



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010**

**(UNAUDITED)**

**(EXPRESSED IN CANADIAN DOLLARS UNLESS OTHERWISE NOTED)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS  
DETOUR GOLD CORPORATION  
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*The following Management's Discussion and Analysis ("MD&A") of Detour Gold Corporation ("Detour Gold" or the "Company") is intended to supplement and complement the Company's unaudited interim consolidated financial statements. The MD&A should be read in conjunction with the audited financial statements and related notes and schedules for the year ended December 31, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This report is dated November 11, 2010. The Company's public filings, including its most recent Annual Information Form, can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)).*

*All dollar figures stated herein are expressed in thousands of Canadian dollars, unless otherwise specified.*

*This MD&A contains certain forward-looking statements. Please see the cautionary language at the end of this MD&A.*

### **Business Overview**

The Company's primary asset is the Detour Lake project, for which a positive feasibility study was completed on May 25, 2010. The Company currently has no producing properties. The main highlights of the feasibility study results are shown below. Reference can be made to the press release dated May 25, 2010 or the NI 43-101 Technical Report for more details.

- Proven and probable open pit reserves of 11.4 million ounces of contained gold with a waste to ore ratio of 3.3 to 1
- 16 years life of mine (LOM) at mill throughput ranging from 55,000 to 61,000 tonnes per day
- Average annual gold production of approximately 649,000 ounces
- Average LOM cash operating costs of US\$437/oz
- First three year's cash operating costs averaging US\$386/oz with gold production totalling 1.9 million ounces
- At US\$850/oz, pre-tax Net Present Value (NPV) of US\$1.03 billion at a 5% discount rate generating an Internal Rate of Return (IRR) of 14.4%
- Estimated start-up capital costs of US\$992,000 assuming a Cdn/US exchange rate of 1.1:1

### **Exploration Activities**

In the third quarter of 2010, Detour Gold completed 105 drill holes for a total of 27,282 metres of drilling to continue the infill drilling program on the western extension of the Detour Lake deposit and to complete the grade control program. The infill drilling program of approximately 105,000 metres is on a 40 metre by 40 metre spacing between sections 17,460E and 18,000E. The drilling for the grade control program included 69 short drill holes totaling 5,174 metres (leach tests on drill hole composites). As at the end of the third quarter, Detour Gold had completed a total of 303 holes for 102,178 metres, including 127 short drill holes totaling 9,366 metres for the grade control program. In addition, the Company completed additional

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condemnation drilling of 17 holes totaling 4,693 metres in the areas proposed for the northern waste and overburden stockpiles.

During the third quarter of 2010, the Company released drill results from 77 holes totaling 39,125 metres from its 2010 drilling program. To date, the Company has released assay results from 104 holes totaling 50,049 metres. Drill results indicate that the gold mineralization continues west of the current US\$850/oz pit shell. An updated mineral resources and reserves statement is expected in early 2011.

In early June 2010, the Company had initiated a helicopter-supported, regional geochemical soil survey, using the proprietary multi-element Mobile Metal Ion (MMI) analysis. An earlier orientation/test survey over the Detour Lake deposit (Sections 18,250E and 18,350E) proved the technique effective in locating gold mineralization. The survey covered the entire Detour Lake property (except for Aurora and Block A) and was expanded to include the Sunday Lake property (on which the Company has an option to earn 50% interest from Conquest). The survey was subsequently completed in early October 2010, with 5,536 samples collected over the Detour Lake property and an additional 552 samples collected over the Sunday Lake property. Results from this sampling campaign are expected in November 2010, upon which the results will be compiled to assist in generating drilling targets.

In July 2010, all available historical Placer Dome Exploration core from the property was transported to the Detour Lake project site. The core is being reviewed and re-assayed in light of the new, bulk-tonnage geological model applied to the Detour Lake deposit. Approximately 4,938 metres of core from the Block C and Block E areas was re-assayed for gold. Assay results indicate several new anomalous gold values.

*Block A Property (Detour Gold 50% JV interest)*

During the third quarter, Trade Winds Ventures Inc. ("Trade Winds") reported the remaining assay results from its 11,591 metre diamond drilling program on the M Zone of the Block A property to infill the US\$700/oz pit shell (Trade Winds NI 43-101 Technical Report dated July 9, 2009) and test the western extension of the proposed pit.

***Development Activities***

The Company is pleased to report the continued advance of its Detour Lake project during the three months ended September 30, 2010.

The Provincial environmental and permitting process continues with the receipt of the Statement of Completion of the Class Environmental Assessment from the Ontario Ministry of Northern Development, Mines and Forestry, which allows for the development of the Detour Lake mine property to commence, and the acceptance of the Closure Plan by the Ministries of Natural Resources and Northern Development, Mines and Forestry. In addition, the Provincial Individual Environmental Assessment report has been filed with the Ministry of Environment for the 230 Kv Transmission Line and is in the final stages of review. In order to provide financial

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assurance regarding the Company's Closure Plan submission, Detour Gold issued a second letter of credit to the Ministry of Northern Development, Mines and Forestry, totaling \$21,620 during the third quarter of 2010.

At the Federal level, the Company is continuing its permitting process with a Comprehensive Study Report. A Notice of Commencement has been filed by the Canadian Environmental Assessment Agency and the process continues with a target for completion in 2011.

In parallel with these permitting processes the Company has continued its efforts in the area of Aboriginal consultation and negotiation with the impacted Aboriginal Communities where the Company anticipates completing Impact Benefit Agreements in the relative near future.

The Company has also continued to advance its preparations for development post receipt of the necessary permits by completing additional tenders with key contractors and securing additional asset purchases with deliveries to match the future development schedule over an anticipated period of 24 - 28 months. Commitments now total \$323,700 as at September 30, 2010 and include:

- \$105,400 for 18 haul trucks, comprising the first phase of the mine haulage fleet deliveries,
- \$92,800 for process plant equipment including mills, crusher, drive systems motors and other associated components,
- \$64,300 in respect of site infrastructure for the camp, mill and electrical transmission system, sanitary/sewage equipment, hydro poles, transformers and cable,
- \$61,200 has been committed for Engineering, Procurement and Construction Management contracts.

The Company anticipates commitments could exceed \$500 million by the end of the calendar year as additional contracts for earth works, power line construction, concrete and the initial orders for shovels are completed during the fourth quarter of 2010. Termination of service contracts can generally occur on 30 days notice while equipment orders are subject to negotiations with suppliers and any cancellation charges, if applicable, would depend on the progress of the manufacturing or delivery of the item and the prevailing market conditions.

