter of intent, as described below). The payment schedule also provides for two additional non-refundable payments of $250,000 payable on November 25, 2009 and December 25, 2009, which we refer to in this prospectus as the Non-Refundable Payments, followed by three separate payments of $250,000 payable on January 25, 2010, February 25, 2010, and March 25, 2010, a payment of $1,500,000 payable on April 30, 2010 and a payment of $2,000,000 payable on May 31, 2010 (which we refer to collectively, including the Non-Refundable Payments, as the Cash Purchase Price). The Montana Tunnels letter of intent provides that any missed scheduled payment will result in the termination of the Montana Tunnels letter of intent (unless otherwise negotiated) and retention by us of the Non-Refundable Payments. In addition to the Cash Purchase Price, an additional amount of up to $4 million is payable through a 4% net smelter royalty with payments commencing coincident with Elkhorn Goldfields Inc.'s start of production and to be paid from production until such time as a total of $4 million is paid thereunder. Upon full payment of the Cash Purchase Price, the capital stock of Montana Tunnels Mining, Inc. will be conveyed to Elkhorn Goldfields Inc., subject to the net smelter royalty. In addition, the parties agreed that, during the next 18 months, they will review other property owned by Montana Tunnels Mining, Inc. (outside of the current open pit operations and any expansions of the open pit, including the M Pit) for future exploration possibilities and that, at our option, the parties may form a joint venture to pursue such exploration possibilities.

Based on the foregoing, we and Elkhorn Goldfields Inc. have agreed to move forward with the preparation of definitive transaction documents to finalize the sale of Montana Tunnels Mining, Inc. We cannot guarantee that we will be able to reach a definitive agreement with Elkhorn Goldfields Inc. or, in the event that we finalize and execute the transaction documents, that such transaction will be consummated.

Huizopa Project

On July 7, 2009, we filed a Canadian National Instrument 43-101 for the Huizopa project, which was updated on August 15, 2009. This 43-101 more fully describes the property and the drilling results from our 2008 drilling program, but does not contain any resources or reserves.

RECENT EVENTS AND OTHER MATTERS

Pike River Property

On September 9, 2009, we completed the acquisition of certain mineral properties, which we sometimes refer to in this prospectus as the Pike River property, located in the Township of Hislop, Ontario, Canada, which are contiguous to the south-east boundary of our Black Fox gold mine and the northwest boundary of our Grey Fox property. The Pike River property was acquired from Newmont Canada Corporation, which we sometimes refer to in this prospectus as Newmont, and 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. The purchase of the Pike River property was made pursuant to a purchase and sale agreement, dated March 12, 2009, between Newmont and our company, which we sometimes refer to in this prospectus as the Purchase Agreement. Pursuant to the terms of the Purchase Agreement, in consideration for the Pike River property, we paid Cdn.$100,000 to Newmont and granted a perpetual 2.5% net smelter production royalty to Newmont from the sale or other disposition of all materials produced from the Pike River property pursuant to a royalty agreement, dated March 25, 2009, between Newmont and our Company. In addition, as further consideration, within 30 days following the earlier of (i) the date that at least 500,000 ounces of gold equivalent minerals sufficient to be reported pursuant to Canadian National Instrument 43-101 combined reserves (proven and probable) and resources (measured, indicated and inferred) are determined to exist within the Pike River property, or (ii) the commencement of commercial production from any portion of the Pike River property, we shall pay an additional sum of Cdn.$1 million to Newmont. The royalty agreement also contains a first right to negotiate in favor of Newmont pursuant to which, if we wish to option, joint venture, assign, transfer, convey or otherwise dispose of its rights or interests in and to our Black Fox property (but excluding a corporate merger transaction), we must first notify Newmont of our intentions so that Newmont may consider a possible acquisition from us of a portion or all of our interest in our Black Fox property.

