APOLLO GOLD CORP
Form 10-Q
November 13, 2007

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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2007

OR

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

Commission File Number: 001-31593

APOLLO GOLD CORPORATION
(Exact name of registrant as specified in its charter)

Yukon Territory, Canada	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5655 South Yosemite St., Suite 200
Greenwood Village, Colorado 80111-3220
(Address of principal executive offices) (Zip code)

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

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

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

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer x

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

At November 9, 2007, there were 156,248,123 common shares of Apollo Gold Corporation outstanding.

TABLE OF CONTENTS

		Page
PART I	FINANCIAL INFORMATION	4
ITEM 1.	FINANCIAL STATEMENTS (Unaudited)	4
	Condensed Consolidated Balance Sheets - As of September 30, 2007 and as of December 31, 2006	5
	Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2007 and 2006	6
	Condensed Consolidated Statements of Shareholders' Equity for the Year ended December 31, 2006 and the Nine Months Ended September 30, 2007	7
	Condensed Consolidated Statements of Cash Flows for the Three and Nine Months Ended September 30, 2007 and 2006	8
	Notes to the Condensed Consolidated Financial Statements	9
ITEM 2.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	28
ITEM 3.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	36
ITEM 4.	CONTROLS AND PROCEDURES	37
PART II	OTHER INFORMATION	38
ITEM 1.	LEGAL PROCEEDINGS	38
ITEM 1A.	RISK FACTORS	38
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	38
ITEM 3.	DEFAULTS UPON SENIOR SECURITIES	39
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	39
ITEM 5.	OTHER INFORMATION	39
ITEM 6.	EXHIBITS	39
INDEX TO EXHIBITS		41
	Certification of CEO Pursuant to Section 302	Exhibit 31.1
	Certification of CFO Pursuant to Section 302	Exhibit 31.2
	Certification of CEO and CFO Pursuant to Section 906	Exhibit 32.1

STATEMENTS REGARDING FORWARD LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains 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 expenditure, 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 other comparable terminology. The statements include comments regarding:

· future cash flow and operational results from the Montana Tunnels mine;

2

- the establishment and estimates of mineral reserves and resources;
- the timing of completion of feasibility studies at Black Fox;
- production and production costs;
- daily production rates;
- throughput rates;
- cash operating costs;
- total cash costs;
- grades of ore mined and milled;
- expenditures;
- exploration;
- permits;
- expansion plans;
- plans for Black Fox and Huizopa;
- closure costs;
- cash flows;
- future financing;
- liquidity;
- estimates of environmental liabilities;
- our ability to obtain future financing to fund our estimated operating and capital requirements;
- anticipated exploration, development and corporate overhead expenditures;
- factors impacting our results of operations;
- the impact of adoption of new accounting standards.

These forward looking statements are subject to numerous risks, uncertainties and assumptions including: unexpected changes in business and economic conditions; significant increases or decreases in gold and zinc prices; changes in interest and currency exchange rates; timing and amount of production; unanticipated grade changes; unanticipated metal recovery or production problems; changes in mining and milling costs; operational problems at our mining property; availability of materials, equipment, supplies and water; determination of reserves; changes in project parameters; costs and timing of development of new reserves; results of current and future exploration activities;

results of pending and 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 and receipt of government approvals; accidents and labor disputes; environmental costs and risks; competitive factors, including competition for property acquisitions; availability of external financing on reasonable terms or at all; and the factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2006 under the heading "Risk Factors." Many of these factors are beyond our ability to control and predict. These factors are not intended to represent a complete list of the general or specific factors that may affect us. We disclaim any obligation to update forward looking statements, whether as a result of new information, future events or otherwise.

ACCOUNTING PRINCIPLES, REPORTING CURRENCY AND OTHER INFORMATION

Apollo Gold Corporation prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada and publishes its financial statements in United States dollars. This Quarterly Report on Form 10-Q should be read in conjunction with our condensed consolidated financial statements and related notes included in this quarterly report, as well as our annual financial statements for the fiscal year ended December 31, 2006 included in our Annual Report on Form 10-K. Certain reclassifications have been made to the prior period financial statements to conform with the current period presentation.

Unless stated otherwise, all dollar amounts are expressed in United States dollars.

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

NON-GAAP FINANCIAL INFORMATION

Cash operating, total cash and total production costs are non-GAAP financial measures and are used by management to assess performance of individual operations as well as a comparison to other gold producers. We have included cash operating costs information to provide investors with information about the cost structure of our mining operations.

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.

This information differs from measures of performance determined in accordance with generally accepted accounting principles (GAAP) in Canada and the United States and should not be considered in isolation or a substitute for measures of performance prepared in accordance with GAAP. 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 2, 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.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

These condensed consolidated financial statements should be read in conjunction with the financial statements, accompanying notes and other relevant information included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission on April 2, 2007.