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**Summary of Quarterly Results**

	2010			2009				2008
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter
Interest income	\$1,123	\$498	\$426	\$315	\$160	\$311	\$396	\$307
Loss	\$11,786	\$18,979	\$17,074	\$15,121	\$8,103	\$6,421	\$7,164	\$9,011
Loss per share <sup>(1)</sup>	0.15	0.27	0.25	0.25	0.17	0.14	0.16	0.20
Net proceeds from financing	\$277,638	\$nil	\$nil	\$263,655	\$45,692	\$nil	\$nil	\$nil
Exercise of stock options for cash	\$4,440	\$5,950	\$3,332	\$2,381	\$877	\$3,137	\$659	\$78

**Results of Operations**

The loss from operations for the three month period ended September 30, 2010 was \$11,786, \$3,683 higher than the comparable period in 2009. The increase in the loss from operations reflected higher non-cash stock-based compensation expense of \$2,830, primarily as a result of increases in the Black-Scholes values of new option grants driven by the appreciation of the Company's underlying share price. Salaries and management fees expense of \$1,753 for the third quarter of 2010, increased by \$1,126 from the third quarter of 2009 due to increases in the number of personnel employed by the Company to support the increased level of activity in the development of the Detour Lake project. Office and administration, professional fees and travel were higher than the comparable quarter by \$453, \$225 and \$199, respectively, and reflected expanded support costs of the growing company and related additional office space requirements. These increases were partially offset by decreases in exploration, studies and permitting activities for the three month ended September 30, 2010 of \$2,479 which was lower than the comparable period in 2009, due to less drilling totaling \$4,174, as these costs

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commenced being capitalized in June 2010 as a result of the successful completion of the feasibility study, this in turn was offset by \$27 incurred with respect to the exploration drilling program for the 50/50 Joint venture on the Block A property. In addition to this decrease, studies and engineering costs for the three months ended September 30, 2010 were \$95, \$945 lower than the comparable period in 2009, due to the completion of the feasibility study in the second quarter. As a result of the capitalization of development activities, expenditures on assay and analysis activities decreased by \$223 to \$406. These decreases were partially offset by higher administration, consultation and travel expenses related to the Detour Lake project and Block A, which increased by \$1,509 to \$1,999, reflecting increased personnel and activity at the site. These increases were augmented by higher expenditures on environmental matters for the three months ended September 30, 2010 of \$1,594, \$1,018 higher than the comparable period in 2009, in support of the permitting process.

Higher interest income resulted from higher balances in cash, cash equivalents, short-term and long-term investments, partially offset by lower yields, reflecting the market conditions present in the quarter.

The loss from operations for the nine month period ended September 30, 2010 was \$47,839, \$26,151 higher than the comparable period in 2009. The increase in the loss from operations reflected higher non-cash stock-based compensation expense of \$9,731 to \$14,927, which primarily reflected increases in the Black-Scholes values of new option grants driven by the appreciation of the Company's underlying share price. In addition, exploration, studies and permitting activities for the nine month period ended September 30, 2010 were \$25,228, \$5,426 higher than the comparable period in 2009, primarily as a result of increased administration, consultation and travel expenses of \$3,642 to \$4,921 for the nine months ended September 30, 2010, resulting from higher support costs to advance the Detour Lake Project and higher expenditures associated with aboriginal consultation and negotiation with the impacted First Nations bands. These increases were augmented by higher environmental, studies and engineering expenditures by \$2,653 to \$3,357, \$1,410 to \$5,952 respectively, to support the permitting process of the Detour Lake mine and completion of the feasibility study. The Company also experienced an increase in expenditures on site activities of \$407 to \$679 due to maintenance costs associated with the growing operation. These increases were partially offset by lower drilling activities by \$2,858 to \$8,238, as the completion of feasibility study resulted in the capitalization of these development costs.

The increase in exploration expenses was augmented by \$1,822 of non-cash advisory costs resulted from the granting of warrants as compensation in connection with the appointment of Barclays Capital as debt advisory and lead arranger for the financing of the Detour Lake project in the fourth quarter of 2009. Salaries and management fees increased by \$1,576 to \$3,867 for the nine months ended September 30, 2010 due to increases in the number of personal employed by the Company to support the increased level of activity in the development of the Detour Lake project. Professional fees, office and administration and travel were higher than the comparable period by \$645, \$835 and \$610, respectively to reflect the expanded support costs of the growing Company.

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Higher interest income resulted from higher balances in cash, cash equivalents, short-term and long-term investments, partially offset by lower yields, reflecting the market conditions present in the year to date.

The future income tax recovery declined due to the non-recognition of future tax assets as they are not considered more likely than not to be realized as at September 30, 2010.

**Changes in Financial Position**

The increase in cash, cash equivalents, short-term and long-term investments for the three months ended September 30, 2010 of \$233,311 was \$196,485 higher than the comparable period in the prior year, primarily due to net proceeds of \$277,638 associated with the securities offerings in the third quarter of 2010. In addition, higher cash inflows from stock option exercises of \$4,440 for the three months ended September 30, 2010 also contributed to the increase in cash, cash equivalents, short-term and long term investments. The increase in cash, cash equivalents, short-term, and long-term investments was also attributable to lower cash outflows from operating activities after working capital changes of \$623, to \$8,891. This was due to a higher add backs of non-cash items, partially offset by a higher loss from operations and increases in amounts receivable reflecting higher interest and input tax credit receivable balances. These amounts were partially offset by an increase in restricted cash due to a second Letter of Credit being issued as security in relation to the environmental permit approval process of \$21,620. Progress payments on long-lead capital equipment purchases of \$12,307, additions to mineral property of \$4,286 reflecting capitalized development expenditures, primarily drilling and the Aurora Claims acquisition of \$2,000 further reduced balances in cash, cash equivalents, short-term and long-term investments in the three months ended September 30, 2010.

The increase in cash, cash equivalents, short-term and long-term investments for the nine months ended September 30, 2010 was \$211,667 to \$532,650. For the comparative period in 2009, cash, cash equivalents and short term investments increased by \$19,665 to \$63,324. The variance of \$192,002 between the increase in the first nine months of 2010 and the first nine months of 2009 can be attributed to higher net proceeds of \$277,638 associated with the securities offering in the third quarter of 2010 compared to the third quarter of 2009. In addition, higher cash inflows from stock option exercises of \$13,722 for the nine months ended September 30, 2010 were \$9,049 higher in comparison to the nine months ended September 30, 2009. These increases were partially offset by higher cash outflows resulting from a second Letter of Credit being issued as security in relation to the environmental permit approval process of \$21,620. Progress payments on long-lead capital equipment purchases of \$19,740, additions to mineral property of \$5,652 reflecting capitalized development expenditures, primarily drilling and the Aurora Claims acquisition of \$2,000 further reduced balances in cash, cash equivalents, short-term and long-term investments in the nine months ended September 30, 2010. Cash outflows from operating activities after working capital changes of \$30,914 were \$4,997 higher than the comparative period. This was due to a higher loss from operations and increases in amounts receivable reflecting higher interest and input tax credit receivable balances, partially offset by a higher add back of non-cash items and higher accounts payable balances.

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### **Financial Position**

As at September 30, 2010, total assets of \$709,073 increased by approximately \$269,817 from December 31, 2009. The increase was primarily attributed to the successful completion of the bought-deal financing in the third quarter of 2010, partially offset by the redemption of short-term and long-term investments used to finance development, exploration and corporate costs.