Toll Milling Arrangement

On September 9, 2009, we entered into an agreement, which we sometimes refer to in this prospectus as the Toll Milling Agreement, with St Andrew Goldfields Ltd., which we sometimes refer to in this prospectus St Andrew, pursuant to which St Andrew agreed to mill 100,000 tonnes of ore from our Black Fox mine. We commenced mining open pit gold ore from our Black Fox mine in April 2009 and commenced milling of that ore at our Black Fox mill in May 2009. To date, the Black Fox open pit mine has produced two categories of ore: (1) higher grade ore (containing plus 3 grams of gold per tonne) and (2) low grade ore (containing between 1 gram and 3 grams of gold per tonne). The higher grade ores are being processed by our Black Fox mill and the low grade ores have been stockpiled at the Black Fox mine. As of September 8, 2009, there were approximately 120,000 tonnes of excess low grade ores stockpiled at the Black Fox mine site with an estimated gold grade of approximately 2.0 grams per tonne. Pursuant to the Toll Milling Agreement, these excess low grade ores will be trucked by a contractor to St Andrew's Holt Mill, which has a processing capacity of approximately 3,000 tonnes per day. The Holt Mill is approximately fifty kilometers from the Black Fox mine. The Toll Milling Agreement is for an initial amount of 100,000 tonnes.

Private Placement

On July 15, 2009, we completed a private placement of 12,221,640 common shares issued to purchasers within and outside the United States at Cdn.$0.45 per share and 13,889,390 common shares issued to Canadian purchasers at Cdn.$0.54 per share on a "flow through" basis pursuant to the Income Tax Act (Canada) for total gross proceeds equal to Cdn.$13 million. To the extent we have not already done so, we intend to use the proceeds from the sale of the flow through shares (Cdn.$7,500,270.60) for exploration activities at our Black Fox project and our Grey Fox exploration property, located 3.5 km southeast of our Black Fox mine. The costs associated with these exploration activities will qualify as "Canadian Exploration Expenses" as defined in the Income Tax Act (Canada) and will be renounced in favor of the purchasers of the flow through shares. We intend to use the proceeds from the sale of the common shares (Cdn.$5,499,738) for working capital and general corporate purposes.

In connection with the private placement, we entered into an underwriting agreement with Haywood and Blackmont Capital Inc. Pursuant to the underwriting agreement, Haywood and Blackmont Capital Inc., which we sometimes refer to in this prospectus as the underwriters, agreed to act as underwriters/agents in respect of the private placement and, in consideration therefor, we agreed to (i) pay the underwriters an aggregate cash underwriting commission equal to the amount of Cdn.$845,000.56, which represents 6.5% of the total gross proceeds of the private placement, and (ii) issue to the underwriters compensation options to purchase 1,566,662 common shares in the aggregate (which is equal to 6% of the number of common shares and flow through shares sold in the private placement). Each compensation option is exercisable into one of our common shares at a price of Cdn.$0.45 for a period of 24 months from the closing date of the private placement. In addition, we paid all of the underwriters' costs and expenses incidental to the placement of the common shares and flow through shares. Pursuant to the underwriting agreement, we also made customary representations, warranties and covenants, including an agreement not to issue any of our equity securities within 120 days of the closing of the private placement (subject to certain exceptions relating to employee compensation, outstanding convertible debentures, warrants or other derivative securities or in connection with the acquisition of properties or settlement of claims).

The flow through shares were offered and sold to eligible purchasers resident in Canada in reliance on the exemption from registration contained in Regulation S of the Securities Act. The common shares were offered and sold to eligible purchasers resident in jurisdictions outside of the United States in reliance on the exemption from registration contained in Regulation S of the Securities Act and to eligible purchasers resident in the United States in reliance on the exemption from registration contained in Regulation D under the Securities Act.