APOLLO GOLD CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars)
(Unaudited)

	September 30, 2007	December 31, 2006
ASSETS		
CURRENT		
Cash and cash equivalents	$ 6,637	$ 4,512
Accounts receivable and other	2,304	728
Note receivable (Note 4)	–	1,865
Prepaids	713	301
Inventories (Note 5)	1,476	660
Total current assets	11,130	8,066
Property, plant and equipment	44,484	38,868
Deferred stripping costs (Note 3)	4,427	–
Restricted certificates of deposit	6,097	4,605
Deferred financing costs	–	265
TOTAL ASSETS	$ 66,138	$ 51,804
LIABILITIES		
CURRENT		
Accounts payable	$ 2,908	$ 1,710
Accrued liabilities	2,611	1,254
Notes payable	1,312	671
Property and mining taxes payable	709	442
Convertible debentures	8,598	7,660
Total current liabilities	16,138	11,737
Accrued long-term liabilities	133	370
Notes payable	195	569
Convertible debentures (Note 6)	4,676	–
Accrued site closure costs	7,536	7,135
Deferred gain (Note 4)	2,976	3,750
TOTAL LIABILITIES	31,654	23,561
Continuing operations (Note 1)		
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	160,187	159,029
Equity component of convertible debentures (Note 6)	4,047	1,809
Note warrants (Note 6)	3,204	1,062
Contributed surplus	12,228	11,166
Deficit	(145,182)	(144,823)
TOTAL SHAREHOLDERS' EQUITY	34,484	28,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 66,138	$ 51,804

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

5

APOLLO GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands of U.S. dollars, except share and per share amounts)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenue from sale of minerals	$ 11,863	$ 372	$ 27,594	$ 10,177
Operating expenses				
Direct operating costs	7,285	3,211	18,280	13,957
Depreciation and amortization	377	324	1,007	1,282
General and administrative expenses	902	1,123	2,901	3,594
Accretion expense – accrued site closure costs	126	237	380	711
Amortization of deferred gain (Note 4)	(345)	–	(774)	–
Exploration and business development	291	188	2,028	788
Loss on sale of property, plant and equipment	–	3	–	7
	8,636	5,086	23,822	20,339
Operating income (loss)	3,227	(4,714)	3,772	(10,162)
Other income (expenses)				
Interest income	146	99	485	253
Interest expense (Note 8)	(1,584)	(726)	(4,197)	(1,939)
Financing costs	–	–	(480)	–
Foreign exchange gain (loss) and other	33	(29)	31	(42)
Income (loss) from continuing operations before income taxes for the period	1,822	(5,370)	(389)	(11,890)
Income taxes	295	–	295	–
Income (loss) from continuing operations for the period	2,117	(5,370)	(94)	(11,890)
Loss from discontinued operations for the period	–	–	–	(250)
Net income (loss) and comprehensive income (loss) for the period	$ 2,117	$ (5,370)	$ (94)	$ (12,140)
Basic and diluted net income (loss) per share from:				
Continuing operations	$ 0.01	$ (0.04)	$ 0.00	$ (0.10)
Discontinued operations	–	–	–	–
	$ 0.01	$ (0.04)	$ 0.00	$ (0.10)
	143,922,308	121,997,402	143,358,591	120,131,131

Basic weighted-average number of shares outstanding				
Diluted weighted-average number of shares outstanding	145,202,005	121,997,402	143,358,591	120,131,131

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

APOLLO GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands of U.S. dollars)
(Unaudited)

	Share Capital Number of Shares	Amount	Equity Component of Convertible Debentures	Note Warrants	Contributed Surplus	Deficit	Total
Balance, December 31, 2005	107,456,451	$ 148,526	$ 1,809	$ 781	$ 10,561	$ (129,236)	$ 32,441
Units issued for cash	11,650,000	3,488	–	–	–	–	3,488
Shares issued for 2005 stock-based compensation	2,290,408	955	–	–	–	–	955
Reduction of exercise price of Note Warrants	–	–	–	305	–	–	305
Note warrants exercised	600,000	264	–	(24)	–	–	240
Shares issued for services	1,325,000	668	–	–	–	–	668
Flow-through units issued for cash	2,222,221	746	–	–	27	–	773
Units issued for cash	16,688,206	4,357	–	–	156	–	4,513
Options exercised	50,000	25	–	–	(5)	–	20
Stock-based compensation	–	–	–	–	427	–	427
Net loss	–	–	–	–	–	(15,587)	(15,587)
Balance, December 31, 2006	142,282,286	159,029	1,809	1,062	11,166	(144,823)	28,243
Change in accounting policy (Note 3)	–	–	–	–	–	(265)	(265)
Balance (as adjusted), January 1, 2007	142,282,286	159,029	1,809	1,062	11,166	(145,088)	27,978
Shares issued for services	20,000	10	–	–	–	–	10
Shares issued for Huizopa settlement (Note 7(a)(i))	1,000,000	540	–	–	–	–	540
Shares issued for Black Fox mineral rights (Note 7(a)(ii))	1,057,692	527	–	–	–	–	527
Income tax benefits renounced to shareholders of flow-through units issued in 2006 (Note 10)	–	(295)	–	–	–	–	(295)
Equity component of convertible debentures (Note 6)	–	–	2,292	–	–	–	2,292
Note warrants (Note 6)	–	–	–	2,292	–	–	2,292
Debenture compensation warrants (Note 6)	–	–	–	–	467	–	467
Note warrants exercised	198,500	229	–	(150)	–	–	79
Debentures converted	400,000	147	(54)	–	–	–	93
Stock-based compensation	–	–	–	–	595	–	595

Net loss and comprehensive loss	–		–		–		–		–		(94)		(94)
Balance, September 30, 2007	144,958,478	$	160,187	$	4,047	$	3,204	$	12,228	$	(145,182)	$	34,484

