APOLLO GOLD CORP
Form 10-Q
November 14, 2003

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, 2003
Or
[ ] 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	Not Applicable
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

Suite 300, 204 Black Street
Whitehorse, Yukon Territory, Canada Y1A 2M9
(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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12-b2 of the Exchange Act). Yes No X

At October 31, 2003, there were 73,721,838 shares of Apollo Gold Corporation common stock outstanding.

APOLLO GOLD CORPORATION

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The following unaudited consolidated financial statements have been prepared by Apollo Gold Corporation pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). In this document unless the context otherwise requires, "we", "our", "us", the "Company" or "Apollo" mean Apollo Gold Corporation and its subsidiaries. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such SEC rules and regulations.

These consolidated financial statements should be read in conjunction with the financial statements, accompanying notes and other relevant information included in the Company's Form 10 Registration Statement (the "Registration Statement") which was declared effective with the Securities and Exchange

Commission on August 13, 2003.

APOLLO GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS OF CANADIAN DOLLARS)

	SEPTEMBER 30, 2003	December 31, 2002
ASSETS	(UNAUDITED)	(Audited)
CURRENT		
Cash and cash equivalents	$ 44,336	$ 13,293
Accounts receivable	5,925	5,093
Prepaids	778	840
Broken ore on leach pad - current	13,259	14,352
Materials and supplies	4,196	4,615
Total current assets	68,494	38,193
BROKEN ORE ON LEACH PAD - LONG TERM	2,526	2,533
PROPERTY, PLANT AND EQUIPMENT (Note 3)	46,525	47,920
DEFERRED STRIPPING COSTS	29,485	26,815
RESTRICTED CERTIFICATE OF DEPOSIT	8,636	8,365
TOTAL ASSETS	$ 155,666	$ 123,826
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 11,031	$ 10,755
Notes payable	5,228	4,912
Property and mining taxes payable	1,099	1,562
Total current liabilities	17,358	17,229
NOTES PAYABLE	4,472	8,277
ACCRUED SITE CLOSURE COSTS	28,865	32,354
TOTAL LIABILITIES	50,695	57,860
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 4)	172,546	110,252
Issuable common shares	350	350
Special warrants (Note 4)	-	9,768
Contributed surplus (Note 4)	10,782	10,998
Cumulative translation adjustment	(8,377)	1,393
Accumulated deficit	(70,330)	(66,795)
Total shareholders' equity	104,971	65,966
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 155,666	$ 123,826

APOLLO GOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
REVENUE				
Revenue from sale of minerals	$ 27,738	$ 17,008	$ 64,976	$ 17,008
OPERATING EXPENSES				
Direct operating costs	22,488	12,254	52,025	12,254
Depreciation and amortization	2,000	2,825	6,035	2,825
General and administrative	1,502	1,409	4,795	1,827
Share-based compensation	27	-	534	-
Accrued site closure costs - accretion expense	442	609	1,373	609
Royalties	327	425	981	425
Exploration and development	72	1,140	2,977	1,140
	26,858	18,662	68,720	19,080
OPERATING INCOME (LOSS)	880	(1,654)	(3,744)	(2,072)
OTHER INCOME (EXPENSES)				
Interest income	14	-	73	-
Interest expense	(175)	(842)	(629)	(842)
Foreign exchange (loss) gain	(191)	-	765	-
NET INCOME (LOSS) FOR THE PERIOD	$ 528	$ (2,496)	$ (3,535)	$ (2,914)
NET INCOME (LOSS) PER SHARE, BASIC AND DILUTED	$ 0.01	$ (0.08)	$ (0.07)	$ (0.24)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	49,843,353	33,022,537	48,480,820	12,356,666

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

APOLLO GOLD CORPORATION
CONSOLIDATED STATEMENTS OF DEFICIT
(IN THOUSANDS OF CANADIAN DOLLARS)
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Deficit, beginning of period	$ (70,858)	$ (62,432)	$ (66,795)	$(62,014)
Net income (loss) for the period	528	(2,496)	(3,535)	(2,914)
Deficit, end of period	$ (70,330)	$ (64,928)	$ (70,330)	$(64,928)

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

APOLLO GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS OF CANADIAN DOLLARS)
(UNAUDITED)

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
OPERATING ACTIVITIES				
Net income (loss) for the period	$ 528	$ (2,496)	$ (3,535)	$ (2,914)
Items not affecting cash				
Depreciation and amortization	2,000	2,825	6,035	2,825
Amortization of deferred stripping	4,577	-	6,758	-
Share-based compensation	27	-	534	-
Accrued site closure costs - accretion expense	442	609	1,373	609
Gain on sale of property, plant and equipment	(57)	-	(57)	-
Changes in non-cash operating assets and liabilities	(751)	(987)	(1,233)	(536)
Net cash flows from (used in) operating activities	6,766	(49)	9,875	(16)
INVESTING ACTIVITIES				
Deferred stripping costs	(5,193)	-	(13,914)	-
Property, plant and equipment				

expenditures	(5,918)	(22,577)	(12,016)	(22,577)
Proceeds from disposal of property, plant and equipment	237	-	237	-
Acquisition of Nevoro	-	-	-	(16,756)
Restricted Certificate of Deposit	(295)	(1,513)	(1,604)	(1,513)
Net cash flows used in investing activities	(11,169)	(24,090)	(27,297)	(40,846)
FINANCING ACTIVITIES				
Capital lease repayments	-	(1,149)	-	(1,149)
Proceeds from exercise of warrants and options	977	9,864	5,140	9,864
Proceeds on issuance of shares	46,450	-	46,450	-
Notes payable	(1,292)	4,762	(1,548)	4,762
Proceeds on issuance of convertible debentures, net	-	12,907	-	32,820
Net cash flows from financing activities	46,135	26,384	50,042	46,297
Effect of exchange rate changes on cash	122	1,684	(1,577)	1,685
NET INCREASE IN CASH	41,854	3,929	31,043	7,120
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,482	3,321	13,293	130
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 44,336	$ 7,250	$ 44,336	$ 7,250
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for:				
Interest	$ 175	$ -	$ 620	$ -
Income taxes	$ -	$ -	$ -	$ -

During the quarter ended June 30, 2003, the Company issued 61,500 shares to acquire certain parcels of land located in Nevada. Share capital and property, plant and equipment both increased by $187 as a result of these transactions.

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

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APOLLO GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

1. NATURE OF OPERATIONS

On June 25, 2002, pursuant to a statutory Plan of Arrangement, Apollo Gold Corporation ("Apollo" or the "Company") acquired the business of Nevoro

Gold Corporation ("Nevoro"). This acquisition has been accounted for using the purchase method of accounting. Prior to the acquisition of Nevoro, the Company had interests in exploration projects in Indonesia and the Philippines.

Apollo, through its acquisition of Nevoro, is engaged in gold mining including extraction, processing and refining and the production of other by-product metals, as well as related activities including exploration and development. The Company currently owns and has rights to operate the following facilities: the Florida Canyon Mine through Florida Canyon Mining, Inc. ("FCMI") located in the State of Nevada, the Montana Tunnels Mine through Montana Tunnels Mining, Inc. ("MTMI") located in the State of Montana and the Diamond Hill Mine also located in the State of Montana.

Apollo Gold also purchased the Black Fox Project (former Glimmer Mine) which is located in the Province of Ontario near the Township of Mattheson in September of 2002. This project is now considered a development property.

Currently the Company is operating the Florida Canyon Mine at its designed capacity (approximately 110,000 gold ounces per year). The Montana Tunnels Mine recommenced commercial production in April 2003.

2. ACCOUNTING POLICIES

These consolidated interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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, 2002. Certain information and note disclosure normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been omitted. These interim financial statements should be read together with the Company's audited financial statements for the year ended December 31, 2002.

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 with the current period presentation.

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2. ACCOUNTING POLICIES (CONTINUED)

In April 2003 the Company recommenced commercial production at the Montana Tunnels Mine and now amortizes the deferred stripping costs in accordance with the following accounting policy:

Deferred stripping costs

Mining costs associated with open-pit deposits that have diverse ore grades and waste-to-ore ton ratios are deferred and amortized over the mine life. These mining costs arise from the removal of waste rock commonly referred to as "deferred stripping costs". Amortization of amounts deferred is based on a ratio, calculated as estimated total mining costs divided by the current proven and probable reserves and mineral resources expected to be converted into mineral reserves. This ratio is used to calculate the current period production cost charged against earnings by multiplying the ratio times the reserves mined during the period. Amortization of deferred stripping costs is included within direct operating costs in our statement of operations. This accounting method results in the smoothing of these costs over the life of the mine, rather than expensing them as incurred. The full amount of deferred stripping costs may not be expensed until the end of the life of the mine. Some mining companies expense these costs as incurred, which may result in the reporting of greater volatility in period to period results of operations. Deferred stripping costs are included with related mining property, plant and equipment for impairment testing purposes.

3. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment are as follows:

	SEPTEMBER 30, 2003			December 31, 2002
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Mine assets				
Building, plant and equipment	$ 16,142	$ 2,906	$ 13,236	$ 11,506
Mining properties and development costs	31,049	7,560	23,489	25,207
	47,191	10,466	36,725	36,713
Mineral rights	9,800	-	9,800	11,207
Total property, plant and equipment	$ 56,991	$ 10,466	$ 46,525	$ 47,920

4. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value.

(b) Issued and outstanding

	Shares	Amount	Contributed Surplus	Special Warrants
Balance, December 31, 2002	40,190,874	$110,252	$ 10,998	$ 9,768
Shares issued for cash	22,300,000	45,973	477	-
Conversion of units	6,000,000	9,768	-	(9,768)
Warrants exercised	2,156,500	5,048	-	-
Options exercised	83,412	92	-	-
Nevoro acquisition, senior executive share compensation	-	-	271	-
Shares issued to supplier	50,000	262	-	-
Shares issued for land	61,500	187	-	-
Fiscal 2002 stock-based compensation issued in 2003	265,000	964	(964)	-
Balance, September 30, 2003	71,107,286	$172,546	$ 10,782	$ -

(c) Shares issued for cash

During the three months ended September 30, 2003, the Company issued 22,300,000 shares for proceeds of $50,175, net of agent's commissions of $3,010, expenses of $715 and fair value of agent's options of $477.

The Company granted the agents 669,000 agent's options with an exercise price of $2.25 per option in connection with this issuance. These agent's options expire in two years and vest immediately. Using the fair value based method for stock-based compensation, share issuance costs of approximately $477 were recognized. This amount was determined using an option pricing model assuming no dividends were paid, a volatility of the Company's share price of 53%, an expected life of the options of two years, and annual risk-free rate of 3.52%.