### **Liquidity**

The Company's sole source of funding to this point has been the issuance of equity securities for cash. On July 14, 2009, the Company completed a bought deal offering with a syndicate of underwriters totaling 4 million common shares. The common shares were issued to the underwriters at a price of \$12.10 per common share, representing aggregate gross proceeds of \$48,400 (net proceeds \$45,692). In addition, on November 12, 2009, the Company closed a public offering of 19,299,500 common shares (including over-allotment) at a price of \$14.25 per common share for gross proceeds of \$275,018 (net proceeds \$263,655). On July 19, 2010 and August 6, 2010, the Company closed a public offering and over-allotment of 11,750,000 and 325,000 common shares, respectively, at a price of \$24.00 per common share for gross cash consideration of \$289,800. In connection with the offering, the underwriters were paid a 4% commission totaling approximately \$11,592. Share issuance costs of \$570 were incurred in relation to the offering.

Also, the Company realized \$4,440 and \$13,722 in proceeds on the exercise of stock options for the three and nine month periods ended September 30, 2010, respectively as compared to \$877 and \$4,673 in the comparative periods in 2009.

Upon successful completion of the feasibility study, the Company determined in the second quarter of 2010 that its property contains economically recoverable reserves. However the property is not in the production stage. As a result, the Company has no current sources of revenue and continues to rely on the issuance of shares, debt or other sources of financing to generate the funds required to develop the Detour Lake project.

Detour Gold has sufficient funds to meet its 2010 planned expenditures; however, following the completion of the feasibility study, the Company still has to finalize the development timetable and the necessity to potentially enter into additional commitments beyond those already entered into. Subject to a final production decision, the Company will have to source additional financing in the near term. In the event that the capital markets for debt and equity are not available, or the cost of capital is excessive, the Company may have to delay the anticipated start of construction of the Detour Lake project. The Company maintains its surplus funds in Canadian Federal and certain Provincial Government securities as well as certificates of deposit or interest bearing accounts at select Canadian chartered banks. The Company has converted some of its Canadian dollar holdings into foreign currencies (US and Euro) to match the commitments made to ensure that the future foreign exchange exposures are fixed. Currencies purchased will vary depending on the foreign exchange markets and the timing of the future

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payment profiles which can exceed one year. As at the date of this MD&A, management had purchased 95.7% of its total foreign currency denominated commitments exposure of USD \$63,000 and €12,200. In addition, the Company purchased an additional USD\$10,000 in advance of pending orders as a result of the strengthening Canadian dollar.

### **Commitments and Contingencies**

As at September 30, 2010, the Company had operating lease obligations terminating in 2015 as follows:

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
Operating Leases	\$ 223	\$ 869	\$ 751	\$ 748	\$ 740	\$ 431	\$ 3,762

The Company is also party to certain management contracts. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as change of control or contract termination by the Company. The additional commitments range from \$4,616 for contract termination to \$6,276 as a result of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in the financial statements as at September 30, 2010.

The Company has entered into a number of commitments either through letters of intent or formal contractual agreements related to services and equipment orders to purchase long lead items or critical pieces of equipment necessary to commence development of the Detour Lake project. At September 30, 2010 these commitments totaled \$89,700 for services and \$234,000 for asset acquisitions and are expected to fall due over the next 24 months. Termination of service contracts can generally occur on 30 days notice while equipment orders are subject to negotiations with suppliers and any cancellation charges, if applicable, would depend on the progress of the manufacturing or delivery of the item and the prevailing market conditions.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements that are reasonably likely to have a current or future effect on its financial condition, results of operations or liquidity.

### **Transactions with Related Parties**

The Company had the following transactions with related parties during the three and nine months ended September 30, 2010 and 2009.

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Former Officer

During the three and nine months ended September 30, 2010, the Company paid \$nil (2009 - \$nil and \$386) in management fees and consulting services to a company owned by a former officer of the Company.

**Critical Accounting Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the assumptions used in determining asset retirement obligations, the carrying value of mineral property interests, the valuation of future income tax assets and liabilities and the fair value of stock-based compensation and other stock-based payments. Actual amounts could differ from the estimates used and accordingly, affect the results of operations.

*Asset Retirement Obligation*

As at September 30, 2010 the Company's asset retirement obligation was \$1,521 (2009 - \$1,419). The accounting for asset retirement obligations encompasses the accounting for legal obligations associated with the retirement of a long-lived tangible asset that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred which has been estimated using the expected cash flow technique by assigning probability factors to various potential cash flow assumptions. When the liability is initially recorded, the cost is capitalized by increasing the cost of the related long-lived asset. The capitalized cost will be amortized on a unit-of-production basis when put in use. Changes in the liability for an asset retirement obligation resulting from the passage of time and/or revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognized in the period of change. Over time, the liability is increased to reflect an interest element (accretion expense) considered in the initial measurement of fair value. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

An additional closure bond was placed during the quarter in the amount of \$21,620. This relates to future closure liabilities that will be incurred during the construction of the project. As such the liability for asset retirement liabilities and offsetting asset will grow once the construction schedule commences and no increases have been recorded at this time.

Actual costs incurred during reclamation and the timing of when the costs will be incurred could be materially different from the estimates used by management.

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*Mineral Property Interests*

As at September 30, 2010, the Company's net value of its mineral property interests was \$121,074 (2009 - \$109,486). The acquisition costs of mineral property interests are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized on a unit-of-production basis over the estimated useful life of the related property following the commencement of production, or written off if the properties are sold, allowed to lapse or abandoned, or when impairment has been determined to have occurred. If the deferred mineral property costs are determined not to be recoverable over the estimated useful life of the property or are greater than the estimated fair market value of the property, the unrecoverable portion is charged to operations in that period.

Following completion of the Feasibility study in the second quarter, the Company will continue to expense exploration costs unrelated to the current development project where proximity and intent do not correlate to the future mine as they remain exploration in nature, such as Block A. Activities directly related to the future mine and its reserve base are now being capitalized.

Subsequent to the confirmation of reserves in the feasibility study released on May 25, 2010, the Company also commenced deferring development expenditures associated with the Detour Lake mine property. As at September 30, 2010, \$6,594 of development expenditures related primarily to drilling activities have been capitalized at cost, along with \$4,994 of acquisition costs associated with the Aurora Claims.

*Future Income Tax Asset and Liability*

As at September 30, 2010, the future income tax liability was \$nil reflecting the increase in the property value for tax purposes as expenses incurred during the year qualified for Canadian Exploration Expenses and Canadian Exploration and Development Overhead Expenses which have been expensed for accounting purposes. Management has determined that the benefit from these losses is not more likely than not to be realized and accordingly, has recorded a full valuation allowance against any future tax assets.

*Stock-based Compensation*

The Company recorded stock-based compensation costs of \$5,091 and \$15,581 (2009 - \$1,847 and \$5,196) for the three and nine months ended September 30, 2010 while \$4,677 and \$14,927 were recorded in the Statements of Loss and Comprehensive Loss for the quarter and year-to-date ended September 30, 2010, while \$414 and \$654, respectively, were capitalized to Mineral Property Interests. The stock-based compensation cost is based on an estimate of the fair value on the grant date of stock options issued. This accounting requires estimates of interest rates, expected life of options, stock price volatility in the application of the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate.