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

APOLLO GOLD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Operating activities				
Net income (loss) for the period	$ 2,117	$ (5,370)	$ (94)	$ (12,140)
Items not affecting cash:				
Depreciation and amortization	377	324	1,007	1,282
Amortization of deferred stripping costs	597	–	1,258	0
Amortization of deferred financing costs	–	80	–	239
Financing costs	–	–	174	0
Loss from discontinued operations	–	–	–	250
Reduction in exercise price of Note Warrants	–	–	–	305
Stock-based compensation	208	126	595	315
Shares issued for services and settlement of claims	–	668	550	668
Accretion expense – accrued site closure costs	126	237	380	711
Accretion expense – convertible debenture	1,052	271	2,523	775
Loss on sale of property, plant and equipment and other	(2)	24	(2)	64
Amortization of deferred gain (Note 4)	(345)	–	(774)	–
Income taxes	(295)	–	(295)	–
Net change in non-cash operating working capital items (Note 12)	797	470	433	(1,243)
Discontinued operations	–	–	–	(250)
Net cash provided by (used in) operating activities	4,632	(3,170)	5,755	(9,024)
Investing activities				
Property, plant and equipment expenditures	(2,072)	(591)	(5,749)	(5,029)
Deferred stripping costs	(1,937)	–	(5,685)	–
Proceeds from disposal of property, plant and equipment	–	–	–	92
Restricted certificate of deposit and other assets	(600)	(525)	(1,492)	9,488
Net cash (used in) provided by investing activities	(4,609)	(1,116)	(12,926)	4,551
Financing activities				
Proceeds on issuance of shares	–	–	–	3,488
	–	–	8,062	–

Proceeds on issuance of convertible debentures and note warrants, net								
Proceeds from exercise of warrants		13		240		79		240
Proceeds from notes payable		–		309		1,250		309
Payments of notes payable		(475)		(315)		(1,960)		(763)
Funding by Elkhorn Tunnels, LLC		–		3,050		1,865		3,050
Net cash (used in) provided by financing activities		(462)		3,284		9,296		6,324
Net (decrease) increase in cash and cash equivalents		(439)		(1,002)		2,125		1,851
Cash and cash equivalents, beginning of period		7,076		2,980		4,512		127
Cash and cash equivalents, end of period (Note 12)	$	6,637	$	1,978	$	6,637	$	1,978
SUPPLEMENTAL CASH FLOW INFORMATION								
Interest paid	$	867	$	349	$	1,471	$	899
Income taxes paid	$	–	$	–	$	–	$	–

See Note 12 for additional supplemental cash flow information.

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

8

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

1. CONTINUING OPERATIONS

These condensed consolidated financial statements are prepared on the basis of a going concern which assumes that Apollo Gold Corporation ("Apollo" or the "Company") will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. To date the Company has funded its operations through issuance of debt and equity securities, joint venture contributions from Elkhorn Tunnels, LLC ("Elkhorn") and cash generated by the Montana Tunnels joint venture (Note 4). The Company's ability to continue as a going concern is dependent on its ability to generate cash flow from the Montana Tunnels joint venture and/or continue to issue debt and equity securities.

If the Company is unable to generate sufficient cash flow from the Montana Tunnels joint venture and/or secure additional financing, it may be unable to continue as a going concern and material adjustments would be required to the carrying value of assets and liabilities and balance sheet classifications used.

2. NATURE OF OPERATIONS

Apollo is engaged in gold mining including extraction, processing, refining and the production of other co-product metals, as well as related activities including exploration and development. The Company is the operator of the Montana Tunnels mine (the "Mine"), which is a 50% joint venture with Elkhorn. The Mine is an open pit mine and mill located in the State of Montana that produces gold dore and lead-gold and zinc-gold concentrates. The Company owns the Diamond Hill mine, which is also located in Montana and is currently under care and maintenance.

Apollo has a development property, the Black Fox development project (the "Black Fox Project"), which is located near the Township of Matheson in the Province of Ontario, Canada. Apollo also owns Mexican subsidiaries that own concessions at the Huizopa exploration project (the "Huizopa Project"), which is located in the Sierra Madres in Chihuahua, Mexico.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) These unaudited consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and except as described in Note 14, conform in all material respects with accounting principles generally accepted in the United States ("U.S. GAAP"). The accounting policies followed in preparing these financial statements are those used by the Company as set out in the audited financial statements for the year ended December 31, 2006, except as disclosed in *(b), (c),* and *(d)* below. Certain information and note disclosures normally included in consolidated financial statements prepared in accordance with Canadian GAAP have been omitted. These interim financial statements should be read together with the Company's audited financial statements for the year ended December 31, 2006.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

Certain of the comparative figures have been reclassified to conform to the presentation for the three and nine months ended September 30, 2007. In particular, for the three and nine months ended September 30, 2006, $0.1 million and $0.3 million of stock-based compensation, respectively, charged to operations have been reclassified to general and administrative expenses rather than disclosed separately.

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Effective January 1, 2007, the Company includes ore stockpiles within Inventories. Ore stockpiles represent ore that has been mined and is available for further processing. Work-in-process inventories, including ore stockpiles, are valued at the lower of average production cost and net realizable value, after a reasonable allowance for further processing and sales costs.

(c) On March 2, 2006, the Emerging Issues Committee issued EIC-160, *Stripping Costs Incurred in the Production Phase of a Mining Operation,* which requires stripping costs that represent a betterment to the mineral property to be capitalized and amortized in a rational and systematic manner over the reserves that directly benefit from the specific stripping activity. The Company adopted EIC-160 as of January 1, 2007 on a prospective basis. During the three and nine months ended September 30, 2007, the Company capitalized \$1.9 million and \$5.7 million, respectively, in deferred stripping costs and recorded amortization thereon in the amount of \$0.6 million and \$1.3 million, respectively. Deferred stripping costs are amortized using the units-of-production method over the expected life of the operation based on the estimated recoverable gold equivalent ounces.