Extension of Maturity Date for February 2007 Convertible Debentures held by RAB Special Situations (Master) Fund Limited

On February 23, 2007, we concluded a private placement pursuant to which we sold $8,580,000 aggregate principal amount of convertible debentures due February 23, 2009, which debentures we sometimes refer to in this prospectus as the February 2007 convertible debentures. Each $1,000 principal amount of the February 2007 convertible debentures was convertible at the option of the holder into 2,000 of our common shares, at any time until February 23, 2009. Additionally, each $1,000 principal amount of the February 2007 convertible debentures included 2,000 common share purchase warrants, which we sometimes refer to herein as the accompanying warrants, entitling the holder to purchase one of our common shares at an exercise price of $0.50 per share, with such accompanying warrants expiring February 23, 2009. We filed a Form 8-K with the SEC on February 26, 2007 disclosing the terms of the February 2007 convertible debentures, the warrants and the private placement pursuant to which such securities were issued.

RAB Special Situations (Master) Fund Limited, which we sometimes refer to in this prospectus as RAB, owns $4,290,000 principal amount of February 2007 convertible debentures (on which $772,200 of interest was accrued and unpaid on the original maturity date of February 23, 2009) and 8,580,000 accompanying warrants. On February 16, 2009, we and RAB agreed to extend the original maturity date of the February 2007 convertible debentures owned by RAB to February 23, 2010. Furthermore, RAB agreed that we shall have the option to repay the $772,200 of accrued interest on RAB’s February 2007 convertible debentures in either our common shares or cash. If we elected to pay the accrued interest in common shares, the number of shares issued would be calculated by dividing the accrued interest owed by the volume weighted average market price of our common shares as quoted on the Toronto Stock Exchange during the five trading days ending February 23, 2009. We elected to exercise our right to pay the $772,200 of accrued interest in our common shares and, in accordance with the foregoing formula, issued 2,444,765 shares to RAB. In consideration for the foregoing, we agreed to (i) issue 2,000,000 common shares to RAB, (ii) extend the expiration date of the accompanying warrants issued to RAB to March 5, 2010 and (iii) reduce the exercise price of the accompanying warrants issued to RAB from $0.50 to $0.25. The terms and conditions of the $3,148,100 aggregate principal amount of February 2007 convertible debentures and accompanying warrants not owned by RAB were not amended and the principal amount and accrued interest thereon was repaid to the holders thereof in cash on February 23, 2009. Consequently, 8,152,000 of the accompanying warrants not held by RAB expired unexercised.

In December 2008, we retained Haywood Securities Inc., which we sometimes refer to in this prospectus as Haywood, to provide financial and advisory services, including in connection with the repayment or restructuring of the February 2007 convertible debentures. In consideration for those services, we agreed to issue 1,000,000 of our common shares to Haywood by February 28, 2009. In addition, the Black Fox project facility agreement constitutes an “alternative transaction” under the terms of our agreement with Haywood and requires us to pay certain compensation to Haywood. Specifically, we are obligated to compensate Haywood by issuing to it 2,172,840 common shares and 2,567,901 common share purchase warrants exercisable for a two year period at an exercise price of Cdn.$0.256 per share. The warrants issued to Haywood contain customary anti-dilution provisions in the event of certain corporate reorganizations or issuances of securities by us to all of our shareholders.

Black Fox Financing

On February 20, 2009, we entered into a project facility agreement with Macquarie Bank Limited and RMB Australia Holdings Limited, which we sometimes refer to as the project finance banks, to act as joint arrangers and underwriters for the Black Fox project finance facility. The project facility agreement refinanced the $15,000,000 bridge facility agreement that we had previously entered into on December 10, 2008. As of June 2, 2009, we had drawn down the full $70 million available under the project facility agreement. The project facility agreement requires that we use proceeds from the facility only for: (i) the funding of the development, construction and operation of our Black Fox project; (ii) the funding of certain fees and costs due under the project facility agreement and certain related project agreements; (iii) corporate expenditures of up to $7,000,000 as approved by the project finance banks in our corporate budget ($3,723,939 of which was used to repay the February 2007 convertible debentures, and interest thereon, not held by RAB); (iv) repayment of $15,341,345 under the bridge facility agreement and (v) any other purpose that the project finance banks approve.