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### **Debt Advisor Warrants**

In connection with the Company's engagement in the fourth quarter of 2009 of Barclays Capital as its debt advisor and lead arranger for the financing of the Detour Lake project, the Company granted share purchase warrants as compensation. The warrants have varying vesting provisions. Fifty percent of the warrants vest nine months after the date of issuance and have been accounted for based on the expected fair value as of the date of issuance. The remaining warrants vest upon the achievement of certain prescribed milestones and have not had a value ascribed to them due to the uncertainty of the prescribed milestones being achieved, as a result, no compensation cost has been recognized in the financial statements. For the three and nine month period ended September 30, 2010, \$nil and \$1,822 (2009 - \$nil) has been recorded in the Statements of Loss and Comprehensive Loss as Advisory costs.

### **Block A Joint Venture**

The Company is involved in a jointly controlled operation. This joint operation incurs expenditures related to a mineral exploration property which are expensed in the period they are incurred.

In April 2009, the Company entered into a joint venture agreement with Trade Winds for the 50/50 joint venture on the Block A property located immediately west of the Detour Lake property. Trade Winds earned its 50% interest in the property by completing its exploration commitment of \$7,500. The agreement formalizes the operating relationship between the parties, which was previously governed by a binding Letter of Intent.

The agreement provides that the Company can become the operator of the joint venture upon the completion of a feasibility study, provided the Company's interest is 50% or more. The Block A property is subject to a 1% net smelter royalty that the Company may acquire upon a payment of \$1,000, in which Trade Winds may acquire a one-half interest pursuant to a contribution of \$500. From January 1, 2010, to September 30, 2010, the Company incurred \$1,387 of expenditures relating to this joint venture operation. These expenditures were charged to the Statement of Loss (refer to note 7 of the financial statements). As at September 30, 2010, \$159 is included in accounts payable and accrued liabilities, related to the Block A Joint Venture.

### **Conquest Agreement**

On April 8, 2010, the Company signed a letter of Agreement (the "Agreement") with Conquest Resources Limited ("Conquest") pursuant to which the Company will purchase Conquest's interest in the Aurora and Tie-In claim blocks (the "Aurora Claims") and will have the option to acquire a 50% interest in Conquest's interest in the Sunday Lake claim block ("Sunday Lake Claims") located immediately south and east of the Company's Detour Lake project, respectively (the "Transaction").

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The Transaction closed on September 27, 2010. On closing, as consideration for Conquest's 100% interest in the Aurora Claims, the Company paid \$2,000 in cash and issued 100,000 common shares to Conquest. Also on closing, the Company entered into an option and joint venture agreement with Conquest that provides the Company with the option to acquire a 50% interest in the Sunday Lake Claims by incurring \$1,000 of exploration expenditures prior to September 30, 2012.

Both the Aurora Claims and the Sunday Lake Claims remain subject to an interest held by Prism Resources Inc. equal to 7.5% of the net profits from the properties.

### **Financial Instruments and Other Instruments**

The Company has not used any hedging or other financial derivatives.

### **New Accounting Pronouncements**

#### *International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlined the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for the Company's interim and annual financial statements for the year beginning January 1, 2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for the prior year.

The Company is in the process of finalizing its IFRS conversion. External advisors have been engaged and a team has been identified within the finance group to coordinate the implementation among the various departments of the organization. The Company is participating in ongoing training on IFRS for its internal implementation team to develop a thorough understanding of IFRS in order to finalize the assessment of accounting policies and be prepared for the 2011 changeover.

Tasks completed to date include:

- Scoping analysis of IFRS standards
- Review and selection of IFRS 1 exemptions
- Determination of the IFRS standards that will result in opening balance sheet adjustments
- Completion of the development of accounting policy technical papers for IFRS standards applicable to the Company
- A preliminary quantification of the opening balance sheet adjustments comprising Decommissioning Liabilities, Share-Based Payments, Property, Plant and Equipment and Income Taxes

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- An initial draft of shell IFRS financial statements for the March 31, 2011 reporting period

Management has completed its review of IFRS 1 exemptions and has determined that the majority are not applicable to the Company with the exception of Decommissioning Liabilities (Asset Retirement Obligations, under Canadian GAAP).

The review and finalization of all quantifiable impacts associated with the transition to IFRS are anticipated to be completed before the end of the fourth quarter of 2010.

The next steps in the Company's IFRS transition comprise:

- Finalization of the quantified opening balance sheet adjustments,
- Completion of shell IFRS financial statements for the March 31, 2011 reporting period (including finalized quantification adjustments), and
- Completion of the assessment of the impact on the Company's internal controls. The Company already has as a part of their Internal Controls over Financial Reporting ("ICFR") controls, processes and procedures over changes in accounting policies. The changeover to IFRS has been reviewed in light of the Company's current ICFR related to changes in accounting policies and it has been concluded that these same ICFR controls, processes and procedures apply equally to the transition to IFRS. These controls encompass:
  - Controls over the conversion to IFRS, including the reconciliation to Canadian GAAP,
  - Financial statement presentation, and,
  - Certifying design over internal controls over financial reporting.

The efforts performed to date with respect to the Company's IFRS conversion have been based on the accounting policies applicable to the Company as at September 30, 2010. Should the Company's business activities change during the fourth quarter of 2010, such that certain accounting policies become applicable, this may necessitate additional efforts and adjustments in respect of the conversion to IFRS.

Concurrently, management will participate in ongoing IFRS training.

### **Internal Controls**

In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting including the engagement of an independent internal control consultant to oversee the program.

Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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DETOUR GOLD CORPORATION  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010**

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### **Subsequent Event**

On November 9, 2010 the Company announced it had entered into an offering, on a best efforts private placement basis for 300,000 flow-through common shares ("Flow-Through Shares") at a price of \$42.00 per Flow-Through Share, representing aggregate gross proceeds of approximately \$12,600. The Company intends to use the gross proceeds from the sale of the Flow-Through Shares to fund qualifying exploration activities on the Company's large land position at Detour Lake, including the western extension of the Detour Lake deposit, which is currently under development.

Closing is anticipated to occur on or about November 23, 2010. The Flow-Through Shares will be subject to a four-month hold period in Canada.

### **Outlook**

The Detour Lake project, being the primary asset of the Company, remains the focus of exploration and development efforts over the short to medium term following the completion of the feasibility study. In the near term, this includes applying for and completing the remaining permits necessary to allow development to commence with particular focus on the power line applications. The Company is also focused on completing agreements with Aboriginal groups. In addition, the Company has been focusing its efforts on building the owner's team required to oversee the development of the Detour Lake project, having secured the services of the main engineering firms to oversee the engineering, procurement, construction and management of the Detour Lake project, and securing deliveries of long lead time or critical services and assets to ensure that once development commences it will not be unduly disrupted. Management has also been evaluating its financing options including the securing debt in support of a final development decision.

Management, in conjunction with the Board of Directors, will soon be in position to assess whether to formally proceed with the development of the Detour Lake project based upon the results of the feasibility study which has quantified the capital costs necessary to bring the future mine into production. A further Project Control Estimate detailing the updated capital costs including items already committed and updating the project schedule is currently under evaluation by the Company's EPCM contractors.

The Company also continues its exploration and resource advancement efforts at the site in 2010. Depending on the results of this program, it may be further expanded. In addition the Company will begin the evaluation of the newly acquired Conquest properties in search of additional resources beyond those identified in the Feasibility Study and those to the west of these known reserves and resources.