(d) Effective January 1, 2007, the Company adopted CICA Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3865, *Hedges*, and CICA Handbook Section 3251, *Equity*. These new Handbook Sections provide comprehensive requirements for the recognition and measurement of financial instruments, transaction costs incurred on financial instruments, as well as standards on when and how hedge accounting may be applied. CICA Handbook Section 1530 also introduces a new component of equity referred to as comprehensive income. The Company has adopted these standards prospectively.

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

Upon adoption of this new standard, the Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable and other are classified as loans and receivables, which are measured at amortized cost. Restricted certificates of deposit are classified as held-to-maturity, and are measured at amortized cost. Accounts payable and accrued liabilities, property and mining taxes payable, convertible debentures, notes payable, and accrued site closure costs are classified as other liabilities, which are measured at amortized cost.

Under CICA Handbook Section 3855, the Company adopted a policy to expense debt financing costs when they are incurred and as a result the Company recorded a non-cash adjustment to increase opening deficit by \$0.3 million to eliminate the opening balance of deferred financing costs that were capitalized and amortized under the Company's previous accounting policy.

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The adoption of CICA Handbook Section 1530 had no impact on the

Company.

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

4. MONTANA TUNNELS JOINT VENTURE

On July 28, 2006, Apollo entered into a joint venture ("JV Agreement") with Elkhorn in respect of the Mine. Elkhorn contributed $13 million in return for a 50% interest in the Mine.

Elkhorn receives 55% and Apollo receives 45% of the positive free cash flow, as defined in the JV agreement, from the Mine until such time as Elkhorn has received cash flow of $13 million (at which time Apollo will have received $10.6 million). At that time, Apollo would become entitled to 60% and Elkhorn 40% of the positive free cash flow from the Mine, until both parties have received an equal amount (at which time Apollo and Elkhorn will have each received $17.7 million). Thereafter, the sharing would be 50/50. Additionally, Elkhorn is entitled to a 10% interest distribution (reduced from 12% effective April 1, 2007) charged to the joint venture as interest expense (Note 8) on its initial contribution of $13 million until it has received cash flow of $13 million. The interest distribution is based on the declining balance of this cash flow of $13 million and, as of September 30, 2007, Elkhorn had received cash flow of $2.8 million.

Apollo accounts for its 50% interest in the Montana Tunnels joint venture using the proportionate consolidation method. As of December 31, 2006, the Company recorded a deferred gain on the transfer of assets and liabilities to the joint venture of $3.8 million. The deferred gain is amortized using the units-of-production method over the expected life of the operation based on the estimated recoverable gold equivalent ounces. Amortization of the deferred gain was $0.3 million and $0.8 million for the three and nine months ended September 30, 2007, respectively.

Apollo's 50% share of the assets and liabilities of the Montana Tunnels joint venture is as follows:

	September 30, 2007	December 31, 2006
Cash and cash equivalents	$ 759	$ (64)
Other non-cash current assets	3,336	2,570
	4,095	2,506
Property, plant and equipment	7,555	7,151
Deferred stripping costs	4,427	-
Restricted certificates of deposit	4,827	3,430
Total assets	$ 20,904	$ 13,087
Current liabilities	$ 3,954	$ 1,819
Notes payable	168	527
Accrued site closure costs	6,472	6,127
Total liabilities	$ 10,594	$ 8,473

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

4. MONTANA TUNNELS JOINT VENTURE (continued)

Apollo's 50% share of the Montana Tunnels joint venture for the three and nine month periods ended September 30, 2007 are as follows:

	Three months ended September 30, 2007	Nine months ended September 30, 2007
Revenue from sale of minerals	$ 11,863	$ 27,594
Direct operating costs	7,283	18,278
Depreciation and amortization	351	929
Accretion expense – accrued site closure costs	114	345
	7,748	19,552
Operating income	4,115	8,042
Interest income	60	157
Interest expense	(199)	(786)
Income from continuing operations	$ 3,976	$ 7,413
Net cash used in investing activities	$ (3,183)	$ (8,090)
Net cash (used in) provided by financing activities	$ (324)	$ 1,459

5. INVENTORIES

Inventories consist of:

	September 30, 2007	December 31, 2006
Concentrate inventory	$ 123	$ –
Stockpiled ore inventory (Note 3(b))	320	–
Materials and supplies	1,033	660
	$ 1,476	$ 660

6. CONVERTIBLE DEBENTURES

On February 23, 2007, the Company completed a private placement of $8.6 million aggregate principal amount of Series 2007-A convertible debentures ("2007 Debentures"). Each $1,000 of principal amount of 2007 Debentures included 2,000 common share purchase warrants ("2007 Debenture Warrants") (Note 7(b)(i)). The 2007 Debentures mature on February 23, 2009 and bear interest at a rate of 12% per annum during the first year and 18% per annum during the second year, payable annually beginning on February 23, 2008.

The 2007 Debentures are convertible, at the option of the holder, at any time prior to maturity into common shares of the Company at a price of $0.50 per common share. The Company has the option to force conversion of the 2007 Debentures under certain circumstances. The Debentures are classified as a compound financial instrument for accounting purposes. The 2007 Debenture Warrants have an exercise price of $0.50 per common share and have a term of two years from the date of grant.