The project facility agreement was subject to an arrangement fee of $3,465,551, which was paid upon the initial drawdown under the project facility agreement on February 23, 2009, and a commitment fee equal to 1% per annum calculated on a daily basis on the average monthly balance of the undrawn commitment, which is payable in arrears on March 31, 2009 and June 30, 2009. On March 31, 2009, we paid a commitment fee of $48,472. On June 30, 2009, we paid a commitment fee of $26,208. Amounts borrowed under the project facility agreement bear interest at LIBOR plus 7% per annum and the interest is payable commencing March 31, 2009 and in accordance with the applicable interest period (currently monthly but may be monthly, quarterly or such other period agreed to by the project finance banks and us). The repayment schedule of the $70 million principal amount was originally as follows:

Repayment Date	Repayment Amount	
September 30, 2009	$	9,300,000
December 31, 2009	$	6,000,000
March 31, 2010	$	4,400,000
June 30, 2010	$	4,000,000
September 30, 2010	$	3,200,000
December 31, 2010	$	2,200,000
March 31, 2011	$	1,800,000
June 30, 2011	$	2,700,000
September 30, 2011	$	2,800,000
December 31, 2011	$	2,900,000
March 31, 2012	$	4,900,000
June 30, 2012	$	6,800,000
September 30, 2012	$	9,000,000
December 31, 2012	$	3,800,000
March 31, 2013	$	6,200,000

However, on September 28, 2009, the project finance banks agreed, subject to the condition that we provide a new resource model and life of mine plan to the project finance banks prior to November 15, 2009, to defer (i) the first scheduled repayment of $9,300,000 due on September 30, 2009 under project finance facility and (ii) the requirement to fund the associated debt service reserve account also due on September 30, 2009, which, in accordance with the terms of the project finance facility, requires a reserve amount equal to, at all times after initial funding, the greater of $5,000,000 or the aggregate repayment amount due on the next repayment date. This deferral will enable the project finance banks and our company to complete an ongoing technical review of the Black Fox project with the objective of rescheduling the quarterly repayment installments under the project finance facility. As a result of the deferral, the payment of $9,300,000 and the reserve account funding obligation, each originally due on September 30, 2009, now must be satisfied on the earlier to occur of (i) the completion of the project finance bank's technical review process of the Black Fox mine and (ii) December 31, 2009. For more information regarding the foregoing, see "The Company – Black Fox" beginning on page 4 of this prospectus.

Under the terms of the project facility agreement, all cash proceeds generated from the Black Fox project must be deposited into a proceeds account and may only be withdrawn and used by us in accordance with the terms set forth in the project facility agreement.

In connection with the project facility agreement, we issued 34,836,111 warrants to the project finance banks (11,637,775 to RMB Australia Holdings Limited and 23,198,336 to Macquarie Bank Limited) as partial consideration for financing services provided in connection with the project facility agreement. Each warrant entitles the holder to purchase one of our common shares pursuant to the terms and conditions of the warrant. The warrants expire on February 20, 2013 and have an exercise price of Cdn.$0.252 per warrant share, subject to customary anti-dilution adjustments. The warrants are in addition to the 42,614,254 warrants (21,307,127 to each project finance bank) issued to the project finance banks in connection with the bridge facility agreement. Following the issuance of the 34,836,111 warrants provided in connection with the project facility agreement and assuming exercise by the project finance banks of all warrants held by them, RMB Australia Holdings Limited and Macquarie Bank Limited would beneficially own approximately 12.98% and 16.28%, respectively, of our issued and outstanding capital stock (on an otherwise undiluted basis), and based on 263,767, 825 shares outstanding as of November 4, 2009.

Borrowings under the project facility agreement are secured by a first lien on substantially all of our assets, including the Black Fox project, and the stock of our subsidiaries.