If it is decided to formally proceed with the construction of the project, it will be dependent on the ability of the Company to source the additional financing required beyond the cash position as at the date of this MD&A of \$521 million, which likely will be predominantly comprised of

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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debt. The amount and timing of the remaining financing may be materially impacted by the economic climate in the capital markets as the availability of debt may be restricted or be prohibitively costly. The price of gold has, however, remained relatively strong and significantly large gold equity financings have occurred within the recent past, including those by the Company, for both producing and development stage gold companies. There can be no assurance that the gold price or the demand for precious metal financings will continue, and therefore the Company may not be able to raise sufficient funds for a large-scale open-pit operation of the magnitude of the Detour Lake project which had identified initial capital costs of approximately one billion dollars in the feasibility study.

### **Outstanding Share Data**

As at November 11, 2010, the date of this MD&A, the Company had the following securities outstanding:

	Number
Common shares	83,029,184
Share purchase options	4,147,862
Share purchase options – PDX amalgamation	338,441
Warrants	500,000

### **Forward Looking Statements**

This MD&A of the Company contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Specifically, this MD&A includes forward-looking statements regarding:

- the Company’s intent to advance the Detour Lake project towards the development stage, including the Company’s strategies and objectives with respect to the Detour Lake Property;
- the Company’s planned drilling program and the continuation of exploration programs on the Detour Lake Property;

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- the Company's estimate of the quantity and quality of its mineral reserves and resources;
  - the construction of an open pit operation at Detour Lake;
  - the commencement of gold production and the average gold production;
  - the expected mine life of the open pit mine;
  - the acquisition of additional mineral properties by the Company;
  - the long-term demand for and supply of gold;
  - prices and price volatility for gold;
  - the ability of the Company to obtain all government approvals, permits and third party consents in connection with the Company's exploration and development activities;
  - the Company's estimates of any reclamation obligations assumed in connection with its acquisition of the Detour Lake mine property;
  - the Company's future exploration, capital and operating costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations; and
  - general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, gold price volatility, changes in debt and equity markets, the uncertainties involved in interpreting geological data, increases in costs, environmental compliance and changes in environmental legislation and regulation, interest rate and exchange rate fluctuations, general economic conditions and other risks involved in the gold exploration and development industry, as well as those risk factors listed in the "Risk Factors" section of the Company's 2009 Annual Information Form. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the following:

- the availability of financing for the Company's exploration and development activities;
- operating and capital costs;
- the Company's ability to attract and retain skilled staff;
- the estimated timeline for the development of the Detour Lake project;
- the supply and demand for, and the level and volatility of the price of, gold;
- timing of the receipt of regulatory and governmental approvals for exploration projects and other operations;
- the supply and availability of consumables and services;
- energy and fuel costs;
- the accuracy of the Company's reserve and resource estimates and the geological and metallurgical assumptions (including with respect to the size, grade and recoverability of

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
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mineral reserves and resources) and operational and price assumptions on which the reserve resource estimates are based;

- market competition;
- the Company's ongoing relations with its employees and impacted communities; and
- general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

**Information Concerning Estimates of Measured, Indicated and Inferred Resources**

*The mineral reserve and resource estimates reported in this MD&A were prepared in accordance with Canadian National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"), as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "measured," "indicated" and "inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "inferred" mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.*

# DETOUR GOLD CORPORATION

## Consolidated Balance Sheets

(in thousands of dollars)

(Expressed in Canadian Dollars unless otherwise noted)

(Unaudited)

	As at September 30, 2010	As at December 31, 2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 257,663	\$ 268,408
Short-term investments	270,005	52,575
Amounts receivable and prepaids	3,369	1,568
	<b>531,037</b>	<b>322,551</b>
<b>Restricted cash</b> (note 4)	<b>28,174</b>	<b>6,554</b>
<b>Long-term investments</b> (note 5)	<b>4,982</b>	<b>-</b>
<b>Equipment</b> (note 6)	<b>23,806</b>	<b>665</b>
<b>Mineral property interests</b> (note 7)	<b>121,074</b>	<b>109,486</b>
	<b>\$ 709,073</b>	<b>\$ 439,256</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities

Accounts payable and accrued liabilities \$ 9,518 \$ 3,721

### Asset retirement obligation

1,521 1,419

11,039 5,140

### Shareholders' equity (Consolidated statements of shareholders' equity)

698,034 434,116

\$ 709,073 \$ 439,256

Commitments and contingencies (note 7 and 12)

Subsequent event (note 13)

The notes to the interim consolidated financial statements are an integral part of these financial statements.

Approved on behalf of the Board of Directors:

/s/ Gerald S. Panneton

/s/ Alex G. Morrison

Gerald S. Panneton  
Director

Alex G. Morrison  
Director



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## Consolidated Statements of Loss and Comprehensive Loss

(in thousands of dollars except per share amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
<b>Expenses</b>				
Exploration, studies and permitting (note 7 and 9)	\$ 5,201	\$ 7,680	\$ 25,228	\$ 19,802
Stock-based compensation (note 8(a))	4,677	1,847	14,927	5,196
Advisory costs (note 8(b))	-	-	1,822	-
Salaries and management fees	1,753	627	3,867	2,291
Professional fees	345	120	1,144	499
Office, administration and other	638	185	1,295	460
Unrealised foreign exchange gain	(337)	-	(190)	-
Travel	226	27	723	113
Investor relations and promotion	93	243	333	427
Regulatory fees	174	7	288	133
Shareholders' information	15	(9)	147	160
Amortization	88	22	199	54
Accretion	36	33	103	94
<b>Loss before the undernoted</b>	<b>(12,909)</b>	<b>(10,782)</b>	<b>(49,886)</b>	<b>(29,229)</b>
Interest income	1,123	160	2,047	867
<b>Loss before future income tax recovery</b>	<b>(11,786)</b>	<b>(10,622)</b>	<b>(47,839)</b>	<b>(28,362)</b>
Future income tax recovery	-	2,519	-	6,674
<b>Loss and comprehensive loss</b>	<b>(11,786)</b>	<b>(8,103)</b>	<b>(47,839)</b>	<b>(21,688)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.15)</b>	<b>\$ (0.17)</b>	<b>\$ (0.65)</b>	<b>\$ (0.46)</b>
<b>Weighted average number of common shares</b>	<b>80,118,860</b>	<b>48,991,502</b>	<b>73,270,701</b>	<b>46,644,301</b>

The notes to the interim consolidated financial statements are an integral part of these financial statements.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## Consolidated Statements of Cash Flows