Subsequent to September 30, 2003, the agents exercised their over-allotment option and the Company issued a further 2,132,300 shares at an offering price of $2.25 and granted a further 63,969 agent's options with similar terms to those previously granted.

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4. SHARE CAPITAL (CONTINUED)

(d) Warrants

The following summarizes outstanding warrants as at September 30, 2003:

Warrants	Number of Shares	Exercise Price	Expiry Date
5,749,750	5,749,750	$2.16 (U.S.$1.60)	March 24, 2004
3,000,000	3,000,000	$ 3.25	December 23, 2006
8,749,750	8,749,750		

(e) Share purchase options

(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.

At September 30, 2003, there were 1,939,100 options outstanding with a weighted average price of $3.38 and expiry dates ranging from February 2013 to August 2013.

(ii) Performance-based stock option plan

As part of the Nevoro acquisition, 2,780,412 options were granted to certain directors, officers and employees, and are subject to a reduction if certain performance criteria are not met. Furthermore, certain senior executives are entitled to receive 530,000 common shares subject to a reduction if certain performance criteria are not met.

In fiscal 2002, one-half of the options and common shares vested based upon the established performance criteria. The balance of the options vest based upon the established fiscal 2003 performance criteria. Furthermore, one half of the related common shares were approved for issuance in 2003 based upon the fiscal 2002 performance and the balance of the shares vest based upon the established fiscal 2003 performance criteria. An expense of $271 has been recorded in the statement of operations relating to the fair value expense of the common shares vesting in fiscal 2003 and credited to contributed surplus.

4. SHARE CAPITAL (CONTINUED)

(e) Share purchase options (continued)

(ii) Performance-based stock option plan (continued)

As at September 30, 2003, there were 2,660,160 performance-based options outstanding with a weighted average price of $1.08 (U.S.$0.80) and an expiry date of June 25, 2007. In addition, there is an entitlement to 265,000 performance-based common shares outstanding.

(f) Stock-based compensation

The following pro forma financial information presents the net loss for the period and the basic and diluted loss per common share had the Company adopted the fair value method of accounting for stock options as set out in CICA Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments:

	THREE MONTHS ENDED SEPTEMBER 30, 2003	Nine months ended September 30, 2003
Net income (loss)		
As reported	$ 528	$ (3,535)
Compensatory fair value of options	826	3,407
Pro forma	$ (298)	$ (6,942)
Basic and diluted income (loss) per share		
As reported	$ 0.01	$ (0.07)
Pro forma	(0.01)	(0.14)

Using the fair value based method for stock-based compensation, additional costs of approximately $826 and $3,407 would have been recorded for the three and nine month periods ended September 30, 2003, respectively. This amount was determined using an option pricing model assuming no dividends were paid, a weighted average volatility of the Company's share price of 52%, a weighted average expected life of the options of 2 to 5 years, and weighted average annual risk-free rate of 3.52%.

APOLLO GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

4. SHARE CAPITAL (CONTINUED)

(g) Earnings (loss) per share

Basic earnings (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the sum of the weighted average number of common shares outstanding plus all additional common shares that would have been outstanding if potentially dilutive common shares had been issued. In periods for which there is a reported net loss, potentially dilutive securities have been excluded from the calculation, as their effect would be anti-dilutive.

The following table reconciles the number of shares utilized in the earnings (loss) per common share calculations for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2003	2002	2003	2002
Basic weighted average shares outstanding	49,843,353	33,022,537	48,480,820	12,356,666
Effect of dilutive securities, stock options	760,841	-	-	-
Diluted weighted average shares outstanding	50,604,194	33,022,537	48,480,820	12,356,666

5. INCOME TAXES

The Company did not record a recovery for income taxes for the period ended September 30, 2003 due to the availability of net operating loss carry forwards and the uncertainty of their future realization.

6. SEGMENTED INFORMATION

Apollo operates the Montana Tunnels and Florida Canyon Mines in the United States and the Black Fox exploration project in Canada. As the products and services of the Company's largest segments, Montana Tunnels and Florida Canyon, are essentially the same, 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 accounting

policies for these segments are the same as those followed by the Company as a whole.

6. SEGMENTED INFORMATION (CONTINUED)

Amounts as at September 30, 2003 are as follows:

	Montana Tunnels	Florida Canyon	Black Fox	Corporate and Other	Total
Cash and cash equivalents	$ 12	$ 19	$ 825	$ 43,480	$ 44,336
Broken ore on leach pad - current	-	13,259	-	-	13,259
Other non-cash current assets	7,069	3,267	183	380	10,899
	7,081	16,545	1,008	43,860	68,494
Broken ore on leach pad - long-term	-	2,526	-	-	2,526
Property, plant and equipment	15,836	17,410	8,948	4,331	46,525
Deferred stripping costs	29,485	-	-	-	29,485
Restricted certificate of deposit	3,055	4,999	437	145	8,636
Total assets	$ 55,457	$ 41,480	$10,393	$ 48,336	$155,666
Current liabilities	$ 7,265	$ 9,425	$ 22	$ 646	$ 17,358
Notes payable	444	4,028	-	-	4,472
Accrued site closure costs	11,992	16,873	-	-	28,865
Total liabilities	$ 19,701	$ 30,326	$ 22	$ 646	$ 50,695

APOLLO GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

6. SEGMENTED INFORMATION (CONTINUED)

Amounts as at December 31, 2002 are as follows:

	Montana Tunnels	Florida Canyon	Black Fox	Corporate and Other	Total
Cash and cash equivalents	$ 139	$ 31	$ 4,439	$ 8,684	$ 13,293
Broken ore on leach pad - current	-	14,352	-	-	14,352
Other non-cash current assets	5,632	4,470	23	423	10,548
	5,771	18,853	4,462	9,107	38,193
Broken ore on leach pad - long-term	-	2,533	-	-	2,533
Property, plant and equipment	16,724	20,026	7,852	3,318	47,920
Deferred stripping costs	26,815	-	-	-	26,815
Restricted certificate of deposit	2,459	5,581	158	167	8,365
Total assets	$ 51,769	$ 46,993	$12,472	$ 12,592	$123,826
Current liabilities	$ 6,950	$ 7,571	$ -	$ 2,708	$ 17,229
Notes payable	2,168	6,109	-	-	8,277
Accrued site closure costs	13,691	18,663	-	-	32,354
Total liabilities	$ 22,809	$ 32,343	$ -	$ 2,708	$ 57,860

6. SEGMENTED INFORMATION (CONTINUED)

Amounts for the three and nine month periods ended September 30, 2003 and 2002, respectively, are as follows:

	THREE MONTHS ENDED SEPTEMBER 30, 2003				
	Montana Tunnels	Florida Canyon	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ 14,934	$ 12,804	$ -	$ -	$27,738

Direct operating costs	12,292	10,196	-	-	22,488
Depreciation and amortization	750	1,203	-	47	2,000
General and administrative	-	-	-	1,502	1,502
Share-based compensation	-	-	-	27	27
Accrued site closure costs - accretion expense	109	333	-	-	442
Royalties	-	327	-	-	327
Exploration and development	-	-	-	72	72
	13,151	12,059	-	1,648	26,858
Operating income (loss)	1,783	745	-	(1,648)	880
Interest income	4	-	-	10	14
Interest expense	(49)	(112)	-	(14)	(175)
Foreign exchange loss	-	-	-	(191)	(191)
Net income (loss)	$ 1,738	$ 633	$ -	$ (1,843)	$ 528
Investing activities					
Property, plant and equipment expenditures	$ 2,831	$ 350	$2,086	$ 651	$ 5,918
Deferred stripping expenditures	5,193	-	-	-	5,193

APOLLO GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2003
(IN THOUSANDS OF CANADIAN DOLLARS, EXCEPT FOR PER SHARE AMOUNTS)
(UNAUDITED)

6. SEGMENTED INFORMATION (CONTINUED)

	NINE MONTHS ENDED SEPTEMBER 30, 2003				
	Montana Tunnels	Florida Canyon	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ 25,906	$ 39,070	$ -	$ -	$64,976
Direct operating costs	22,630	29,395	-	-	52,025
Depreciation and amortization	2,138	3,781	-	116	6,035
General and administrative	-	-	-	4,795	4,795
Share-based compensation	-	-	-	534	534
Accrued site closure costs - accretion expense	109	1,264	-	-	1,373
Royalties	-	981	-	-	981
Exploration and development	-	-	2,324	653	2,977

	24,877	35,421	2,324	6,098	68,720
Operating income (loss)	1,029	3,649	(2,324)	(6,098)	(3,744)
Interest income	4	-	-	69	73
Interest expense	(166)	(381)	-	(82)	(629)
Foreign exchange gain	-	-	535	230	765
Net income (loss)	$ 867	$ 3,268	$(1,789)	$ (5,881)	$(3,535)
Investing activities					
Property, plant and equipment expenditures	$ 4,117	$ 4,255	$ 2,297	$ 1,534	$12,203
Deferred stripping expenditures	13,914	-	-	-	13,914

6. SEGMENTED INFORMATION (CONTINUED)

	Three months ended September 30, 2002				
	Montana Tunnels	Florida Canyon	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ -	$ 17,008	$ -	$ -	$17,008
Direct operating costs	-	12,254	-	-	12,254
Depreciation and amortization	-	2,811	-	14	2,825
General and administrative	-	-	-	1,409	1,409
Share-based compensation	-	-	-	-	-
Accrued site closure costs - accretion expense	-	609	-	-	609
Royalties	-	425	-	-	425
Exploration and development	-	-	-	1,140	1,140
	-	16,099	-	2,563	18,662
Operating (loss) income	-	909	-	(2,563)	(1,654)
Interest income	-	-	-	-	-
Interest expense	(264)	(516)	-	(62)	(842)
Foreign exchange gain	-	-	-	-	-
Net (loss) income	$ (264)	$ 393	$ -	$ (2,625)	$(2,496)

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6. SEGMENTED INFORMATION (CONTINUED)

	Nine months ended September 30, 2002				
	Montana Tunnels	Florida Canyon	Black Fox	Corporate and Other	Total
Revenue from sale of minerals	$ -	$ 17,008	$ -	$ -	$17,008
Direct operating costs	-	12,254	-	-	12,254
Depreciation and amortization	-	2,811	-	14	2,825
General and administrative	-	-	-	1,827	1,827
Share-based compensation	-	-	-	-	-
Accrued site closure costs - accretion expense	-	609	-	-	609
Royalties	-	425	-	-	425
Exploration and development	-	-	-	1,140	1,140
	-	16,099	-	2,981	19,080
Operating (loss) income	-	909	-	(2,981)	(2,072)
Interest income	-	-	-	-	-
Interest expense	(264)	(516)	-	(62)	(842)
Foreign exchange gain	-	-	-	-	-
Net (loss) income	$ (264)	$ 393	$ -	$ (3,043)	$(2,914)

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Gold hedges

The Company has entered into hedging contracts, with Standard Bank London Limited, for gold in the aggregate amount of 100,000 ounces involving the use of combinations of put and call options. As of October 1, 2003 there are 76,000 ounces remaining on these contracts. The contracts give the holder the right to buy, and the Company the right to sell, stipulated amounts of gold at the upper and lower exercise prices, respectively. The contracts continue through April 25, 2005 with a put option strike price of two hundred and ninety-five U.S. dollars per ounce and a call option strike price of three hundred and forty-five U.S. dollars per ounce. The Company has also entered into certain spot deferred forward contracts for the delivery of 16,400 ounces of gold. Gains or losses on these spot deferred forward contracts are recognized as an adjustment of revenue in the period when the originally designated production is sold. As at September 30, 2003, the fair value of the contracts is a loss of $5,819 (December 31, 2002 - $3,573).