The project facility agreement contains various financial and operational covenants that impose limitations on us. These include, among other things, limitations and covenants regarding: (i) the conduct of the Black Fox project and use of related assets; (ii) the completion of the Black Fox project; (iii) the use of our funds; (iv) compliance with applicable laws and permits; (v) mining rights at the Black Fox project; (vi) our corporate budget; (vii) provision of information; (viii) maintenance of accounting records; (ix) maintenance of corporate existence; (x) compliance with certain material agreements; (xi) capital maintenance requirements; (xii) payment of indebtedness and taxes; (xiii) amendments to existing agreements relating to the Black Fox project or entry into any such agreements; (xiv) amendments to governing documents; (xv) disposition of or encumbrance of certain assets; (xvi) engaging in other lines of business; (xvii) incurrence of indebtedness; (xviii) related party transactions; (xix) creation of new subsidiaries; (xx) dividends and other distributions; (xxi) maintenance of the property securing the project facility agreement; (xxii) insurance; (xxiii) subordination of intercompany claims; (xxiv) tradeability of the warrant shares under Canadian securities laws; (xxv) registration of the warrant shares under United States securities laws; (xxvi) maintenance of listing status on the TSX and status as a reporting issuer under Canadian securities laws; (xxvii) maintenance of certain financial coverage ratios and minimum project reserves; (xxviii) satisfaction of a minimum tangible net worth test; and (xxix) maintenance of the hedging arrangements described below; and (xxx) the operation of the Black Fox project in compliance with an agreed cash flow budgeting and operational model.

Subject in certain cases to applicable notice provisions and cure periods, events of default under the project facility agreement include, without limitation: (i) failure to make payments when due; (ii) certain misrepresentations under the project facility agreement and certain other documents; (iii) breach of financial covenants in the project facility agreement; (iv) breach of other covenants in the project facility agreement and certain other documents; (v) loss of certain mineral rights; (vi) compulsory acquisition or expropriation of certain secured property by a government agency; (vii) certain cross-defaults on other indebtedness of our company; (viii) entry of certain judgments against us that are not paid or satisfied; (ix) enforcement of encumbrances against our material assets (or any such encumbrance becomes capable of being enforced); (x) events of liquidation, receivership or insolvency of our company; (xi) maintenance of listing status on the TSX or NYSE Amex exchange and status as a reporting issuer under Canadian securities laws; or (xii) occurrence of any event which has or is reasonably likely to have a material adverse effect on our assets, business or operations, our ability to perform under the project facility agreement and other transaction documents, the rights of the project finance banks or the enforceability of a transaction document. The project facility agreement provides that in the event of default, the project finance banks may declare that the debts and monetary liabilities of our company are immediately due and payable and/or cancel the credit facility.

As a part of the project facility agreement, we and the project finance banks have entered into a hedging program covering both gold sales and part of our Canadian dollar operating costs. Specifically, we have entered into a 250,430 ounce gold forward sales program which will be allocated across the four year term of the project facility agreement. The weighted average price of the sales program is $876 per ounce of gold. The foreign exchange hedge program involves the purchase of Cdn.$70.2 million for the equivalent of US$58 million, at an exchange rate of US$1.00 equals Cdn.$1.21, over the four year term of the project facility agreement.

RISK FACTORS

An investment in our common shares involves a high degree of risk. You should consider the risk factors set forth below and the other information in this prospectus before purchasing any of our common shares. In addition to historical information, the information in this prospectus 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 prospectus. The risks below address some of the factors that may affect our future operating results and financial performance.

A “review event” has occurred under our Black Fox project facility, which could result in the project finance banks requiring repayment of all amounts outstanding thereunder.

Gold production for the three-month period ended July 31, 2009 was less than 80% of the amount projected to be produced in the “cash flow model” (as defined in the Black Fox project facility) provided to the project finance banks under the Black Fox project facility. As a result, a “review event” (as defined in the Black Fox project facility) was triggered under the in the project facility and we notified the project finance banks of such occurrence in July 2009. The occurrence of a review event triggers the ability of the banks to review the project facility and determine if they wish to continue with the project facility.