(in thousands of dollars)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
<b>Cash provided by (used in)</b>				
<b>OPERATING ACTIVITIES</b>				
Loss	\$ (11,786)	\$ (8,103)	\$ (47,839)	\$ (21,688)
Items not involving cash:				
Amortization	88	22	199	54
Amortization included in exploration	31	26	94	76
Accretion	36	33	103	94
Advisory costs (note 8(b))	-	-	1,822	-
Unrealized foreign exchange gain	(337)	-	(190)	-
Gain on sale of property and equipment	-	-	(15)	-
Future income tax recovery	-	(2,519)	-	(6,674)
Stock-based compensation (note 8(a))	4,677	1,847	14,927	5,196
	(7,291)	(8,694)	(30,899)	(22,942)
Changes in non-cash working capital items:				
Amounts receivable and prepaids	(1,560)	(69)	(1,801)	581
Accounts payable and accrued liabilities	(40)	(751)	1,786	(3,556)
	(8,891)	(9,514)	(30,914)	(25,917)
<b>INVESTING ACTIVITIES</b>				
Purchase of equipment	(12,307)	(48)	(19,740)	(222)
Addition to mineral property interests	(4,286)	-	(5,652)	-
Proceeds from sale of equipment	-	-	43	-
Purchase of short-term investments	(262,487)	(76,003)	(382,738)	(98,379)
Redemption of short-term investments	100,817	67,834	165,344	111,336
Purchase of long-term investments	-	-	(9,975)	-
Redemption of long-term investments	4,993	-	4,993	-
Cash deposits held as security	(21,620)	-	(21,620)	-
Acquisition of mineral property interests	(2,000)	-	(2,000)	-
Amalgamation costs of PDX Resources Inc., net of cash acquired	-	(194)	-	(4,561)
	(196,890)	(8,411)	(271,345)	8,174
<b>FINANCING ACTIVITIES</b>				
Securities issued for cash	289,800	48,400	289,800	48,400
Share issuance costs	(12,162)	(2,695)	(12,162)	(2,708)
Exercise of stock options for cash	4,440	877	13,722	4,673
	282,078	46,582	291,360	50,365
<b>Effect of exchange rate on cash and cash equivalents</b>	<b>514</b>	<b>-</b>	<b>154</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>76,811</b>	<b>28,657</b>	<b>(10,745)</b>	<b>32,622</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>180,852</b>	<b>4,092</b>	<b>268,408</b>	<b>127</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 257,663</b>	<b>\$ 32,749</b>	<b>\$ 257,663</b>	<b>\$ 32,749</b>

Supplemental information (note 11)

The notes to the interim consolidated financial statements are an integral part of these financial statements.



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**  
**Consolidated Statements of Shareholders' Equity**  
(In thousands of dollars except per security amounts)  
(Unaudited)  
(Expressed in Canadian Dollars unless otherwise noted)

	Common shares		Warrants		Contributed surplus (\$)	Deficit (\$)	Shareholders' equity (\$)
	(#)	(\$)	(#)	(\$)			
<b>Balance at December 31, 2008</b>	<b>44,863,800</b>	<b>179,645</b>	-	-	<b>7,502</b>	<b>(42,340)</b>	<b>144,807</b>
Shares issued upon exercise of stock options	815,046	7,081	-	-	(2,408)	-	4,673
Stock-based compensation	-	-	-	-	8,047	-	8,047
Acquisition of PDX Resources Inc. and corresponding share cancellation	(302)	(1)	-	-	-	(6,664)	(6,665)
Public offering	4,000,000	46,477	-	-	-	-	46,477
Loss and comprehensive loss for the period	-	-	-	-	-	(21,688)	(21,688)
<b>Balance at September 30, 2009</b>	<b>49,678,544</b>	<b>233,202</b>	-	-	<b>13,141</b>	<b>(70,692)</b>	<b>175,651</b>
Shares issued upon exercise of stock options	308,190	3,704	-	-	(1,323)	-	2,381
Stock-based compensation	-	-	-	-	6,095	-	6,095
Public offering	19,299,500	264,538	-	-	-	-	264,538
Issue of warrants	-	-	500,000	572	-	-	572
Loss and comprehensive loss for the period	-	-	-	-	-	(15,121)	(15,121)
<b>Balance at December 31, 2009</b>	<b>69,286,234</b>	<b>501,444</b>	<b>500,000</b>	<b>572</b>	<b>17,913</b>	<b>(85,813)</b>	<b>434,116</b>
Shares issued upon exercise of stock options	1,529,450	21,668	-	-	(7,946)	-	13,722
Public offering (note 8(c))	12,075,000	277,638	-	-	-	-	277,638
Acquisition of mineral claims (note 7)	100,000	2,994	-	-	-	-	2,994
Warrant valuation - advisory costs (note 8(b))	-	-	-	1,822	-	-	1,822
Stock-based compensation (note 8(a))	-	-	-	-	15,581	-	15,581
Loss and comprehensive loss for the period	-	-	-	-	-	(47,839)	(47,839)
<b>Balance at September 30, 2010 (note 8)</b>	<b>82,990,684</b>	<b>803,744</b>	<b>500,000</b>	<b>2,394</b>	<b>25,548</b>	<b>(133,652)</b>	<b>698,034</b>

The notes to the interim consolidated financial statements are an integral part of these financial statements.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## Notes to Interim Consolidated Financial Statements

### September 30, 2010

(In thousands of dollars except per security amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 1. NATURE AND CONTINUANCE OF OPERATIONS

Detour Gold Corporation (the "Company") was incorporated on July 19, 2006 under the Canada Business Corporations Act. The principal business of the Company is the acquisition, exploration and development of mineral property interests.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependant upon the ability of the Company to obtain necessary permits and financing to complete the development and future profitable production or, alternatively, upon disposition of such property at a profit. Changes in future conditions could require material write-downs of the carrying values of mineral property interests.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2010.

The balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2009. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2009.

#### *Recent accounting pronouncements*

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## Notes to Interim Consolidated Financial Statements

### September 30, 2010

(In thousands of dollars except per security amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

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### 3. FINANCIAL RISK FACTORS

The Company is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and foreign exchange rate risks) as explained below.

Risk management is carried out by the Company's management team with guidance from the Audit Committee and the Board of Directors.

#### **Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments, amounts receivable, restricted cash and long-term investments. Cash and cash equivalents, short-term investments, restricted cash and long-term investments are held with select Canadian chartered banks, as well as Canadian Federal and Provincial Governments and Agencies, for which management believes the risk of loss to be low.

Financial instruments included in amounts receivable consist of sales tax receivable from government authorities in Canada, accrued interest and deposits held with service providers. All amounts receivable are in good standing as of September 30, 2010 and \$1,993 represents the maximum credit exposure. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is low.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in general stock market conditions or as a result of conditions specific to the Company. As at September 30, 2010, the Company had a cash and cash equivalents balance of \$257,663 (December 31, 2009 - \$268,408) and a short-term investment balance of \$270,005 (December 31, 2009 - \$52,575) to settle current liabilities of \$9,518 (December 31, 2009 - \$3,721). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

#### **Market risk**

##### *Interest rate risk*

The Company has cash balances, cash equivalents, short-term investments and long-term investments and no debt. The Company's current policy is to invest excess cash in Canadian Federal and Provincial securities, as well as certificates of deposit or interest bearing accounts at select Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with their creditworthiness.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## Notes to Interim Consolidated Financial Statements

### September 30, 2010

(In thousands of dollars except per security amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

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### 3. FINANCIAL RISK FACTORS (Continued)

#### *Foreign currency risk*

The Company's functional and reporting currency is the Canadian dollar and major purchases to this point in the Company's history are transacted in Canadian dollars except for certain balances held in foreign currencies. Management believes the Company's exposure to foreign currency risk is minimal.