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

6. CONVERTIBLE DEBENTURES (continued)

On the date of issuance of the 2007 Debentures, the gross proceeds of $8.6 million was allocated to the relative fair values of the Debentures ($3.2 million), the holder’s option to convert the principal balance into common shares ($2.7 million) (the “Conversion Option”), and the 2007 Debenture Warrants ($2.7 million). The $3.2 million fair value of the 2007 Debentures is classified as a liability, while the $5.4 million allocated to the Conversion Option and the 2007 Debenture Warrants is classified as separate components within shareholders’ equity.

Over the two-year term, the 2007 Debentures are accreted to their face value through a periodic charge to accretion expense with a corresponding credit to the liability component. The accretion expense is based on the effective interest method. For the three and nine months ended September 30, 2007, the Company recorded accretion expense of $0.7 and $1.4 million, respectively, related to the 2007 Debentures, which is included in interest expense.

In addition to the 2007 Debenture Warrants, the agents were granted 1,201,200 compensation warrants with substantially the same terms and conditions as the 2007 Debenture Warrants.

The Company incurred transaction costs of $1.3 million (including the fair value of the agents’ compensation warrants of $0.5 million). These costs were allocated to 2007 Debenture issuance costs of $0.5 million and to equity issuance costs of $0.8 million, based on their relative fair values of the debt and equity components. Financing costs associated with the issuance of the 2007 Debentures are expensed as incurred.

The fair values of the Conversion Option, the 2007 Debenture Warrants, and the compensation warrants were determined using the Black-Scholes option pricing model assuming no expected dividends, a volatility of the Company’s share price of 70%, an interest rate of 4.1%, and an expected life of two years.

Under the terms of the Registration Rights Agreements entered into by the Company in connection with the 2007 Debentures, the common shares underlying the 2007 Debentures and the 2007 Debenture Warrants are required to be registered for resale with the U.S. Securities and Exchange Commission (“SEC”). If the registration statement with respect to 50% of such shares was not declared effective by the SEC by May 25, 2007, the Company would be required to pay additional interest to the holders of the 2007 Debentures equal to 6% per annum. The Company did not meet the May 25, 2007 effectiveness deadline and as a result accrued additional interest of $55,000 for the period commencing May 25, 2007 through August 10, 2007, the date the effectiveness was approved by the SEC. Additionally, if the registration statement with respect to the remaining 50% of such shares was not declared effective by the SEC by August 22, 2007, the Company would be required to pay additional interest to the holders of the 2007 Debentures equal to 6% per annum until February 23, 2008 or until this condition is met. The Company did not meet the August 22, 2007 effectiveness deadline and as a result accrued additional interest of $28,000 for the period commencing August 22, 2007 through September 30, 2007.

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

7. SHARE CAPITAL

(a) Shares issued in 2007

(i) On February 28, 2007, the Company issued 1,000,000 common shares of the Company at $0.54 per share in connection with the settlement of certain claims in relation to the Huizopa property.

(ii) On September 4, 2007, the Company issued 1,057,692 common shares of the Company at $0.50 per share in connection with acquiring rights to certain mineral claims at the Black Fox property.

(b) Warrants

The following summarizes outstanding warrants as at September 30, 2007:

Date Issued	Number of Warrants	Number of Shares	Exercise Price	Expiry Date	
			Exercisable in US$		
November 4, 2004	4,215,100	4,215,100	0.40	November 4, 2007	(1)
November 4, 2004	240,000	240,000	0.80	November 4, 2007	(2)
November 4, 2004	1,396,000	1,396,000	0.80	November 4, 2007	(2)
November 8, 2006	8,344,103	8,344,103	0.50	November 8, 2009	
November 8, 2006	1,168,174	1,168,174	0.50	November 8, 2009	
February 23, 2007	17,160,000	17,160,000	0.50	February 23, 2009	
February 23, 2007	1,201,200	1,201,200	0.50	February 23, 2009	
	33,724,577	33,724,577			
			Exercisable in Cdn$		
January 26, 2006	2,000,000	2,000,000	0.39	January 26, 2008	
October 30, 2006	1,111,111	1,111,111	1.00 (3)	October 30, 2008	(3)
	3,111,111	3,111,111			
	36,835,688	36,835,688			

(1) 3,735,100 of these warrants were exercised prior to expiration for proceeds of $1.5 million and the remaining 480,000 of these warrants expired unexercised on November 4, 2007.
(2) These warrants expired unexercised on November 4, 2007.
(3) The exercise price of these warrants increased to Cdn$1.15 on October 31, 2007.

In addition, in connection with the Company's private placement to Canadian purchasers of 2,222,221 flow-through units on October 30, 2006, the Company issued 166,666 broker compensation warrants. Each broker compensation warrant is immediately exercisable at Cdn$0.45 for two years into one common share of the Company and one-half of one share purchase warrant, with each whole share purchase warrant exercisable into one common share of the Company at Cdn$1.00 per common share through October 30, 2007 and at Cdn$1.15 through October 30, 2008. The broker compensation warrants expire on October 30, 2008.

(c) Options

A summary of information concerning outstanding stock options at September 30, 2007 is as follows:

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

7. SHARE CAPITAL (continued)

	Fixed Stock Options		Performance-based Stock Options	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balances, December 31, 2006	3,052,900	$ 1.06	1,230,852	$ 0.80
Options granted	3,291,939	0.57	–	–
Options cancelled	(31,750)	1.07	–	–
Options expired	–	–	(1,230,852)	0.80
Balances, September 30, 2007	6,313,089	$ 0.80	–	$ –

(i) Fixed stock option plan

The Company has a stock option plan that provides for the granting of options to directors, officers, employees and service providers of the Company. Typically, options vest over two years and have a 10-year contractual term, unless otherwise determined by the Company's Board of Directors. The Company is authorized to issue a maximum of 12,139,686 fixed stock options. As at September 30, 2007, an aggregate of 5,826,597 fixed stock options were available for future grants of awards under the plan.