On September 28, 2009, the project finance banks agreed, subject to the condition that we provide a new resource model and life of mine plan to the project finance banks prior to November 15, 2009, to defer (i) the first scheduled repayment of $9,300,000 due on September 30, 2009 under project finance facility and (ii) the requirement to fund the associated debt service reserve account also due on September 30, 2009, which, in accordance with the terms of the project finance facility, requires a reserve amount equal to, at all times after initial funding, the greater of $5,000,000 or the aggregate repayment amount due on the next repayment date. This deferral will enable the project finance banks and our company to complete an ongoing technical review of the Black Fox project with the objective of rescheduling the quarterly repayment installments under the project finance facility. As a result of the deferral, the payment of $9,300,000 and the reserve account funding obligation, each originally due on September 30, 2009, now must be satisfied on the earlier to occur of (i) the completion of the project finance bank’s technical review process of the Black Fox mine and (ii) December 31, 2009.

There is no guaranty that we will be able to (i) provide a new resource model and life of mine plan to the project finance banks prior to November 15, 2009, (ii) repay the deferred payment of $9,300,000 and the deferred reserve account funding obligation, in each case originally due on September 30, 2009, within the required timeframe described above or at all, (iii) successfully reschedule the quarterly repayment installments under the project finance facility or (iv) satisfactorily resolve the technical review currently being conducted by the project finance banks with respect to Black Fox. If we are unable to satisfactorily restructure our repayment obligations with the project finance banks, we may not be able to meet our obligations under the project finance facility which would result in a material default thereunder. Any such default under the project finance 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 September 28, 2009, we had an aggregate principal amount of $70.0 million in indebtedness outstanding under the project finance facility. While our $70 million project facility is outstanding, we will have annual principal repayment obligations thereunder of between approximately $6.2 million and $24.5 million (based on the current repayment schedule, which, as noted above under the heading "The Company – Black Fox," we are currently in discussions with the project finance banks to revise). 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. We intend to fulfill our debt service obligations from cash generated by our Black Fox project, which is 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 February 23, 2010 owned by RAB, to finance the development of the M Pit at Montana Tunnels (if we do not or are unable to sell Montana Tunnels Mining, Inc. to Elkhorn Goldfields Inc. as contemplated by the Montana Tunnels letter of intent) and conduct all of our planned exploration activities at our Huizopa, Pike River and Grey Fox properties or pursue other corporate opportunities. In addition, 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 corporate restructuring proceeding or bankruptcy would materially impair the value of our common shares.

Operational problems and start-up issues may disrupt mining operations at Black Fox, which commenced in March 2009, and impair the operation of and substantially reduce gold production from milling operations at Black Fox, the commissioning of which commenced in April 2009.

Mine development projects, including our Black Fox project, inherently involve risks and hazards. Although we commenced mining of the Black Fox open pit in March 2009 and commenced the commissioning of the mill in April 2009, the successful development of and any future production at our Black Fox project 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;
- 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 water supply;
- 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 being less amenable to mining or treatment than expected;
- problems with delivery and installation of equipment necessary to commence or continue operations as planned; or

- failure of our equipment, processes or facilities to operate properly or as expected.

As noted above in “The Company – Black Fox,” the Black Fox mine has produced lower than expected ore grades. As a result, a “review event” was triggered under the Black Fox project finance facility and we entered into the toll milling agreement with St Andrew (see “Recent Events and Other Matters – Toll Milling Arrangement”).

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.

Furthermore, we cannot be certain that the Black Fox project will be developed at the budgeted cost. Although we believe that we have obtained sufficient funds to develop the Black Fox project, we cannot provide assurance of this. If the actual cost to complete the Black Fox project is significantly higher than currently expected, there can be no assurance that we will have sufficient funds to cover these costs or that we will be able to obtain alternative sources of financing to cover these costs.

We may not be able to successfully consummate the sale of Montana Tunnels Mining, Inc. under the Montana Tunnels letter of intent.