#### **Sensitivity analysis**

As of September 30, 2010, both the carrying and estimated fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the following movements are reasonable over the nine month period ended September 30, 2010:

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported loss and comprehensive loss.

(ii) Guaranteed investment certificates and Canadian Federal and Provincial securities included in short-term and long-term investments have fixed interest rates therefore they are not subject to interest rate fluctuations.

(iii) The Company holds balances in foreign currencies which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus \$0.01 change in the foreign exchange rate against the Canadian dollar would affect the reported loss and comprehensive loss by \$604 for the nine months ended September 30, 2010.

The sensitivity analysis shown in the notes above may differ materially from actual results.

### 4. RESTRICTED CASH

In October 2008, in relation to the Mine Property, the Company issued a Letter of Credit ("LC") in favour of the Ministry of Northern Development and Mines not to exceed \$6,554 to cover the estimated future reclamation obligation incurred during the original mine operation, on the Mine Property. The LC is secured by an investment certificate of equal value, which bears interest at 5.17% and matures on October 21, 2013.

In September of 2010, in relation to the environmental permit approval process with respect to the Mine Property, the Company issued a second LC in favour of the Ministry of Northern Development and Mines not to exceed \$21,620 to provide financial assurance regarding the closure plan submission related to the development of the future mining operation. The LC is secured by an investment certificate of equal value, which bears interest at 1.2% and matures on December 21, 2010.

### 5. LONG-TERM INVESTMENTS

Long-term investments include interest bearing instruments with maturities greater than one year at the time the investment is made. Long-term investments are reported at market and comprise Canadian Federal securities bearing fixed interest rates.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## Notes to Interim Consolidated Financial Statements

### September 30, 2010

(In thousands of dollars except per security amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

#### 6. EQUIPMENT

	Cost	Accumulated amortization	Net carrying value
<b>September 30, 2010</b>			
Mobile equipment	\$ 583	\$ 286	\$ 297
Machinery and equipment	205	25	180
Furniture and fixtures	303	42	261
Computer equipment and software	584	189	395
Leasehold improvements	500	61	439
Assets under development (a)	22,234	-	22,234
	<b>\$ 24,409</b>	<b>\$ 603</b>	<b>\$ 23,806</b>
<b>December 31, 2009</b>			
Mobile equipment	\$ 583	\$ 198	\$ 385
Machinery and equipment	52	13	39
Furniture and fixtures	90	23	67
Computer equipment and software	241	87	154
Leasehold improvements	27	7	20
	<b>\$ 993</b>	<b>\$ 328</b>	<b>\$ 665</b>

(a) Assets under development comprise payments on asset purchases, long-lead capital equipment and engineering, procurement, construction and management ("EPCM") expenditures.

#### 7. MINERAL PROPERTY INTERESTS

Detour Lake property

On April 14, 2008, the Company entered into an agreement (the "Purchase Agreement") with Goldcorp Canada Ltd. pursuant to which the Company exercised its option and on October 30, 2008, acquired ownership of the Detour Lake mine property (the "Mine Property") from Goldcorp. As part of the agreement, the Company has granted Goldcorp a 1% royalty on the net smelter returns derived from the Mine Property (the "Mine Property NSR"). The Company has the right to purchase the Mine Property NSR from Goldcorp at any time by paying Goldcorp the sum of \$1,000.

Subsequent to the confirmation of reserves in the feasibility study released on May 25, 2010, the Company commenced deferring development expenditures associated with the Mine Property. As at September 30, 2010, \$6,594 of development expenditures related to drilling activities have been capitalized at cost. These costs will be amortized on a unit-of-production basis over the estimated useful life of the related property following the commencement of production, or written off if the properties are sold, allowed to lapse or abandoned, or when impairment has been determined to have occurred.



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#### 7. MINERAL PROPERTY INTERESTS (Continued)

##### Joint Venture Operations

The Company is involved in a jointly-controlled operation. This joint operation incurs expenditures related to a mineral exploration property which are expensed in the period they are incurred.

In April 2009 the Company entered into a joint venture agreement with Trade Winds Ventures Inc. (“Trade Winds”) for the 50/50 joint venture on the Block A property located immediately west of the Mine Property. Trade Winds earned its 50% interest in the property by completing its exploration commitment of \$7,500. The agreement formalizes the operating relationship between the parties, which was previously governed by a binding Letter of Intent.

The agreement provides that the Company can become the operator of the joint venture upon the completion of a feasibility study, provided the Company's interest is 50% or more. The Block A property is subject to a 1% net smelter royalty that the Company may acquire upon a payment of \$1,000, in which Trade Winds may acquire a one-half interest pursuant to a contribution of \$500. From January 1, 2010 to September 30, 2010, the Company incurred \$1,387 of expenditures relating to this joint venture operation. These expenditures were charged to the statement of loss (refer to note 9). As at September 30, 2010, \$159 is included in accounts payable and accrued liabilities related to the Trade Winds joint venture.

##### Aurora Claims and Sunday Lake Claims

On April 8, 2010, the Company signed a Letter of Agreement with Conquest Resources Limited (“Conquest”) pursuant to which the Company had the right to purchase Conquest’s interest in the Aurora and Tie-In claim blocks (the “Aurora Claims”) and had the option to acquire a 50% interest in Conquest’s interest in the Sunday Lake claim block (the “Sunday Lake Claims”) located immediately south and east of the Company’s Detour Lake project, respectively (the “Transaction”).

The Transaction closed on September 27, 2010. On closing, as consideration for Conquest’s 100% interest in the Aurora Claims, the Company paid \$2,000 in cash and issued 100,000 common shares to Conquest. Also on closing, the Company entered into an option and joint venture agreement with Conquest that provides the Company with the option to acquire a 50% interest in the Sunday Lake Claims by incurring \$1,000 of exploration expenditures prior to September 30, 2012.

Both the Aurora Claims and the Sunday Lake Claims remain subject to an interest held by Prism Resources Inc. equal to 7.5% of the net profits from the properties.

#### 8. SHARE CAPITAL

##### (a) Share purchase option plan

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2009	4,177,191	\$ 9.40
Granted	1,758,125	20.61
Exercised	(1,529,450)	8.97
Forfeited	(7,313)	18.88
Balance, September 30, 2010	4,398,553	\$ 14.02



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#### 8. SHARE CAPITAL (Continued)

##### (a) Share purchase option plan (Continued)

The estimated fair value of the 1,758,125 options granted in the nine months ended September 30, 2010 has been estimated at the grant dates using the Black-Scholes option pricing model, using the following assumptions: a weighted average risk free interest rate of 2.40%; a weighted average expected volatility factor of 80%, an expected dividend yield of \$nil and a weighted average expected life of 3.5 years. The weighted average grant date estimated fair value of the options granted was \$12.02 per option. The vesting of these options was 25% on the date of grant, 25% after 8 months, 25% after 16 months and 25% after 24 months.

