



# Apollo Gold shoots arrow through adversity

BY ANTHONY VACCARO

Building a mining company is seldom an easy road to venture down, without hardships and bumps along the way. But in **Apollo Gold's** (APG-T, AGT-X) case, the road nearly came to a dead end in 2005, when a pit wall failure at its lone producing operation put the project on hold for over a year, while Apollo searched out the funds it needed to make things right.

The funds finally came in the form of a joint-venture partner at the Montana Tunnels gold mine, in northern Montana. Elkhorn Tunnels, an affiliate of Colorado-based Calim Private Equity, stepped in to finance nearly 80% of the remediation costs at the mine, which is now up and running.

Apollo now finds itself with both mining experience and cash flows that it plans to use to develop the real apple of its eye — Black Fox.

Situated near Timmins, Ont., Black Fox is an advanced development-stage project with probable reserves of 1.3 million oz. gold.

Apollo plans to mine ore at Black Fox via both open-pit and underground methods, with open-pit reserves at 4.4 million tonnes grading 5.2 grams gold for 730,000 oz., and underground reserves at 2.1 million tonnes grading 8.8 grams gold for 600,000 oz.

A bankable feasibility study released recently projects a net present value of US\$302 million for Black Fox at a gold price of US\$750 per oz. The internal rate of return was pegged at 62%, with payback projected in two years. Black Fox has a mine life of nine years with cash costs expected to average US\$387 per oz. gold.

But the company says costs could be lower, if inferred resources are upgraded to reserves.

To turn ore into product, Apollo is buying a mill from **St Andrew Goldfields** (SAS-T, SASXF-O) — which happens to be a neighbour and a significant investor in Apollo.

Apollo announced the plan to buy St Andrew's Stock Mine property in March. The property comes with a mill, a laboratory and tailings facilities, all for US\$20 million.

The Stock mill was still turning for St Andrew as recently as May of last year, so Apollo won't have to worry about cleaning off too many cobwebs. Nor will it have to worry about adapting the mill to its rock — the Stock mill processed ore from the Glimmer mine, which was situated on the same property as the Black Fox deposit.

Once the deal for the mill is finalized, Apollo can start to use it as early as next year.

The company has commissioned another study to look at increasing the capacity of the mill to 1,500-2,500 tonnes per day, from a current 1,100 tonnes.

Apollo expects permitting for the project to be completed by the middle of the year.

If they are secured, those permits will contribute to the momentum the company is clearly building.

Such momentum is evidenced in its recently announced financial results from the fourth quarter of 2007 that showed a marked improvement over previous years.

Apollo reported net income of US\$2.5 million compared with a net loss of US\$3.4 million for the same period a year earlier. Net income for the entire

year was slightly lower at US\$2.4 million but much improved over the US\$15.6-million loss for 2006.

The dismal numbers in 2006 were the direct result of the suspension of mining at Montana Tunnels.

Remediation of the project only began in September 2006, after Elkhorn Tunnels stepped in to earn a 50% interest by contributing an initial US\$13 million to Montana Tunnels.

By February 2007, the removal of 8.4 million tons of waste was complete at a total cost of US\$18 million. Elkhorn Tunnels put an additional \$1.25 million in, Apollo put US\$1.25 million and the remaining US\$2.5 million came in the form of a loan from **Teck Cominco** (TCK.B-T, TCK-N), the project's smelter contractor.

Mill operations at Montana Tunnels resumed in March 2007.

While the mine only operated for 10 months in 2007, Apollo's take came in at roughly 17,000 oz. gold, 251,000 oz. silver, 5.6 million lbs. lead and 11.9 million lbs. zinc.

Including byproduct credits, gold costs came in at negative US\$60 per oz. of gold; broken down on a coproduct basis, total cash costs came to US\$486 per oz. gold, US\$9.02 per oz. silver, US83¢ per lb. lead and US85¢ per lb. zinc.

Cash flow from operating activities for 2007 came in at US\$7.5 million, with the main source being Montana Tunnels.

Cash from financing activities totalled US\$12.3 million, mainly from issuing debt and equity. Those cash inflows were offset by US\$19.3 million worth of cash outflows into investing activities.

Of that US\$19.3 million, US\$8.3 million went towards capital



spending, with Black Fox receiving US\$5.1 million, \$2 million spent on upping Apollo's investment in the Huizopa property and Montana Tunnels receiving US\$1.2 million.

Montana Tunnels is slated to mine 600,000 tonnes of waste material and 6.2 million tonnes of ore for a total of 6.8 million tonnes this year.

In all, Apollo says the mill should turn out 45,000 oz. gold, 350,000 oz. silver, 14 million lbs. lead and 35 million lbs. zinc. Apollo's take will be half of that output with its share of spending likely coming in at around US\$600,000.

Apollo's Huizopa, is an early stage exploration project in the Sierra

Madres, in Chihuahua, Mexico. A drilling program began there in February and while Apollo has had to use a helicopter for this first phase of drilling, a dirt road is being built for better access for the second phase.

The total cost for the first program, consisting of 30 to 40 holes, and the road are estimated at US\$2.5 million.