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APOLLO GOLD CORPORATION
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(UNAUDITED)

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Gold hedges (continued)

The contracts mature as follows:

	Ounces of Gold
2003 (as of October 1)	18,400
2004	58,000
2005	16,000
	92,400

8. COMMITMENTS AND CONTINGENCIES

(a) Environmental

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(b) Litigation and claims

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial conditions or future results of operations of the Company.

9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")

The Company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada. 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 United States Securities and Exchange Commission for the three and nine month periods ended September 30, 2003 and 2002.

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

CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2003

	Cash	Restricted Cash	Property, Plant and Equipment	Deferred Stripping Costs	Accounts Payable and Accrued Liabilities	Lia
As at September 30, 2003						
Canadian GAAP	$44,336	$ -	$ 46,525	$ 29,485	$ 11,031	$
Convertible debenture (a)	-	-	-	-	-	
Share-based compensation (b)	-	-	-	-	-	
Gold hedge loss (c)	-	-	-	-	(305)	
Impairment of property, plant and equipment and capitalized deferred stripping costs (d)	-	-	(8,608)	(13,927)	-	
Amortization of deferred stripping costs (e)	-	-	-	(1,144)	-	
Flow-through common shares (f)	(825)	825	-	-	-	
Black Fox development						

costs (g)	-	-	(1,943)	-	-	
As at September 30, 2003						
U.S. GAAP	$43,511	$ 825	$ 35,974	$ 14,414	$ 10,726	$

	Contributed Surplus	Deficit
As at September 30, 2003		
Canadian GAAP	$ 10,782	$ (70,330)
Convertible debenture (a)	32,666	(32,666)
Share-based compensation (b)	5,265	(5,265)
Gold hedge loss (c)	-	(5,514)
Impairment of property, plant and equipment and capitalized deferred stripping costs (d)	-	(22,535)
Amortization of deferred stripping costs (e)	-	(1,144)
Flow-through common shares (f)	-	306
Black Fox development costs (g)	-	(1,943)
As at September 30, 2003		
U.S. GAAP	$ 48,713	$(139,091)

9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (CONTINUED)

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2002

	Cash	Restricted Cash	Property, Plant and Equipment	Deferred Stripping Costs	Other Liabilities	C
As at December 31, 2002						
Canadian GAAP	$13,293	$ -	$ 47,920	$ 26,815	$ -	$1
Convertible debenture (a)	-	-	-	-	-	
Share-based compensation (b)	-	-	-	-	-	

Gold hedge loss (c)	-	-	-	-	3,573	
Impairment of property, plant and equipment and capitalized deferred stripping costs (d)	-	-	(8,608)	(13,927)	-	
Flow-through common shares (f)	(4,488)	4,488	-	-	375	
As at December 31, 2002 U.S. GAAP	$ 8,805	$ 4,488	$ 39,312	$ 12,888	$ 3,948	$1

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

	2003	2002
Net income (loss) for the three month period ended September 30, based on Canadian GAAP	$ 528	$(2,496)
Convertible debenture (a)	-	-
Share-based compensation (b)	(63)	-
Gold hedge loss (c)	(3,910)	-
Amortization of deferred stripping costs (e)	(1,144)	-
Flow through shares premium paid in excess of market value (f)	306	-
Black Fox development costs (g)	(1,943)	-
Net loss for the period based on U.S. GAAP	$(6,226)	$(2,496)
Other comprehensive income:		
Currency translation adjustment	$ 76	$ -
Comprehensive loss	$(6,150)	$(2,496)
Net loss per share - U.S. GAAP basic	$ (0.12)	$ (0.08)

9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (CONTINUED)

2003	2002

Net loss for the nine month period ended September 30, based on Canadian GAAP	$ (3,535)	$ (2,914)
Convertible debenture (a)	-	(32,666)
Share-based compensation (b)	(1,186)	-
Gold hedge loss (c)	(1,941)	-
Amortization of deferred stripping costs (e)	(1,144)	-
Flow through shares premium paid in excess of market value (f)	306	-
Black Fox development costs (g)	(1,943)	-
Net loss for the period based on U.S. GAAP	$ (9,443)	$(35,580)
Other comprehensive income:		
Currency translation adjustment	$ (9,770)	$ -
Comprehensive loss	$(19,213)	$(35,580)
Net loss per share - U.S. GAAP basic	$ (0.19)	$ (2.88)

(a) Convertible debenture

Under Canadian GAAP, the convertible debenture was recorded as an equity instrument on issuance in March 2002. Under U.S. GAAP, on issuance, the convertible debenture would have been recorded as a liability and reclassified to equity only upon conversion. Further, under U.S. GAAP, the beneficial conversion feature represented by the excess of the fair value of the shares and warrants issuable on conversion of the debenture, measured on the commitment date, over the amount of the proceeds to be allocated to the common shares and warrants upon conversion, would be allocated to contributed surplus. This results in a discount on the debenture that is recognized as additional interest expense over the term of the debenture and any unamortized balance is expensed immediately upon conversion of the debenture. Accordingly, for U.S. GAAP purposes, the Company has recognized a beneficial conversion feature and debenture issuance costs of $32,666 for the year ended December 31, 2002 ($Nil for the three months ended September 30, 2002). Canadian GAAP does not require the recognition of any beneficial conversion feature.

(b) Share-based compensation

In accordance with Canadian GAAP, the Company has not recorded any expense with respect to stock options granted to employees. Under U.S. GAAP, the Company has elected to continue to measure its employee stock-based awards using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25").

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9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (CONTINUED)

(b) Share-based compensation (continued)

In the fourth quarter of fiscal 2002, an expense of $4,079 has been recorded under APB No. 25 with respect to the intrinsic value of stock options granted in the year and for the three and nine month periods ended September 30, 2003, an expense of $63 and $1,186, respectively, has been recorded under APB No. 25. In addition, under APB No. 25, the performance shares granted during 2002 are accounted for as variable awards until the performance targets are met.

(c) Gold hedge gain (loss)

Under Canadian GAAP, gains or losses on spot deferred forward contracts are recognized as an adjustment of revenue in the period when the originally designated production is sold. Under U.S. GAAP, SFAS 133 requires that for hedge accounting to be achieved, a company must provide detailed documentation and must specifically designate the effectiveness of a hedge. Furthermore, U.S. GAAP also requires fair value accounting to be used for all types of derivatives. As the Company has chosen not to meet these requirements for U.S. GAAP purposes, a charge of $3,573 has been recorded in the fourth quarter of fiscal 2002 to reflect the fair value loss on the contracts outstanding at December 31, 2002, and an additional loss of $3,910 and $1,941 has been recorded in the three and nine month periods ended September 30, 2003, respectively, to reflect the fair value loss on the contracts between December 31, 2002 and September 30, 2003. The gold hedge loss on outstanding hedge contracts amounted to $5,819 at September 30, 2003.

(d) Impairment of property, plant and equipment and capitalized deferred stripping costs

Under Canadian GAAP, write-downs for impairment of property, plant and equipment and capitalized deferred stripping costs are determined using current proven and probable reserves and mineral resources expected to be converted into mineral reserves. Under U.S. GAAP, write-downs are determined using current proven and probable reserves. In addition, under U.S. GAAP, future cash flows from impaired properties are discounted. Accordingly, for U.S. GAAP purposes, a reduction in property, plant and equipment and capitalized deferred stripping costs of $22,535 has been recorded as an impairment in the fourth quarter of fiscal 2002.

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9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (CONTINUED)

(e) Amortization of deferred stripping costs

Under Canadian GAAP, amortization of deferred stripping costs is based on a stripping ratio calculated as estimated total mining costs divided by the current proven and probable reserves and mineral resources expected to be converted into mineral reserves. Under U.S. GAAP, current proven and probable reserves are used in determining the stripping ratio. Accordingly, for U.S. GAAP purposes, a reduction in capitalized deferred stripping costs of $1,144 has been recorded as at September 30, 2003.

(f) Flow-through common shares

Under Canadian income tax legislation, a company is permitted to issue shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company has accounted for the issue of flow-through shares using the deferral method in accordance with Canadian GAAP. At the time of issue, the funds received are recorded as share capital. For U.S. GAAP, the premium paid in excess of the market value of $375 is credited to other liabilities and included in income as the qualifying expenditures are made.

Also, notwithstanding whether there is a specific requirement to segregate the funds, the flow-through funds which are unexpended at the consolidated balance sheet dates are considered to be restricted and are not considered to be cash or cash equivalents under U.S. GAAP.

As at September 30, 2003, unexpended flow-through funds were $825 (December 31, 2002 - $4,488).

(g) Black Fox Project

Under Canadian GAAP, mining development costs at the Black Fox Project have been capitalized. Under U.S. GAAP, these expenditures are expensed as incurred. Accordingly, for U.S. GAAP purposes, a reduction in property, plant and equipment of $1,943 has been recorded as at September 30, 2003.

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9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (CONTINUED)

STATEMENT OF CASH FLOWS

Under Canadian GAAP, expenditures incurred for deferred stripping costs are included in cash flows from investing activities in the consolidated

statement of cash flows. Under U.S. GAAP, these expenditures are included in cash flows from operating activities. Accordingly, under U.S. GAAP, the consolidated statement of cash flows for the period ended September 30, 2003 would reflect a reduction in cash utilized in investing activities of $5,193 and $13,914 for the three and nine month periods ended September 30, 2003, respectively, and a corresponding increase in cash utilized in operating activities.

COMPREHENSIVE INCOME

Statement of Financial Accounting Standards ("SFAS") No. 130, Reporting Comprehensive Income ("SFAS 130") establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. SFAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement. For the Company, the only components of comprehensive loss are the net loss for the period and the changes in the foreign currency translation component of shareholders' equity as reported in the consolidated balance sheet prepared in accordance with Canadian GAAP.