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

Options Outstanding				Options Exercisable	
Number Outstanding	Expiry Date	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Number Exercisable	Weighted Average Exercise Price per Share
678,200	February 18, 2013	$ 2.24	5.4	678,200	$ 2.24
261,000	March 10, 2014	2.05	6.4	261,000	2.05
25,000	May 19, 2014	1.44	6.6	25,000	1.44
21,200	August 10, 2014	0.95	6.9	21,200	0.95
1,162,750	March 10, 2015	0.65	7.4	1,162,750	0.65
100,000	August 4, 2015	0.27	7.8	100,000	0.27
300,000	December 12, 2015	0.20	8.2	150,000	0.20
125,000	March 28, 2016	0.65	8.5	125,000	0.65
200,000	May 23, 2016	0.53	8.7	100,000	0.53
108,000	August 10, 2016	0.48	8.9	54,000	0.48
40,000	November 9, 2016	0.32	9.1	–	–
3,142,114	February 6, 2017	0.57	9.4	–	–
100,000	September 1, 2011	0.46	3.9	–	–

49,825	August 13, 2017		0.46	9.9	–		–
6,313,089		$	0.80	8.2	2,677,150	$	1.15

15

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

7. SHARE CAPITAL (continued)

(ii) Performance-based stock option plan

The 1,230,852 performance-based stock options that were exercisable at $0.80 expired June 25, 2007.

(d) Stock-based compensation

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

	Nine months ended September 30,	
	2007	**2006**
Risk free interest rate	4.1%	4.2%
Dividend yield	0%	0%
Volatility	71%	89%
Expected life in years	6	6
Weighted average grant-date fair value of stock options	$ 0.37	$ 0.41

(e) Shareholder Rights Plan

On January 17, 2007, the Company adopted a Shareholder Rights Plan (the "Rights Plan"). The Rights Plan was adopted to ensure the fair treatment of shareholders in connection with any take-over bid for common shares of Apollo. The Rights Plan seeks to provide shareholders with adequate time to properly assess a take-over bid without undue pressure. It also is intended to provide the Board with more time to fully consider an unsolicited take-over bid and, if appropriate, to explore other alternatives to maximize shareholder value. The Rights Plan is not intended to prevent take-over bids that treat shareholders fairly.

The Rights Plan, adopted and effective in January 2007, was ratified by the shareholders at Apollo's Annual Meeting of Shareholders held on May 16, 2007. The Rights Plan expires in January 2012.

8. INTEREST EXPENSE

Interest expense consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Accretion on convertible debentures	$ 1,063	$ 271	$ 2,534	$ 775
Interest paid on convertible debentures	265	265	794	794
Amortization of deferred financing costs	–	80	–	237
	144	–	593	–

Interest related to Montana Tunnels joint venture agreement (Note 4)								
Capital leases and other		112		110		276		133
	$	1,584	$	726	$	4,197	$	1,939

16

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding warrants and stock options by applying the treasury stock method.

Earnings used in determining earnings per share from continuing operations are presented below for the three months ended September 30, 2007.

($ thousands, except per share amounts)	Net income	Shares	Per Share
Basic earnings per share			
Net income from continuing operations	$ 2,117	143,922,308	$ 0.01
Effect of dilutive securities: warrants	–	1,048,244	–
Effect of dilutive securities: stock options	–	231,453	–
Diluted earnings per share			
Net income from continuing operations	$ 2,117	145,202,005	$ 0.01

10. INCOME TAXES

The Company recorded a $0.3 million recovery for income taxes for the period ended September 30, 2007 in connection with the flow-through units issued in October 2006. In addition, income tax expense for the period has been offset by a recovery of prior tax losses.

11. LITIGATION AND CLAIMS

In May 2006, a purported class action lawsuit was filed in U.S. Federal Court Missoula Division of Montana by 14 former employees at the Montana Tunnels mine alleging (i) violations of the Worker Adjustment and Retraining Notification Act of 1988 (the "WARN Act") and the Montana Wage Act and (ii) breach of contract. The allegations relate to the termination of the employees following the cessation of mining in October 2005. Specifically, the plaintiffs allege that the Company gave deficient WARN Act notice and are seeking damages for back pay and benefits. The Company believes that the resolution of this matter will not have a material impact on its financial statements.

12. SUPPLEMENTAL CASH FLOW INFORMATION

(a) Net changes in non-cash operating working capital items for the three and nine months ended September 30 are:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Increase (decrease) in:				
Accounts receivable and other	$ 23	$ (78)	$ (1,576)	$ 2,382
Prepaids	39	(336)	240	(17)
Inventories	50	231	(815)	375

17

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

12. SUPPLEMENTAL CASH FLOW INFORMATION (continued)

	Three months ended September 30, 2007	Three months ended September 30, 2006	Nine months ended September 30, 2007	Nine months ended September 30, 2006
Increase (decrease) in:				
Accounts payable	791	118	1,197	(4,280)
Accrued liabilities	(245)	603	1,120	574
Property and mining taxes payable	139	(68)	267	(277)
	$ 797	$ 470	$ 433	$ (1,243)

(b) Components of cash and cash equivalents as of September 30, 2007 and 2006 are:

	September 30, 2007	September 30, 2006
Cash	$ 227	$ 648
Short-term investments	6,410	1,330
Cash and cash equivalents	$ 6,637	$ 1,978

(c) Non-cash transactions

During the three and nine months ended September 30, 2007, (i) Series 2007-A convertible debentures with a face value of $200,000 were converted and the Company recorded a reduction of $94,000 in convertible debentures and a corresponding increase in equity; (ii) property, plant and equipment totaling $527,000 was acquired via issuance of shares (Note 7(a)(ii)); and (iii) the Company financed a portion of its insurance program included in Prepaids by issuing a note payable of $653,000.