On September 30, 2009, we entered into a letter of intent with Elkhorn Goldfields Inc. pursuant to which Elkhorn Goldfields Inc. agreed to purchase all of the outstanding capital stock of Montana Tunnels Mining, Inc., our indirect wholly owned subsidiary which is the owner of the Montana Tunnels open pit mine and mill (a 50/50 joint venture with Elkhorn Tunnels LLC, an affiliate of Elkhorn Goldfields Inc.), the Diamond Hill mine and mill and assets ancillary thereto. However, while the Montana Tunnels letter of intent is binding and requires Elkhorn Goldfields Inc. to make the staged payments described above under the heading "The Company – Montana Tunnels Mine," the Montana Tunnels letter of intent still requires the negotiation and execution of definitive agreements related to the sale of Montana Tunnels Mining, Inc. Further, the Montana Tunnels letter of intent provides that it may be terminated if Elkhorn Goldfields Inc. fails to make any of the scheduled payments required thereunder. Therefore, we can provide no assurance that the sale of Montana Tunnels Mining, Inc. will be successfully completed or that we will receive the purchase price payable under the Montana Tunnels letter of intent.

We placed our Montana Tunnels mine on care and maintenance on April 30, 2009.

On April 30, 2009, we placed the Montana Tunnels mine and mill on care and maintenance as a result of exhausting the ore in our current L Pit permit. The Montana Tunnels mine has been our only source of revenue and cash flow in recent years and, now that it has been placed on care and maintenance, it will no longer generate revenue or cash flow for us.

Furthermore, while we have received all necessary permits to expand the current pit, which expansion plan we refer to as the M Pit project, we estimate that the M Pit project would cost approximately $70 million. If we are unable to consummate the sale of Montana Tunnels Mining, Inc., we and our joint venture partner will have to determine whether to proceed with the M Pit project. Such decision will depend, among other things, on the ability to secure financing for the estimated $70 million on acceptable terms and the prices of gold, silver, lead and zinc and available smelter terms. If we choose to and are able to pursue the M Pit project, we expect that the pre-stripping program will take approximately 12 months.

We do not currently have and may not be able to raise sufficient funds to explore our Huizopa, Pike River and Grey Fox properties and commence the development of the M Pit at Montana Tunnels.

We do not currently have sufficient funds to undertake the M Pit expansion at the Montana Tunnels mine and conduct all of our planned exploration activities at our Huizopa and Grey Fox properties. The M Pit expansion and exploration of Huizopa and Grey Fox 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 the past year, the U.S. stock market indexes experienced steep declines and volatility and the availability of debt financing tightened. In light of these developments, concerns by investors regarding the stability of the U.S. financial system 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 develop the M Pit at Montana Tunnels (if we do not or are unable to sell Montana Tunnels Mining, Inc. to Elkhorn Goldfields Inc. as contemplated by the Montana Tunnels letter of intent) and to conduct all of our planned exploration activities at our Huizopa, Pike River and Grey Fox properties.

13

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

Approximately 129.6 million of our common shares are issuable on exercise of warrants, options or other rights to purchase common shares at prices ranging from $0.176 to $2.24 and a weighted average price of $0.33. 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 February 23, 2010 held by RAB, which are convertible at a 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 263,767,825 common shares outstanding as of November 4, 2009. 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. In the bridge facility financing completed on December 10, 2008 and the project facility financing completed February 20, 2009, we issued warrants to purchase 77,450,365 common shares to the project finance banks (32,944,902 to RMB Australia Holdings Limited and 44,505,463 to Macquarie Bank Limited), representing approximately 29.4% of our outstanding common shares (on an undiluted basis) as of November 4, 2009, as partial consideration for financing services. In addition, we issued 2,567,901 common share purchase warrants to Haywood Securities Inc. in consideration for financial advisory services provided in connection with the restructuring of the February 2007 convertible debentures held by RAB and the project finance facility. We registered the resale of the common shares underlying the warrants issued to the project finance banks and Haywood with the SEC.

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.