SUPPLEMENTAL INFORMATION FOR U.S. GAAP PURPOSES ON STOCK-BASED COMPENSATION

Pro forma information regarding net loss and net loss per share is required by SFAS No. 123, Accounting for Stock-Based Compensation and has been determined as if the Company had accounted for its employees stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 2003 and 2002: risk-free interest rate of 3.52%, dividend yield of 0%, volatility factor of 52% and a weighted average expected life of the options of 2 to 5 years. The weighted average fair value per share of options granted during 2003 and 2002 was $2.01 and $1.92, respectively, and the expense is amortized over the vesting period.

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9. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (CONTINUED)

The following table presents the net loss and net loss per share, under U.S. GAAP, as if the Company had recorded compensation expense under SFAS No. 123 with the estimated fair value of the options being amortized to expense over the options' vesting period.

	2003	2002
Net loss for the three month period ended		

September 30, 2003, as reported	$ (6,226)	$ (2,496)
Stock option expense as reported	63	-
Pro forma stock option expense	(826)	-
Net loss - pro forma	$ (6,989)	$ (2,496)

Net loss per share, basic - for the three month period ended September 30, 2003	$ (0.12)	$ (0.08)
Stock option expense as reported	-	-
Pro forma stock option expense	(0.02)	-
Net loss per share, basic - pro forma	$ (0.14)	$ (0.08)

	2003	2002
Net loss for the nine month period ended September 30, 2003, as reported	$ (9,443)	$(35,580)
Stock option expense as reported	1,186	-
Pro forma stock option expense	(3,407)	-
Net loss - pro forma	$(11,664)	$(35,580)

Net loss per share, basic - for the nine month period ended September 30, 2003	$ (0.19)	$ (2.88)
Stock option expense as reported	0.02	-
Pro forma stock option expense	(0.07)	-
Net loss per share, basic - pro forma	$ (0.24)	$ (2.88)

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ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING OUR EXPECTATIONS, BELIEFS, INTENTIONS OR FUTURE STRATEGIES THAT ARE SIGNIFIED BY THE WORDS "EXPECTS", "ANTICIPATES", "INTENDS", "BELIEVES", OR SIMILAR LANGUAGE. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS, UNCERTAINTIES AND OTHER FACTORS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS DOCUMENT ARE BASED ON INFORMATION AVAILABLE TO US ON THE DATE HEREOF AND SPEAK ONLY AS OF THE DATE HEREOF. THE FACTORS DISCUSSED BELOW UNDER "RISK FACTORS" AND ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-Q ARE AMONG THOSE FACTORS THAT, IN SOME CASES, HAVE AFFECTED OUR RESULTS AND COULD CAUSE THE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS.

Overview

The following presents a discussion of the financial condition and results of operations of the Company for the three and nine months ended September 30, 2003 and 2002. Prior to June 24, 2002, the Company's operations were those of International Pursuit Corporation ("Pursuit"), a public company previously trading on the Toronto Stock Exchange under the ticker symbol "IPJ." In June 2002, Pursuit entered into a Plan of Arrangement ("Plan of Arrangement") that

resulted in the merger of Pursuit and Nevoro Gold Corporation ("Nevoro"), a privately held corporation and the parent of Apollo Gold, Inc., a Delaware corporation ("AGI").

This Form 10-Q should be read in conjunction with our 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, 2002 included in our Form 10 Registration Statement (the "Registration Statement") filed with the SEC. Certain classifications have been made to the prior period financial statements to conform with the current period presentation. Unless stated otherwise, all dollar amounts are reported as Canadian dollars.

In this document unless the context otherwise requires, "we", "our", "us", the "Company" or "Apollo" mean Apollo Gold Corporation and its subsidiaries.

BACKGROUND AND RECENT DEVELOPMENTS

We are principally engaged in the exploration, development and mining of gold. We have focused our efforts to date on two principal properties: our Montana Tunnels Mine, owned by one of our subsidiaries, Montana Tunnels Mining, Inc. ("Montana, Inc.") and our Florida Canyon Mine, owned by another one of our subsidiaries, Florida Canyon Mining, Inc. ("Florida, Inc."). Our exploration activities involve our Pirate Gold, Nugget Field and Diamond Hill properties as well as our Black Fox Property, acquired in September 2002.

We are the result of the Plan of Arrangement that resulted in the merger of Pursuit and Nevoro. Pursuant to the terms of the Plan of Arrangement, Pursuit acquired Nevoro and continued operations under the name of Apollo Gold Corporation. Through our wholly-owned subsidiary, AGI acquired by Nevoro in March 2002, we own the majority of our assets and operate our business. We continued trading on the Toronto Stock Exchange under our new name, Apollo Gold Corporation, and with a new ticker symbol, APG.U, on July 3, 2002. On August 2, 2002 our ticker symbol changed to APG.

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In February 2003, we filed a Registration Statement on Form 10 with the SEC. The Registration Statement was declared effective on August 13, 2003. On August 26, 2003 the Company began trading on the American Exchange under the ticker symbol AGT.

We own and operate the Florida Canyon Mine, a low grade heap leach gold mine located approximately 42 miles southwest of Winnemucca, Nevada. The Florida Canyon Mine employs approximately 168 full-time non-unionized employees and produces approximately 110,000 ounces of gold annually. In addition to the mining activities being conducted at the Florida Canyon Mine, we are continuing a drilling program which is directed at confirmation and expansion of additional mineralization, and we are conducting a study to determine if areas in some of the mine walls may be used for additional mining.

Operating highlights at the Florida Canyon Mine include moving 4.882 million tons during the quarter. While less than forecasted, we anticipate increasing our mine tonnage at the Florida Canyon Mine in the fourth quarter with the addition of two additional haul trucks.

We also own and operate the Montana Tunnels Mine, an open pit located near Helena, Montana. When in full production, the Montana Tunnels Mine has historically produced approximately 70,000 ounces of gold, 26,000 tons of zinc, 6,676 tons of lead and 1,200,000 ounces of silver annually. The Montana Tunnels Mine produces approximately 15% of its annual gold production in the form of

dore, an unrefined material consisting of approximately 90% gold, which is then further refined. The remainder of the mine's production is in the form of concentrates, one a zinc-gold concentrate and the other a lead-gold concentrate which are shipped to a smelter. We are paid for the metal content, net of smelter charges. The Montana Tunnels Mine was idle for approximately four months in 2002, while we made preparations to begin the removal of waste rock at the Mine. Limited production resumed in October 2002, and full production on the K-Pit resumed in April 2003. Since that time, the Montana Tunnels Mine has experienced pit wall problems that have resulted in significant changes to the mine plan, including an accelerated stripping schedule to remove 10 million tons of material that slid off the southwest pit wall. Additional stripping is currently underway and adequate funding is in place. The Montana Tunnels Mine employs approximately 162 full-time non-unionized employees.

Operating highlights for the quarter at the Montana Tunnels Mine include the completion of the primary crusher. While the crusher ran for about one half of the quarter, the mill processed 1,267,973 tons, or an average of 13,934 tons per day. Stripping on the west wall began towards the end of the quarter. Noticeable progress was made as 4.35 million waste tons were moved.

We have several exploration assets including Pirate Gold and Nugget Field, each located in Nevada and owned by our wholly-owned subsidiary, Apollo Gold Exploration, Inc., a Delaware corporation. In addition, we also own Diamond Hill, which is located in Montana and Standard Mine which is located in Nevada.

In the third quarter of 2003, we received three operating permits for the Standard Mine from the State of Nevada, and we have begun drafting preliminary operating and production plans for mine production set to begin in 2005. At the Standard Mine, drilling began in October 2003, and we expect to drill at numerous targets

through several phases of drilling. All but two of our drilling sites require additional permitting, and we have submitted an exploration drill planning map to the State of Nevada for these additional permits. At Pirate Gold we have solicited drilling bids and we expect to drill approximately 14 holes in 2004 to explore the mineralization of this property.

In September 2002, we completed the acquisition of certain assets known as our Black Fox Property from two unrelated third parties, Exall Resources Limited and Glimmer Resources, Inc. The Black Fox Property is located east of Timmins, Ontario. We currently anticipate that the development and commercialization of our Black Fox Property will require three phases. The first phase commenced in early 2003, and involved core drilling of approximately 215 core holes. As a result of the core drilling, we have identified proven and probable reserves at the Black Fox Property. We are conducting a study to confirm the reserves and the study should be complete by December 2003. We believe that the first phase will cost approximately US $3.5 million.

Upon completion of the first phase, we will then begin the second phase of our Black Fox project. The second phase will provide for the development of underground access for further exploratory drilling with an anticipated cost of US $11.7 million for the period from January, 2004 through December, 2004. We plan to develop an underground ramp from existing structures. We currently anticipate commencing the second phase underground drilling in January, 2004. We also plan to begin the permitting process for the third phase of the Black Fox project, and anticipate that this process will require approximately 2 years, based on a plan for combined open pit and underground mine, with on-site milling, at a capacity of 1500 metric tons of ore per day. The third phase will

include the development of these capabilities, at an aggregate estimated cost of approximately US $45.0 million.

APOLLO GOLD CORPORATION

The results of operations of the Company for the nine months ended September 30, 2002 includes the results of operations of Pursuit for the nine months ended September 30, 2002, and Nevoro for the period from June 25, 2002 through September 30, 2002.

RESULTS OF OPERATIONS:

NINE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2002

Our revenues for the nine months ended September 30, 2003 were approximately $65.0 million derived primarily from the sale of 107,604 ounces of gold. This compares to approximately $17.0 million derived primarily of the sale of 34,147 ounces of gold for the same period in 2002. The average price received for gold for the first nine months of 2003 and 2002 was $489.48 and $493.53 per ounce, respectively. Our revenues for silver, zinc and lead for the nine moths ended September 30, 2003 were $11.2 million compared to $0.2 million during the same period 2002. The growth in revenue in 2003 was due in part to an increase in mining activity in that year. For the first six months of 2002, Pursuit was primarily engaged in seeking joint venture partners for its existing operations and in negotiating the terms of its acquisition of Nevoro. In addition, during the three months ended September 30, 2002, the mill at the Montana Tunnels Mine was placed on a care and maintenance basis; therefore, the only revenues for this period came from the Florida Canyon Mine.

Sales of minerals from our Florida Canyon Mine accounted for 60% of our revenues for the nine months ended September 30, 2003, with the remaining 40% of revenues derived from sales of minerals from our Montana Tunnels Mine. In the nine months ended September 30 2003, we received approximately 82% of our revenue from sales of gold and 18% from sales of silver, zinc and lead compared to 99% from the sales of gold and 1% from the sales of silver, zinc and lead for the same period in 2002.