During the nine months ended September 30, 2007, property, plant and equipment totaling $325,000 was acquired via issuance of notes payable. Also, during the nine months ended September 30, 2007, the Company issued agent's compensation warrants with a value of $294,000 for services rendered in connection with the issuance of the Series 2007-A convertible debentures (Note 6).

13. SEGMENTED INFORMATION

Apollo operates the Montana Tunnels mine (a 50% joint venture effective December 31, 2006) in the United States and the Black Fox development project in Canada. The reportable segments have been determined at the level where decisions are made on the allocation of resources and capital and where performance is measured. The assets and liabilities of Montana Tunnels as at September 30, 2007 and December 31, 2006 below differ from the amounts for the Montana Tunnels joint venture in Note 4 due to the inclusion of assets and liabilities of Montana Tunnels Mining, Inc. not pertaining to the Montana Tunnels joint venture, which primarily relate to the Diamond Hill mine. The accounting policies for these segments are the same as those followed by the Company as a whole.

Amounts as at September 30, 2007 are as follows:

18

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

13. SEGMENTED INFORMATION (continued)

	Montana Tunnels	Black Fox	Corporate and Other	Total
Cash and cash equivalents	$ 759	$ 14	$ 5,864	$ 6,637
Other non-cash current assets	3,366	134	993	4,493
	4,125	148	6,857	11,130
Property, plant and equipment	7,563	33,793	3,128	44,484
Deferred stripping costs	4,427	–	–	4,427
Restricted certificates of deposit	5,449	648	–	6,097
Total assets	$ 21,564	$ 34,589	$ 9,985	$ 66,138
Current liabilities and convertible debenture	$ 3,960	$ 244	$ 11,934	$ 16,138
Accrued long-term liabilities	–	–	133	133
Notes payable	168	27	–	195
Convertible debenture	–	–	4,676	4,676
Accrued site closure costs	7,140	396	–	7,536
Deferred gain	2,976	–	–	2,976
Total liabilities	$ 14,244	$ 667	$ 16,743	$ 31,654

Amounts as at December 31, 2006 are as follows:

	Montana Tunnels	Black Fox	Corporate and Other	Total
Cash and cash equivalents	$ (64)	$ 9	$ 4,567	$ 4,512
Other non-cash current assets	2,579	105	870	3,554
	2,515	114	5,437	8,066
Property, plant and equipment	7,159	30,455	1,254	38,868
Restricted certificates of deposit	4,052	553	–	4,605
Deferred financing costs	–	–	265	265
Total assets	$ 13,726	$ 31,122	$ 6,956	$ 51,804
Current liabilities	$ 1,823	$ 149	$ 9,765	$ 11,737
Notes payable and other long term liabilities	527	42	370	939
Accrued site closure costs	6,760	375	–	7,135
Deferred Gain	3,750	–	–	3,750
Total liabilities	$ 12,860	$ 566	$ 10,135	$ 23,561

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

13. SEGMENTED INFORMATION (continued)

Amounts for the three and nine month periods ended September 30, 2007 and 2006, respectively, are as follows:

	Three months ended September 30, 2007			
	Montana Tunnels	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ 11,863	$ –	$ –	$ 11,863
Direct operating costs	7,285	–	–	7,285
Depreciation and amortization	351	–	26	377
General and administrative expenses	–	–	902	902
Accretion expense – accrued site closure costs	126	–	–	126
Amortization of deferred gain	(345)	–	–	(345)
Exploration and business development and other	–	–	291	291
	7,417	–	1,219	8,636
Operating income (loss)	4,446	–	(1,219)	3,227
Interest income	60	–	86	146
Interest expense	(199)	–	(1,385)	(1,584)
Foreign exchange gain and other	–	–	33	33
Income (loss) from continuing operations before income taxes	$ 4,307	$ –	$ (2,219)	$ 1,822
Investing activities				
Property, plant and equipment expenditures and deferred stripping expenditures	$ 2,678	$ 1,859	$ –	$ 4,537

	Nine months ended September 30, 2007			
	Montana Tunnels	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ 27,594	$ –	$ –	$ 27,594
Direct operating costs	18,280	–	–	18,280
Depreciation and amortization	929	–	78	1,007
General and administrative expenses	–	–	2,901	2,901
Accretion expense – accrued site closure costs	380	–	–	380
Amortization of deferred gain	(774)	–	–	(774)
Exploration and business development and other	–	–	2,028	2,028
	18,815	–	5,007	23,822
Operating gain (loss)	8,779	–	(5,007)	3,772
Interest income	157	–	328	485
Interest expense	(786)	–	(3,411)	(4,197)

Financing costs		–		–		(480)		(480)
Foreign exchange gain and other		–		–		31		31
Income (loss) from continuing operations before income taxes	$	8,150	$	–	$	(8,539)	$	(389)
Investing activities								
Property, plant and equipment expenditures and deferred stripping expenditures	$	7,019	$	3,317	$	1,951	$	12,287