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 $0.11 per share to a high of $0.59 per share. The stock prices of virtually all companies have decreased since the fall of 2008 as global economic issues have adversely affected public markets. Furthermore, 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 and zinc 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 fiscal years ended December 31, 2008 and 2007, during which we had a net income of $1,596,000 and $2,416,000, respectively, we have incurred significant losses. Our net losses were $15,587,000 and $22,208,000 for the years ended December 31, 2006 and 2005, respectively. In addition, we placed the Montana Tunnels mine, which has been our only source of revenue in recent years, on care and maintenance on May April 30, 2009 as a result of exhausting the ore in our current L Pit permit. On September 30, 2009, we entered into a letter of intent to sell Montana Tunnels Mining, Inc., through which we own our interests in the Montana Tunnels mine, to Elkhorn Goldfields Inc. However, we cannot guarantee that we will be able to reach a definitive agreement with Elkhorn Goldfields Inc. to sell Montana Tunnels Mining, Inc. or, in the event that we finalize and execute the transaction documents, that such transaction will be consummated. If the sale of Montana Tunnels Mining, Inc. is not consummated and we choose to and are able to pursue the M Pit expansion, we expect that the pre-stripping program will take approximately 12 months, during which time we would not realize revenue or cash flows from the M Pit operations. However, during this time we will have obligations under loan agreements and for the development of the Black Fox project and therefore, we expect that there could be significant losses until such time as we achieve consistent production from Black Fox. Whether we undertake the M Pit expansion (if we do not or are unable to sell Montana Tunnels Mining, Inc. to Elkhorn Goldfields Inc. as contemplated by the Montana Tunnels letter of intent) or rely solely upon revenues from Black Fox, there can be no assurance that we will achieve or sustain profitability in the future.

Our earnings may be affected by metals price volatility, specifically the volatility of gold and zinc prices.

We historically have derived all of our revenues from the sale of gold, silver, lead and zinc, 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 2008, the London P.M. or afternoon fix gold spot price, as reported by the Wall Street Journal, has fluctuated from a high of $1,062/oz to a low of $712.50/oz and was $1061/oz on November 2, 2009. 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, silver, zinc or lead fall below our costs to produce them 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.

Possible hedging activities could expose us to losses.

As a part of the project facility agreement, we and the project finance banks entered into a hedging program covering both gold sales and part of our Canadian dollar operating costs. Specifically, we have entered into a 250,430 ounce gold forward sales program which will be allocated across the four year term of the project facility agreement. The weighted average price of the sales program is $876 per ounce of gold. The foreign exchange hedge program involves the purchase of Cdn.$70.2 million for the equivalent of US$58 million, at an exchange rate of US$1.00 equals Cdn.$1.21, over the four year term of the project facility agreement.

In the future, we may enter into currency and precious and/or base metals 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 June 30, 2009, our auction rate securities held an adjusted cost basis and fair value of $1.1 million based on liquidity impairments to these securities and, during the second quarter of 2008, were downgraded to a AA rating. 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 assets of our Black Fox property and the capital stock of our direct subsidiaries are pledged to secure indebtedness outstanding under the Facility Agreement, dated February 20, 2009, by and among Apollo Gold, Macquarie Bank Limited, RMB Australia Holdings Limited and RMB Resources Inc. Default under our debt obligations would entitle our lenders to foreclose on our assets. Since these assets represent substantially all of our assets, our ability to raise additional secured lending with other financial institutions is greatly impaired. Furthermore, covenants in our borrowing agreement restrict our ability to incur unsecured indebtedness. Consequently, in order for us to raise additional funds prior to the maturity date of our project facility, we may be limited to conducting unsecured debt and equity offerings. These offerings may not provide the necessary capital to fund our future growth, exploration activities or other development plans.

Our Huizopa exploration project is subject to political and regulatory uncertainty.

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.

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 our Black Fox project 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 Black Fox project. 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.

Each of these factors also applies to future development properties not yet in production and to the Montana Tunnels M Pit. 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 about the development of the M Pit expansion (in the event that we do not or are unable to sell Montana Tunnels Mining, Inc. to Elkhorn Goldfields Inc. as contemplated by the Montana Tunnels letter of intent) at Montana Tunnels and other future projects, such as our Huizopa, Pike River and Grey Fox projects, 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 the Black Fox property that we are developing or any future M Pit expansion at Montana Tunnels (in the event that we do not or are unable to sell Montana Tunnels Mining, Inc. to Elkhorn Goldfields Inc. as contemplated by the Montana Tunnels letter of intent) 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.