Our revenues for the first six months of 2003 were impacted by mixed performances from our mine operations. Our primary goal of bringing the Montana Tunnels Mine back into production was completed during the first quarter of 2003; however, wall slippage at the mine and problems with our crusher installation limited our gold production to 13,118 ounces at the Montana Tunnels Mine for the first six months of 2003 which was 10,000 ounces below our initial production expectations. Production began to accelerate during June 2003, when 5,377 ounces of gold were produced. We completed the installation of our new crusher in August 2003, at a cost of US $1.5 million.

These improvements led to the increased production at Montana Tunnels Mine. We produced 16,538 ounces of gold at the Montana Tunnels Mine for the three months ended September 30, 2003, an increase over the first six months of 2003 when we produced 13,118 ounces of gold. We expect to be in the center of the ore body by August 2004. The east side walls have stabilized and the stripping program has begun on the west side of the pit with 4.5 million waste tons moved in the most recent quarter. Once the stripping process is complete, we expect to produce between 65,000 to 72,000 ounces of gold per year together with the associated silver, lead, and zinc by-products.

At Florida Canyon, we produced 77,948 ounces of gold for the nine months ended September 30, 2003 as compared to 34,147 ounces of gold for the same period in 2002. At September 30, 2003, production was 8,000 ounces less than anticipated for gold due to lower than expected ore grades. Our operation at Florida Canyon is expected to accelerate during the last quarter to an estimated total production of 110,000 ounces for 2003.

We anticipate commencing operations at the Standard Mine in 2005. We will operate this mine as a satellite of the Florida Canyon Mine. We currently project production rates of 100,000 to 130,000 ounces of gold on an annual basis for the combined operation of the Florida Canyon Mine and Standard Mine.

Assuming a gold price range of approximately US$375.00 ounce, we look forward to the Montana Tunnels Mine, the Florida Canyon Mine and the Standard Mine, collectively, producing approximately 180,000 ounces of gold next year, with output potentially increasing to approximately 185,000 to 190,000 ounces a year thereafter.

Our direct operating costs equaled approximately $52.0 million and $12.3 million for the nine months ended September 30, 2003 and 2002, respectively. These amounts include mining and processing costs. As explained above, the lower direct operating costs in 2002 reflect the operating cost of AGI from and after June 25, 2002. We have focused on reducing our direct operating costs in 2003 focusing on cost reductions at our mines. As of September 30, 2003, our scheduled commitments include only our operating leases, with minimum lease payments of $27,000 in 2003 and $111,000 in 2004. We incurred depreciation and amortization expenses of approximately $6.0 million for the nine months ended September 30, 2003 as compared to $2.8 million for the same period 2002. The difference is the result that Pursuit had limited operations in 2002 and was focused upon the Nevoro acquisition for the first six months of 2002.

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We incurred approximately $4.8 million and $1.8 million for the nine months ended September 30, 2003 and 2002, respectively, in general and administrative expenses. General and administrative expenses for the nine months ended September 30, 2003 consisted of increased legal and accounting expenses incurred in the preparation of our Registration Statement for the registration of our common stock in the United States, and increased investor relations costs, including exchange listing fees. In 2002, general and administrative expenses consisted primarily of salaries and legal and accounting expenses for maintaining Pursuit as a publicly traded company in Canada for the first six months of the year (approximately $417,000). Subsequent to that time the costs included organization costs and maintenance of a Denver corporate office. In the nine months ended September 30, 2003, we also incurred share-based compensation of approximately $534,000, resulting from the issuance of stock in lieu of certain cash compensation. We do not currently intend to continue to use share-based compensation for the foreseeable future, except for the possible issuance of shares pursuant to the balance of the arrangement options granted to certain of our officers and directors in 2002. These shares would be issued in February 2004, based on fiscal 2003 performance, if earned pursuant to the terms of those options.

In the nine months ended September 30, 2003 and 2002, we accrued accretion expense of approximately $1,373,000 and $609,000 respectively, relating to accrued site closure costs at our Florida Canyon Mine and Montana Tunnels Mines. This expense represents our estimation of the fair value of the increase in our site closure and reclamation costs. We incurred $981,000 in royalty expenses for the nine months ended September 30, 2003 as compared to $425,000 during the same period 2002. These amounts are attributable to royalties on production from our Florida Canyon Mine. Our expenses for exploration and development, consisting of

drilling and related expenses at our exploration properties, totaled approximately $3.0 million and $1.1 million for the nine months ended September 30, 2003 and 2002, respectively. Given that Pursuit was focused upon the Nevoro acquisition in the first six months of 2002, it did not incur exploration or development costs during that period, and in the third quarter of 2002, our exploration and development expenses were primarily focused on the Black Fox project.

As a result of these expense components, our operating expenses totaled approximately $68.7 million for the nine months ended September 2003, as compared to approximately $19.1 million for the same period in 2002. The difference is the result that Pursuit had limited operations in 2002 and was focused upon the Nevoro acquisition for the first six months of 2002.

We realized interest income of approximately $73,000 during the nine months ended September 30, 2003. We incurred interest expense of approximately $629,000 in the nine months ended September 30, 2003, primarily for equipment leases and bridge loans. We did not realize interest income but incurred net interest expense of approximately $842,000 during the comparable period in 2002.

We realized foreign exchange gains of approximately $765,000 during the nine months ended September 30, 2003, from cash balances not held in United States dollars. Although we report currency in Canadian dollars, we utilize United States dollars as our functional currency. We did not realize any foreign exchange gains during the nine months ended September 30, 2002.

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Based on these factors, we incurred a loss of approximately $3.5 million or $0.07 per share for the nine months ended September 30, 2003, as compared to a loss of approximately $2.9 million or $0.24 per share, for the nine months ended September 30, 2002.

Differences Between Canadian and US GAAP

In accordance with Canadian GAAP, we have not recorded any expense for the nine months ended September 30, 2003 with respect to stock options granted to employees. Under US GAAP, we have elected to continue to measure our employee stock-based awards using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). For the nine months ended September 30, 2003, an expense of approximately $1.2 million has been recorded under APB No. 25 with respect to the intrinsic value of stock options granted during that period.

Under US GAAP, SFAS 133 requires that for hedge accounting to be achieved, a company must provide detailed documentation and must specifically designate the effectiveness of a hedge. Furthermore, US GAAP also requires fair value accounting to be used for all types of derivatives. As we have chosen not to meet these requirements for US GAAP purposes for the nine months ended September 30, 2003, an additional loss of approximately $1.9 million has been recorded in that period to reflect the fair value loss on the contracts outstanding between December 31, 2002 and September 30, 2003. The cumulative gold hedge loss on outstanding hedge contracts amounted to approximately $5.8 million at September 30, 2003.

Under US GAAP, the convertible debenture issued in June 2002 requires that the beneficial conversion feature and debenture issuance costs be amortized over the term of the debenture. Accordingly, an expense of approximately $32.7 million was recorded in the nine month period ended September 30, 2002 representing the amortization of these costs.

In accordance with Canadian GAAP, we have determined the amortization of deferred stripping costs using a ratio calculated using proven and probable reserves and mineral resources expected to be converted into reserves. Under US GAAP the ratio would be calculated using only proven and probable reserves. For the nine months ended September 30, 2003, an additional amortization of deferred stripping costs of approximately $1.1 million is recognized under US GAAP.

Under Canadian GAAP, we capitalize costs associated with the Black Fox project as we have identified proven and probable reserves. Under US GAAP these costs are expensed. For the nine months ended September 30, 2003, approximately $1.9 million has been expensed under US GAAP in relation to the Black Fox project.

Under US GAAP, the foreign currency component of shareholders' equity is required to be recognized as a component of comprehensive income and reported in the financial statements. Canadian GAAP does not recognize the concept of comprehensive income. The only components of our comprehensive loss are the net loss for the period and the foreign currency translation component of shareholders' equity as reported in our consolidated balance sheet prepared in accordance with Canadian GAAP.

The net loss per share for the nine months ended September 30, 2003 was $0.07 and $0.19 under Canadian GAAP and US GAAP, respectively, and $0.24 and $2.88, respectively for the nine months ended September 30, 2002.

THREE MONTHS ENDED SEPTEMBER 30, 2003 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2002

Our revenues for the three months ended September 30, 2003 were approximately $27.7 million derived primarily from the sale of 42,695 ounces of gold. This compares to approximately $17.0 million derived primarily from the sale of 34,147 ounces of gold for the same period in 2002. The average price received for gold during the same period was $504.29 and $493.53 per ounce, respectively. Our revenues for silver, zinc and lead were $6.5 million for the nine months ended September 30, 2003, as compared to $0.2 million during the same period in 2002. The growth in revenue in 2003 was due in part to an increase in mining activity for that year. During the three months ended September 30, 2002, the mill at the Montana Tunnels Mine was placed on a care and maintenance basis; therefore the only revenues for this period came from the Florida Canyon operation. For the three months ended September 30, 2003 we produced 16,538 ounces of gold at the Montana Tunnels Mine and 26,157 ounces of gold at the Florida Canyon Mine. We received approximately 76% of our revenue in the three months ended September 30, 2003 from sales of gold and 24% from sales of silver, zinc and lead compared to 99% from the sales of gold and 1% from the sales of silver, zinc and lead for the same period in 2002.

Our direct operating costs equaled approximately $22.5 million and $12.3 million for the three months ended September 30, 2003 and 2002, respectively. These amounts include mining and processing costs. The primary difference is during the three months ended September 30, 2002, the Montana Tunnels Mine was on a care and maintenance basis. We have focused on reducing our direct operating costs in 2003, focusing on cost reductions at our mines. However, our direct operating costs increased significantly from the first quarter of 2003 due to increasing production at the Montana Tunnels Mine. As of September 30, 2003, our scheduled commitments include only our operating leases, with minimum lease payments of $27,000 in 2003 and $111,000 in 2004. We incurred depreciation and amortization expenses of approximately $2.0 million for the three months ended September 30, 2003 as compared to $2.8 million for the same period 2002.

We incurred approximately $1.5 million and $1.4 million for the three months ended September 30, 2003 and 2002, respectively, in general and administrative expenses. General and administrative expenses for the three months ended September 30, 2003 consisted of increased legal and accounting expenses incurred in the preparation of our Registration Statement for the registration of our common stock in the United States, and increased investor relations costs, including exchange listing fees. In 2002, the general and administrative expenses were primarily organization costs and maintenance of a Denver corporate office. In the three months ended September 30, 2003, we also incurred share-based compensation of approximately $27,000, resulting from the issuance of stock in lieu of certain cash compensation. We do not currently intend to continue to use share-based compensation for the foreseeable future, except for the possible issuance of shares pursuant to the balance of the arrangement options granted to certain of our officers and directors in 2002. These shares would be issued in February 2004, based on fiscal 2003 performance, if earned pursuant to the terms of those options.