20

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

13. SEGMENTED INFORMATION (continued)

	Three months ended September 30, 2006			
	Montana Tunnels	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ 372	$ –	$ –	$ 372
Direct operating costs	3,211	–	–	3,211
Depreciation and amortization	298	–	26	324
General and administrative expenses	–	–	1,123	1,123
Accretion expense – accrued site closure costs	237	–	–	237
Exploration and business development and other	–	–	191	191
	3,746	–	1,340	5,086
Operating loss	(3,374)	–	(1,340)	(4,714)
Interest income	76	–	23	99
Interest expense	(109)	–	(617)	(726)
Foreign exchange loss and other	–	–	(29)	(29)
Loss from continuing operations before income taxes	$ (3,407)	$ –	$ (1,963)	$ (5,370)
Investing activities				
Property, plant and equipment expenditures	$ 2,640	$ 586	$ 5	$ 3,231

	Nine months ended September 30, 2006			
	Montana Tunnels	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ 10,177	$ -	$ -	$ 10,177
Direct operating costs	13,957	-	-	13,957
Depreciation and amortization	1,199	-	83	1,282
General and administrative expenses	-	-	3,594	3,594
Accretion expense – accrued site closure costs	711	-	-	711
Exploration and business development and other	-	-	795	795
	15,867	-	4,472	20,339
Operating loss	(5,690)	-	(4,472)	(10,162)
Interest income	190	-	63	253
Interest expense	(127)	-	(1,812)	(1,939)
Foreign exchange loss and other	-	-	(42)	(42)
Loss from continuing operations before income taxes	$ (5,627)	$ -	$ (6,263)	$ (11,890)
Investing activities				
	$ 2,640	$ 4,908	$ 121	$ 7,669

Property, plant and equipment
expenditures

14. DIFFERENCES BETWEEN CANADIAN AND U.S. GAAP

The Company prepares its consolidated financial statements in accordance with Canadian GAAP. The following adjustments and/or additional disclosures would be required in order to present the financial statements in accordance with U.S. GAAP and with practices prescribed by the SEC for the three and nine months ended September 30, 2007 and 2006.

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

14. DIFFERENCES BETWEEN CANADIAN AND U.S. GAAP (continued)

Material variances between financial statement items under Canadian GAAP and the amounts determined under U.S. GAAP are as follows:

	September 30, 2007	December 31, 2006
Total assets in accordance with Canadian GAAP	**$ 66,138**	**$ 51,804**
Impairment of property, plant and equipment, and change in depreciation and amortization(a)(ii)	(1,879)	(2,038)
Deferred stripping costs (a)(iii)	(4,427)	–
Black Fox development costs(b)	(24,810)	(22,354)
Convertible debentures(c)	657	103
Equity accounting for investment in Montana Tunnels joint venture(a)(i)	(10,594)	(8,473)
Total assets in accordance with U.S. GAAP	**$ 25,085**	**$ 19,042**
Total liabilities in accordance with Canadian GAAP	**$ 31,654**	**$ 23,561**
Convertible debentures (c)	2,399	764
Equity accounting for investment in Montana Tunnels joint venture(a)(i)	(10,594)	(8,473)
Deferred gain(a)(i)	(2,976)	(3,750)
Total liabilities in accordance with U.S. GAAP	**$ 20,483**	**$ 12,102**

	September 30, 2007	December 31, 2006
Total shareholders' equity in accordance with Canadian GAAP	**$ 34,484**	**$ 28,243**
Impairment of property, plant and equipment, and change in depreciation and amortization(a)(ii)	(1,879)	(2,038)
Deferred stripping costs (a)(iii)	(4,427)	–
Black Fox development costs(b)	(24,810)	(22,354)
Convertible debentures(c)	(1,742)	(661)
Deferred gain(a)(i)	2,976	3,750
Total shareholders' equity in accordance with U.S. GAAP	**$ 4,602**	**$ 6,940**
Total shareholders' equity and liabilities in accordance with U.S. GAAP	**$ 25,085**	**$ 19,042**

Under U.S. GAAP, the components of shareholders' equity would be as follows:

	September 30, 2007	December 31, 2006
Share capital	$ 160,183	$ 158,790
Note warrants	3,204	1,062
Contributed surplus	38,908	31,964
Deficit	(197,693)	(184,876)

Total shareholders' equity in accordance with U.S. GAAP	**$**	**4,602**	**$**	**6,940**

22

APOLLO GOLD CORPORATION
Notes to the Condensed Consolidated Financial Statements
Nine month period ended September 30, 2007
(Stated in U.S. dollars; tabular amounts in thousands)
(Unaudited)

14. DIFFERENCES BETWEEN CANADIAN AND U.S. GAAP (continued)

Under U.S. GAAP, the net loss and net loss per share would be adjusted as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2007	**2006**	**2007**	**2006**
Income (loss) from continuing operations for the period based on Canadian GAAP	$ 2,117	$ (5,370)	$ (94)	$ (11,890)
Change in depreciation of property, plant and equipment (a)(ii)	66	–	160	183
Capitalized deferred stripping costs and amortization (a)(iii)	(1,340)	–	(4,427)	–
Black Fox development costs (b)	(1,135)	(587)	(2,456)	(2,682)
Convertible debentures (c)	231	161	(4,996)	454
Amortization of deferred gain (a)(i)	(345)	–	(774)	–
Income taxes (e)	(230)	–		