In the three months ended September 30, 2003 and 2002, we accrued accretion expense of approximately $442,000 and $609,000 respectively, relating to accrued site closure costs at our Florida Canyon Mine and Montana Tunnels Mine. This expense represents our estimation of the fair value of the increase in our site closure and reclamation costs for the third quarter of the respective years. We incurred $327,000 in royalty expenses for the quarter ended September 30, 2003 as compared to $425,000 during the same period 2002.

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These amounts are attributable to royalties on production from our Florida Canyon Mine. Our expenses for exploration and development, consisting of drilling and related expenses at our exploration properties were approximately $0.1 million and $1.1 million for the three months ended September 30, 2003 and 2002, respectively, largely the result of the Black Fox project which we transitioned from an exploration (expensed) to a development (capitalized) category. The expenses during 2002 were focused mainly on the Black Fox project.

As a result of these expense components, our operating expenses totaled approximately $26.9 million for the quarter ended September 2003, as compared to approximately $18.7 million for the same period in 2002.

We realized interest income of approximately $14,000 during the three months ended September 30, 2003. We incurred interest expense of approximately $175,000 in the three months ended September 30, 2003, primarily for equipment leases and bridge loans. We did not realize interest income but incurred net interest expense of approximately $842,000 during the comparable period in 2002.

We realized foreign exchange losses of approximately $191,000 during the quarter ended September 30, 2003, from cash balances not held in United States dollars. Although we report currency in Canadian dollars, we utilize United States dollars as our functional currency. We did not realize any foreign exchange gains during the three months ended September 30, 2002.

Based on these factors, we realized income of approximately $0.5 million or $0.01 per share for the three months ended September 30, 2003, as compared to a loss of approximately $2.5 million or $0.08 per share, for the three months ended September 30, 2002.

Differences Between Canadian and US GAAP

In accordance with Canadian GAAP, we have not recorded any expense for the

three months ended September 30, 2003 with respect to stock options granted to employees. Under US GAAP, we have elected to continue to measure our employee stock-based awards using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). For the three months ended September 30, 2003, an expense of approximately $63,000 has been recorded under APB No. 25 with respect to the intrinsic value of stock options granted during that period.

Under US GAAP, SFAS 133 requires that for hedge accounting to be achieved, a company must provide detailed documentation and must specifically designate the effectiveness of a hedge. Furthermore, US GAAP also requires fair value accounting to be used for all types of derivatives. As we have chosen not to meet these requirements for US GAAP purposes for the three months ended September 30, 2003, an additional loss of approximately $3.9 million has been recorded in that period to reflect the fair value loss on the contracts outstanding between June 30, 2003 and September 30, 2003. The cumulative gold hedge loss on outstanding hedge contracts amounted to approximately $5.8 million at September 30, 2003.

In accordance with Canadian GAAP, we have determined the amortization of deferred stripping costs using a ratio calculated using proven and probable reserves and resources. Under US GAAP the ratio would be calculated using only proven and probable reserves. For the three months ended September 30, 2003, an additional amortization of deferred stripping costs of approximately $1.1 million is recognized under US GAAP.

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Under Canadian GAAP, we capitalize costs associated with the Black Fox project. Under US GAAP these costs are expensed. For the three months ended September 30, 2003, approximately $1.9 million has been expensed under US GAAP in relation to the Black Fox project.

Under US GAAP, the foreign currency component of shareholders' equity is required to be recognized as a component of comprehensive income and reported in the financial statements. Canadian GAAP does not recognize the concept of comprehensive income. The only components of our comprehensive loss are the net loss for the period and the foreign currency translation component of shareholders' equity as reported in our consolidated balance sheet prepared in accordance with Canadian GAAP.

The net income (loss) per share for the three months ended September 30, 2003 was $0.01 and $(0.12) under Canadian GAAP and US GAAP, respectively, and $(0.08) and $(0.08), respectively for the three months ended September 30, 2002.

FINANCIAL CONDITION AND LIQUIDITY:

At September 30, 2003 we had cash balances of approximately $44.3 million compared to cash of approximately $13.3 million at December 31, 2002. The increased cash resulted from our recent equity offering. On September 26, 2003, we completed an equity offering of 22,300,000 shares for gross proceeds of approximately $50.2 million. We incurred commissions and expenses of approximately $3.0 million and $0.7 million, respectively, for net proceeds received of $46.45 million. 669,000 Agent's Options were also granted at this time with an expiration date of September 26, 2005 and an exercise price of $2.25 per share.

Subsequent to September 30, 2003, the Agents exercised their over allotment option and we issued an additional 2,132,300 shares for net proceeds of

approximately $4.5 million. An additional 63,969 Agent's Options were also granted at this time with an expiration date of October 27, 2005 and an exercise price of $2.25 per share.

The proceeds from this offering are to be used for the following:

- Standard Mine - The Standard Mine is currently in the permitting stage. We are receiving permits currently and expect to be permitted in 2004 with enough time to build a leach pad and start production in 2005. We expect to spend approximately $7 million on the project.

- Black Fox Property - The development team is preparing an RFP (Request for Proposal) for the development plan at Black Fox, and the drilling will continue there as well. The team is working toward an audited ore reserve/resource which should be complete at year end, bringing the project to the feasibility stage. We expect to spend US $17.3 million on the project.

- Montana Tunnels - The west wall stripping project has commenced at Montana Tunnels, six additional trucks have been added to the fleet. We expect to be mining the west side ores by August 2004. However, we also expect to keep the mill operating during this development time frame. We expect to spend approximately US $11 million, net of revenues from development ores, on the project.

Pursuant to the terms and conditions of a $4.5 million private placement of flow-through common shares (as defined in sub-section 66(15) of the Income Tax Act (Canada) conducted in November of 2002, the funds have been expended at the Black Fox project. Some of the expenses will not qualify for flow through treatment therefore the Company has added $700,000 to the fund to bring the total expected expenditures at year end to $5.2 million.

In June 2003 we entered into a Revolving Loan, Guaranty and Security Agreement with Standard Bank London Limited ("Standard Bank"). Although there is a commitment of US $5 million, we must satisfy certain requirements in order for Standard Bank to advance the maximum amount of the loan. Until the commitment under the line of credit expires or has been terminated, we have to meet certain covenants. As of September 30, 2003 we do not owe any amount under this arrangement and all covenants have been met.

We believe our cash requirements for future development of the Black Fox Mine, Standard Mine and for operating our other mines, will be funded through a combination of future cash flows from operations, and/or future debt or equity security issuances. Our ability to raise capital is highly dependent upon the commercial viability of our projects and the associated prices of the metals we produce. Because of the impact that significant changes in the prices of silver, gold, lead and zinc have on our financial condition, declines in these metals prices may negatively impact our ability to raise additional funding for long-term projects. There can be no assurance that we will be successful in generating adequate funding for anticipated capital expenditures related to this property.

Operating Activities

Operating activities provided approximately $9.9 million of cash during the nine months ended September 30, 2003. Substantially all of the operating cash flow consisted of noncash elements; principal noncash elements included charges for depreciation, depletion and amortization of approximately $6.0 million, amortization of deferred stripping costs of $6.8 million, share-based

compensation of approximately $0.5 million, an increase in the provision for accrued site closure costs of approximately $1.4 million, offset by the use, through the change in non-cash operating assets and liabilities, of approximately $1.2 million. Operating activities used approximately $16,000 of cash during the nine months ended September 30, 2002.

Investing Activities

Investing activities utilized approximately $27.3 million of cash during the nine months ended September 30, 2003. The major uses of cash were for additions to deferred stripping costs (approximately $13.9 million), property, plant and equipment (approximately $12.0 million) including but not limited to development at the Standard Mine and the Black Fox project, the completion of an additional crusher at Montana Tunnels and purchase of additional haul trucks at Montana Tunnels, and for the investment in a restricted certificate of deposit (approximately $1.6 million). Investing activities used approximately $40.9 million of cash during the nine months ended September 30, 2002, including a loan to Nevoro to acquire Apollo Gold Inc. and subsequent property, plant and equipment additions following this acquisition.

Financing Activities

During the nine months ended September 30, 2003, financing activities provided approximately $50.0 million in cash, primarily from proceeds of the equity issuance on September 26, 2003 discussed above and approximately $5.1 million from the exercise of warrants and options net of the repayment of notes payable of approximately $1.5 million. Financing activities provided approximately $46.3 million in cash during the nine months ended September 30, 2002, from the issuance and sale of convertible debentures and an issuance of special warrants (approximately $42.7 million) and form refinancing of leases (approximately $4.8 million proceeds from notes payable and approximately $1.1 million of capital lease repayments).

ENVIRONMENTAL

All of our operations are subject to reclamation and closure requirements. We monitor these costs on a regular basis, and together with third party engineers we prepare internal estimates to evaluate our bonding requirements. These estimates are then reconciled with requirements of state and federal authorities. As of September 30, 2003, we have accrued US$21.3 million related to reclamation, severance and other closure requirements. This liability is covered by a combination of surety bonds, totaling US$31,959,316, and cash bonds totaling US$6,397,280, for a total reclamation surety, at September 30, 2003, of over US $38 million. Our reclamation liability coverage exceeds our estimated requirements since the federal and state authorities estimate reclamation based upon wages in excess of what we would have to pay if we to conduct the reclamation and closure requirements and the federal and state authorities assume we will not have the capability to complete the reclamation and closure requirements. Therefore, liability coverage is increased to account for the increased overhead and other costs necessary for mobilization and demobilization of workers, time delays and numerous other contingencies if the state or federal authorities were forced to conduct the reclamation project. We have accrued what management believes is the present value of our best estimate of the liability as of September 30, 2003; however, it is possible that our obligation may change in the near or long term depending on a number of factors, including finalization of settlement terms, ruling from the courts and other factors. In addition, any adverse ruling against us regarding any environmental matter could have a material adverse effect on us.

Each of our mines operate under a permit granted by the state in which each mine is located. Mining operations are usually governed by applicable state environmental policies which are usually regulated by statute. For instance, in Montana, the Montana Department of Environmental Quality administers the majority of permits under which our mine operates.

We strive to conduct our operations in an environmentally responsible manner by, among other things, implementing sound work methods, completing concurrent reclamation (where practicable), handling materials carefully and monitoring wildlife.

All aspects of our mining operations are regulated by operating permits. Applications are submitted to appropriate regulating agencies to obtain new authorizations, make changes to the existing plan of operations or to renew permits on a periodic schedule. Applications submitted for operating permits are reviewed by the appropriate regulatory agencies with occasional third party review of complex issues. Regulatory agencies can, and do, request additional explanations or information in the review process before granting a permit. All permits contain compliance measures and require periodic monitoring and reporting to regulating agencies and routine inspections are conducted by permitting agencies.

Geochemical breakdown of ores or waste rock, water quality and stability of constructed structures are the areas that receive the most attention for environmental concern at mines. The characteristics of our mine ores and waste rock show good chemical stability. We have conducted tests at our mines which support our belief that adverse chemical breakdown should not occur and the potential for acid rock drainage is low. Consequently, water quality issues are minimized as a result of the favorable characteristics of the mine rock. Several studies, models and reports have been provided to the permitting agencies to assess our environmental risks at our mines.

Our mines use minimal amounts of regulated toxic substances in the mining and milling operations. Most of the chemicals which we use to collect the minerals are not regulated as toxic substances. Standard fuels and oils are used in our mining operations and used oils and coolants are marketed or recycled. There are no regulated cleaning solvents used at our mines. The milling operations use a small amount of sodium cyanide as an inhibitor in the flotation recovery process. We also use a cyanide compound which becomes complexed with metals or is degraded by bacteria and sunlight in the tailings water rendering any residual cyanide harmless. Our milling operations recover and reuse all of the process water from the tailings impoundment recovery system with fresh water makeup added as necessary. There is no water discharge to the environment from the mining or milling operations. All storm water at our mines is captured either in the open pit mine or in the tailings impoundment or in fresh water makeup ponds and is subsequently used for makeup water in the milling process.

Reclaiming areas that have been disturbed by mining activity to produce original or natural conditions is the focus of our operating permits. Our mines maintain a closure plan with associated costs to complete final reclamation at the property following the cessation of mining operations. Waste rock dumps and some other disturbance areas are reclaimed concurrent with active mining operations. The tailings impoundment open pit mine and mine facilities will be reclaimed after mining and milling operations have been completed.

Following mining and milling operations, our mines will be closed and reclaimed to former or new beneficial use criteria in accordance with their respective mine operating permit and reclamation plan. Each mine's closure plan

details the tasks and schedules that will be required to reclaim the different areas of the mines. We intend that all mine closure plans will be consistent with requirements in our operating permits.

In the past several years, there have been corporate level environmental audits and third party audits. The audits are comprehensive and include review of the environmental aspects of the mining operations. Individual areas of the operation have also been reviewed by third party consultants. Geotechnical requirements such as construction of the tailings embankment and stability or hydrogeology analyses at the mine are conducted by qualified consultants who do extensive studies, designs, construction oversight and reports on these projects for us and the applicable regulatory agencies.

We try to conduct our operations in an environmentally responsible manner. Since our merger no notices of violation have been received from any environmental regulatory agency.

Generally, our mines are a significant part of the tax base of the community and our mines are usually strongly supported by the community's residents and schools. There have been no community protests against our mines during their period of operations.

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NEW ACCOUNTING PRONOUNCEMENTS

We report under Canadian GAAP and reconcile the financial statements to US GAAP.

NEW CANADIAN GAAP ACCOUNTING PRONOUNCEMENTS

The CICA has also issued Accounting Guideline 13, AcG-13, "Hedging Relationships", which requires that in order to apply hedge accounting, all hedging relationships must be identified, designated, documented and effective. Where hedging relationships cannot meet these requirements, hedge accounting must be discontinued. AcG-13 is applicable for fiscal years beginning on or after July 1, 2003. Management is currently evaluating the effect of the adoption of the new guideline on its financial statements.

The CICA has issued a revised Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations". The revised standard establishes criteria for the classification of long-lived assets as "held for sale" and requires that long-lived assets that are to be disposed of by sale be measured at the lower of carrying value or fair value less cost to sell. It eliminates the previous recommendation that enterprises include under ''discontinued operations'' in the financial statements amounts for operating losses that have not yet occurred. Additionally, the revised standard expands the scope of discontinued operations to include all components of an enterprise with operations that (1) can be distinguished from the rest of the entity and (2) will be eliminated from the ongoing operations of the entity in a disposal transaction. The new Section 3475 is effective for disposal activities initiated by the enterprise's commitment to a plan on or after May 1, 2003. Management does not expect the adoption of the new standard to have a material impact on its financial statements.

In 2002, the CICA Handbook Sections 3063 - "Impairment of Long Lived Assets" and 3475 - "Disposal of Long Lived Assets and Discontinued Operations" were amended to harmonize with SFAS 144. The standards will require an impairment loss to be recognized when the carrying amount of an asset held for use exceeds the sum of the undiscounted cash flows. The impairment loss would be measured as the amount by which the carrying amount exceeds the fair value of

the asset. An asset held for sale is to be measured at the lower of carrying cost or fair value less cost to sell. In addition, this guidance broadens the concept of a discontinued operation and eliminates the ability to accrue operating losses expected between the measurement date and the disposal date. Section 3063 is effective for fiscal years beginning on or after April 1, 2003 and Section 3475 applies to disposal activities initiated by an enterprise's commitment to a plan on or after May 1, 2003. The sections will be applied prospectively with early adoption encouraged. Management is currently evaluating the effect of the adoption of the new standard on its financial statements.

NEW US GAAP ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued FIN 46 - "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51 - Consolidated Financial Statements to those entities defined as "Variable Interest Entities" (more commonly referred to as special purpose entities) in which equity investors do not have the characteristics of "controlling financial interest" or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 applies immediately to all Variable Interest Entities created after January 31, 2003 and by the beginning of the first interim or annual reporting period commencing after June 15, 2003 for Variable Interest Entities created prior to February 1, 2003. The Company does not conduct any transactions through special purposes entities and does not expect FIN 46 to have an impact on its financial statements.

In April 2003, the FASB issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities" ("SFAS 149"). The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133. In particular, it (1) clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in SFAS 133, (2) clarifies when a derivative contains a financing component, (3) amends the definition of an underlying to conform it to the language used in FASB Interpretation No. 45, Guarantor Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others and (4) amends certain other existing pronouncements. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, except as stated below and for hedging relationships designated after June 30, 2003. The provisions of SFAS 149 that relate to SFAS 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003, should continue to be applied in accordance with their respective effective dates. In addition, certain provisions relating to forward purchases or sales of when-issued securities or other securities that do not yet exist, should be applied to existing contracts as well as new contracts entered into after June 30, 2003. SFAS 149 should be applied prospectively. SFAS 149 is required to be adopted by the Company on July 1, 2003. The Company has not yet determined the impact of SFAS 149 on its financial statements

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In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The Statement requires that those instruments be classified as liabilities in statements of financial position.

SFAS 150 affects an issuer's accounting for three types of freestanding financial instruments, namely:

- mandatory redeemable shares, which the issuing company is obligated to buy

back in exchange for cash or other assets.

- Instruments, other than outstanding shares, that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. These instruments include put options and forward purchase contracts.
- obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares.

SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The Company is currently evaluating the impact of SFAS 150 on its results of operations and financial position.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make a variety of estimates and assumptions that affect (i) the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and (ii) the reported amounts of revenues and expenses during the reporting periods covered by the financial statements.

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Our management routinely makes judgments and estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the future resolution of the uncertainties increase, these judgments become even more subjective and complex. We have identified certain accounting policies that are most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in Note 4 to the Consolidated Financial Statements included in our S-1 Registration Statement filed with the SEC.

REVENUE RECOGNITION

Sales of metals products sold directly to smelters are recorded when title and risk of loss transfer to the smelter at current spot metals prices. We must estimate the price at which our metals will be sold in reporting our profitability and cash flow. Recorded values are adjusted monthly until final settlement at month-end metals prices. Sales of metal in products tolled, rather than sold to smelters, are recorded at contractual amounts when title and risk of loss transfer to the buyer.

MINING COSTS

In general, mining costs are charged to cost of sales as incurred. However, certain mining costs associated with open-pit deposits that have diverse grades and waste-to-ore ton ratios over the mine life are deferred and amortized. These mining costs are incurred on mining activities that are normally associated with the removal of waste rock at open-pit mines and which is commonly referred to as "deferred stripping." Amortization of amounts deferred is based on a stripping ratio, calculated as estimated total mining costs divided by the current proven and probable reserves and mineral resources expected to be converted into mineral reserves. This ratio is used to calculate the current period production cost charged against earnings by multiplying the stripping ratio times the reserves mined during the period. The application of the accounting for deferred stripping costs and the resulting differences in timing between costs

capitalized and amortization generally results in an asset on the balance sheet (capitalized mining costs), although it is possible that a liability could arise if amortization exceeds costs capitalized.

The amortization of these capitalized costs is reflected in the income statement in a pro-rata manner over the remaining life of the open-pit mine operations so that no unamortized balance remains at mine closure. Deferred stripping costs are included with related mining property, plant and equipment for impairment testing purposes.

DEPRECIATION AND DEPLETION

Depreciation is based on the estimated useful lives of the assets and is computed using straight-line and unit-of-production methods. Depletion is computed using the unit-of-production method. The units-of-production method is based on proven and probable ore reserves. As discussed above, our estimates of proven and probable ore reserves may change, possibly in the near term, resulting in changes to depreciation, depletion, amortization and reclamation accrual rates in future reporting periods.

IMPAIRMENT OF LONG-LIVED ASSETS

We review the net carrying value of all facilities, including idle facilities, on a periodic basis. We estimate the net realizable value of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment and the value associated with property interests. These estimates of undiscounted future cash

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flows are dependent upon the estimates of metal to be recovered from proven and probable ore reserves (see discussion above), future production cost estimates and future metals price estimates over the estimated remaining mine life. If undiscounted cash flows are less than the carrying value of a property, an impairment loss is recognized based upon the estimated expected future cash flows from the property discounted at an interest rate commensurate with the risk involved.

ENVIRONMENTAL MATTERS

When it is probable that such costs will be incurred and they are reasonably estimable, we accrue costs associated with environmental remediation obligations at the most likely estimate. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study for such facility and are charged to provision for closed operations and environmental matters. We periodically review our accrued liabilities for such remediation costs as evidence becomes available indicating that our remediation liability has potentially changed. Costs of future expenditures for environmental remediation are not discounted to their present value unless subject to a contractually obligated fixed payment schedule. Such costs are based on our current estimate of amounts that are expected to be incurred when the remediation work is performed within current laws and regulations. Recoveries of environmental remediation costs from other parties are recorded as assets when their receipt is deemed probable.

BROKEN ORE ON LEACH PAD

Mining, engineering and crushing related costs are charged to the broken ore on leach pad account and matched to the ounces added and removed. The gold ounces are shipped to the refinery and revenues are recorded, in accordance with

our revenue recognition policy, and matched in the current period against the costs.

When the ore is delivered to the leach pad it is sprinkled with a dilute solution containing cyanide and lime. This solution seeps through the leach pile until it reaches the plastic liner at the bottom. This process is aided by drainage systems (pipes and trenches) throughout the leach pad. From the liner the gold bearing solution is captured in a pond and pumped to a series of tanks containing granular activated carbon, where the gold is absorbed onto the carbon's porous surfaces. Removal of carbon from the tanks facilitates the stripping or removal of gold from the carbon surfaces. The solution used in the stripping process is then passed through an electrical plating (electro-winning) circuit where the gold is deposited on electrodes. The electro-winning process is a method of using positive and negative electricity to extract the metals from the solutions. This process creates a sludge material that is then refined into a dore product at the mine site. Dore is a metal bar that consists of 50-65% gold, 10-20% silver and various levels of other metals that may occur in the ore. An additional refining process occurs offsite in which the bar is converted into marketable or .9999 fine gold and .9000 fine silver.

Our drawdown calculations for current and long term asset valuation determination suggest that it will take approximately 18 months to deplete the leach pad inventory. For production purposes, because we continually add new production ounces, we use a five month period in which we determine that 20% of any given production will be taken off of the pad in a months time.

The leach pad valuation process is based on management's best estimates. When the leach pad is finally closed and all gold and silver ounces removed are counted we will be able to determine the actual quantity of metal that was contained in the leach pad. Estimates begin at the start of the process as tons and metal content are estimated. Tonnage is estimated using ground surveys and truck counts. Metal content is calculated using fire assaying techniques that involve averaging the mining areas and comparing to the daily blast hole assays which are done using the Atomic Absorption Hot Cyanide Leach assaying

techniques. The gold recovery curve is then estimated using the design of the leach pad, the composition of run of mine and crushed ores, the estimated ore grades and the drawdown timing. All calculations are based on mining rules and processes, however, only the total amounts of metals removed from the pad is truly known at any given time. The ounces removed from the pad are measured and used as a check and balance to the integrity of the calculation to ensure that we are reasonably assured that our estimates are close. The leach pad inventories at Florida Canyon are built and processed in stages and accordingly at the close of any given portion or stage of the process it is possible to assess the effectiveness of all assumptions by comparing them to what actually occurred. The mine has been in production since 1986 and all historical records are used for comparative purposes.

Based on this historical information, it is expected that we will recover approximately 73% of all gold ounces crushed and delivered to the pad. Our expected recovery for run of mine or uncrushed ounces delivered to the pad is 58% for the life of the leach pad. However these are estimates based on historical data and the ultimate recovery rate will only be known at the end of the leach pad life cycle.

With the current mine plan at the Florida Canyon operation, the current leach pad operation is expected to deliver ounces through 2006.

Changes in our assumptions will or could have the effect of changing the

value of the broken ore on the leach pad. Circumstances that may lead to changes in our assumptions include but are not limited to the following: as the ore grades fluctuate the recovery assumptions may change, the higher the ore grade the higher the recovery is on those ounces, the weather may affect the leaching of the ores on the pads such as a strong freeze may slow down recoveries and a very wet spring may speed up the recovery of ounces.

The most critical area that could affect the leach pad process would be the make up of the actual ore bearing material. For example, sulphide or carbonaceous bearing ores are harder to leach than pure oxide ores. Other minerals or chemical compounds may also affect the leachability of the ores on the pad.

Currently, there is an estimated 63,402 ounces of gold in the broken ore on leach pad with a carrying value of $15,785,000 or $249 per ounce of gold. Each 1% change in the estimated recovery rate is 634 ounces of gold. If the recovery is estimated to be lower than expected this is a permanent loss of gold ounces and if the recovery is estimated to be higher the reverse is true. Each 1% change in this estimate will change the broken ore on leach pad by $157,850.

HEDGING ACTIVITIES

In the past, we have not used hedging techniques to reduce our exposure to price volatility; however, we have entered into hedging contracts with the Standard Bank London Limited ("Standard Bank") for gold in the aggregate amount of 100,000 ounces involving the use of put and call options and forward contracts. The hedging contracts were a requirement of our working capital commitment facility. Beginning in April 2003, we are obligated to deliver 4,000 ounces of gold per month, for 25 months, under the following conditions: We purchased put options to cover the floor price of gold at US$295 per ounce whereby if the price of gold decreases to a level below US$295 per ounce, Standard Bank is obligated to purchase the 4,000 ounces for US$295 per ounce. We also sold call options to Standard Bank whereby if the price of gold increases to over US$345 per ounce, then we must sell 4,000 ounces to Standard Bank, thereby leaving any excess of the US$345 ceiling for Standard Bank. We have the ability to roll forward the call options into forward sales contracts. At September 30, 2003, we have put and call options for 76,000 ounces of gold and forward sales contracts for 16,400 ounces of gold. We have engaged in hedging activities to minimize the effect of declines in metals prices on our operating results. As a result, we may be prevented from realizing possible revenues in the event that the market price of a metal exceeds the price stated in a forward sale or call option contract.

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Our senior management, with approval of our board of directors, makes all decisions regarding our hedging techniques, and we have no formal corporate policy concerning such techniques. We have no current plans to use hedging techniques in the future.

RISK FACTORS

Any of the following risks could materially adversely affect our business, financial condition, or operating results and could negatively impact the value of our common shares. These risks have been separated into two groups: risks relating to our operations and risks related to the metals mining industry generally.

RISKS RELATING TO OUR OPERATIONS

WE ARE THE PRODUCT OF A RECENT MERGER, AND HAVE A LIMITED OPERATING HISTORY ON

WHICH TO EVALUATE OUR POTENTIAL FOR FUTURE SUCCESS.

We were formed as a result of an merger of two separate companies, Nevoro and Pursuit, in June 2002, and to date have only five fiscal quarters of combined operations. While both Nevoro's wholly-owned subsidiary, Apollo Gold, Inc., and Pursuit had a prior operating history, we have only a limited operating history as a combined company-, upon which you can evaluate our business and prospects, and we have yet to develop sufficient experience regarding actual revenues to be received from our combined operations. Pursuit had net losses of $703,238, $623,498, and $2,281,142 for the respective years ended December 31, 2001, 2000 and 1999. The operations of Apollo Gold, Inc. were profitable in 2001, prior to the Plan of Arrangement. For the nine months ended September 30,,2003 we had a loss of approximately $3,535,000 and for the year ended December 31, 2002, we had a loss of approximately $4,780,000 .

You must consider the risks and uncertainties frequently encountered by companies in situations such as ours, including but not limited to the ability to integrate our operations and eliminate duplicative costs. If we are unsuccessful in addressing these risks and uncertainties, our business, results of operations and financial condition will be materially and adversely affected.

WE ARE CURRENTLY INVOLVED IN ONGOING LITIGATION WHICH MAY ADVERSELY AFFECT US.

We are engaged in litigation from time to time. On May 29, 2003 we successfully defended Safeco Insurance Company of America ("Safeco's") appeal involving a mining reclamation bond in the amount of US$16,936,130 issued by Safeco. The purpose of the bond is to provide financial guarantees to the United States Government to ensure that our Florida Canyon Mine in Pershing County, Nevada, will be reclaimed in the event we fail to do so. The provision of such financial guarantee is a condition of our operating permit. Loss of the litigation would have required us to find replacement bonding in a material amount. If any claims results in a judgment against us or are settled on unfavorable terms, our results of operations, financial condition and cash flows could be materially adversely affected. See "Legal Proceedings."

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WE ARE DEPENDENT ON CERTAIN KEY PERSONNEL.

We are currently dependent upon the ability and experience of R. David Russell, our President and Chief Executive Officer; R. Llee Chapman, our Vice President, Chief Financial Officer, Treasurer and Controller; Richard F. Nanna, our Vice President of Exploration; David K. Young, our Vice President of Business Development; Donald W. Vagstad, our Vice President, Legal, Secretary and General Counsel; and Wade Bristol, Vice President, U.S. Operations. There can be no assurance that we will be able to retain any or all of such officers. We currently do not carry key person insurance on any of these individuals, and the loss of one or more of them could have a material adverse effect on our operations. We have entered into employment agreements with each of Messrs. Russell, Chapman, Nanna, Young, Vagstad and Bristol, which provide for certain payments upon termination or resignation resulting from a change of control (as defined in such agreements). We compete with other companies both within and outside the mining industry in connection with the recruiting and retention of qualified employees knowledgeable in mining operations.

RISKS RELATING TO THE METALS MINING INDUSTRY

OUR EARNINGS MAY BE AFFECTED BY METALS PRICE VOLATILITY, SPECIFICALLY THE VOLATILITY OF GOLD AND ZINC PRICES.

We derive all of our revenues from the sale of gold, silver, lead and zinc

and, as a result, our earnings are directly related to the prices of these metals. Changes in the price of gold significantly affect our profitability. 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 of existing stocks 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 stocks held by central banks through lending and official sales may have a significant adverse impact on the gold price. If revenue from gold sales declines for a substantial period below the cost of production at any or all of our operations, we could be required to reduce our reserves and make a determination that it is not economically feasible to continue either the commercial production at any or all of our current operations or the exploration at some or all of our current projects.

Price volatility also appears in the silver, zinc and lead markets. In particular, our Montana Tunnels Mine has historically produced approximately 45 million pounds of metal annually, and therefore we are subject to factors such as world economic forces and supply and demand.

All of the above factors are beyond our control and are impossible for us to predict. If the market prices for these metals fall below our costs to produce them for a sustained period of time, we will experience additional losses and may have to discontinue exploration and/or mining at one or more of our properties.

The following table sets forth the average daily closing prices of the following metals for 1980, 1985, 1990, 1995, 1997 and each year thereafter through December 31, 2002.

	1980	1985	1990	1995	1997	1998	1999	2000
Gold (1) (per ounces)	US$612.56	US$317.26	US$383.46	US$384.16	US$331.10	US$294.16	US$278.77	US$279
Silver (2) (per ounces)	US$20.63	US$6.14	US$4.82	US$5.19	US$4.90	US$5.53	US$5.25	US$5.0
Lead (3) (per lb.)	US$0.41	US$0.18	US$0.37	US$0.29	US$0.28	US$0.24	US$0.23	US$0.2
Zinc (4) (per lb.)	US$0.34	US$0.36	US$0.69	US$0.47	US$0.60	US$0.46	US$0.49	US$0.5