As at September 30, 2010, the Company had the following stock options outstanding:

Range of Exercise Prices	Options Granted	Options Exercisable	Weighted Average Remaining Contractual Life (in years)
\$0.01 to \$4.80	504,840	504,840	1.4
\$4.81 to \$9.60	670,601	465,601	2.7
\$9.61 to \$14.40	1,167,500	976,250	3.0
\$14.41 to \$19.20	766,500	352,374	4.1
\$19.21 to \$24.00	1,289,112	287,392	4.7
	4,398,553	2,586,457	3.5

The breakdown of the estimated fair value of options granted in prior periods and vesting in the current period is as follows:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Exploration	\$ 532	\$ 468	\$ 1,345	\$ 1,248
Administration	4,145	1,379	13,582	3,948
Total expense recognized in loss and comprehensive loss	\$ 4,677	\$ 1,847	\$ 14,927	\$ 5,196
Mineral property interests	414	-	654	-
Total expense credited to contributed surplus	\$ 5,091	\$ 1,847	\$ 15,581	\$ 5,196



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#### 8. SHARE CAPITAL (Continued)

##### (b) Warrants

On November 17, 2009, the Company engaged Barclays Capital as its debt advisor and lead arranger for the financing of the Detour Lake project. In connection with the appointment, Barclays Capital was issued 500,000 warrants, with each warrant exercisable for one common share of the Company. The warrants have an exercise price of \$15.33 per common share and have a term of five years; fifty percent of the warrants vest six months after the date of issuance and have been accounted for based on the estimated fair value as of the date of issuance, with compensation cost being recognized in the statements of loss and comprehensive loss. The remaining warrants vest upon the achievement of certain prescribed milestones and have not had a value ascribed to them due to the uncertainty as to the likelihood of the prescribed milestones being achieved. As a result, no compensation cost has been recognized in these interim unaudited financial statements for this portion.

The estimated fair value of the 250,000 warrants that vest six months after the date of issuance has been estimated at the date of issuance using the Black-Scholes option pricing model, using the following assumptions: risk-free interest rate – 2.42%; expected life – 5 years; expected volatility – 86%; expected dividends – nil. As a result, the estimated fair value of the warrants was estimated at \$2,408 and will be recognized over the vesting period. For the three and nine months ended September 30, 2010, \$nil and \$1,822, respectively has been recorded in the statements of loss and comprehensive loss as Advisory costs.

The continuity of warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Estimated Grant Date Fair Value
Balance, December 31, 2009 and September 30, 2010	500,000	\$ 15.33	\$ 2,408

##### (c) Public offering

On July 19, 2010 and August 6, 2010, the Company closed a public offering and over-allotment of 11,750,000 and 325,000 common shares, respectively, at a price of \$24.00 per common share for cash consideration of \$289,800. In connection with the offering, the underwriters were paid a 4% commission totaling approximately \$11,592. Share issuance costs of \$570 were incurred in relation to the offering.



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#### 9. EXPLORATION, STUDIES AND PERMITTING

	Detour Lake, Ontario, Canada	Block A, Ontario, Canada	Regional work Ontario, Canada	Nine months ended September 30, 2010	Nine months ended September 30, 2009
<b>Expenditures</b>					
Administration, consultation and travel	\$ 4,366	\$ 270	\$ 285	\$ 4,921	\$ 1,279
Amortization	94	-	-	94	76
Assays and analysis	1,765	89	-	1,854	1,665
Drilling	7,323	915	-	8,238	11,096
Environment and permitting	3,357	-	-	3,357	704
Geological and geophysical	20	113	-	133	168
Studies and engineering	5,952	-	-	5,952	4,542
Site activities	679	-	-	679	272
<b>Total expenditures</b>	<b>\$ 23,556</b>	<b>\$ 1,387</b>	<b>\$ 285</b>	<b>\$ 25,228</b>	<b>\$ 19,802</b>

	Detour Lake, Ontario, Canada	Block A, Ontario, Canada	Regional work Ontario, Canada	Three months ended September 30, 2010	Three months ended September 30, 2009
<b>Expenditures</b>					
Administration, consultation and travel	\$ 1,653	\$ 131	\$ 215	\$ 1,999	\$ 490
Amortization	31	-	-	31	26
Assays and analysis	373	33	-	406	629
Drilling	576	27	-	603	4,777
Environment and permitting	1,594	-	-	1,594	576
Geological and geophysical	5	16	-	21	54
Studies and engineering	95	-	-	95	1,040
Site activities	452	-	-	452	88
<b>Total expenditures</b>	<b>\$ 4,779</b>	<b>\$ 207</b>	<b>\$ 215</b>	<b>\$ 5,201</b>	<b>\$ 7,680</b>



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#### 10. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Reimbursement for expenses and payments for services rendered by related parties:

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Former officer	\$ -	\$ -	\$ -	\$ 386

#### *Former officer*

For the periods presented, the Company paid a company owned by a former officer of the Company for management and consulting services.

#### 11. SUPPLEMENTAL INFORMATION

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Value of options exercised	\$ 2,586	\$ 582	\$ 7,946	\$ 2,408
Value of common shares issued to acquire mineral claims	\$ 2,994	-	\$ 2,994	\$ -
Change in deferred transaction costs	\$ -	\$ (234)	\$ -	\$ (450)
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Interest paid	\$ -	\$ -	\$ -	\$ -

As at September 30, 2010, cash and cash equivalents consisted of cash of \$223,214 and cash equivalents of \$34,449. Cash equivalents consist of Canadian Federal and Provincial Governments and Agencies' securities and certificates of deposit at select Canadian chartered banks as at September 30, 2010. As at December 31, 2009, cash and cash equivalents consisted of cash of \$128,414 and cash equivalents of \$139,994.



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#### 12. COMMITMENTS

The following table lists the Company's operating leases for the remainder of 2010 and over the next five fiscal years ending December 31:

	2010	2011	2012	2013	2014	2015	Total
Operating leases	\$ 223	\$ 869	\$ 751	\$ 748	\$ 740	\$ 431	\$ 3,762

The Company is party to certain management contracts. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as a contract termination or change of control of the Company. The additional commitments range from \$4,616 for contract termination to \$6,276 as a result of a change of control.

The Company has entered into a number of commitments either through letters of intent or formal contractual agreements related to services and equipment orders to purchase long lead items or critical pieces of equipment necessary to commence development of the Detour Lake project. At September 30, 2010 these commitments totaled \$89,700 for services and \$234,000 for asset acquisitions and are expected to fall due over the next 24 months. Termination of service contracts can generally occur on 30 days notice while equipment orders are subject to negotiations with suppliers and any cancellation charges, if applicable, would depend on the progress of the manufacturing or delivery of the item and the prevailing market conditions.

#### 13. SUBSEQUENT EVENT

On November 9, 2010 the Company announced it had entered into an offering, on a best efforts private placement basis for 300,000 flow-through common shares ("Flow-Through Shares") at a price of \$42.00 per Flow-Through Share, representing aggregate gross proceeds of approximately \$12,600. The Company intends to use the gross proceeds from the sale of the Flow-Through Shares to fund qualifying exploration activities on the Company's large land position at Detour Lake, including the western extension of the Detour Lake deposit, which is currently under development.

Closing is anticipated to occur on or about November 23, 2010. The Flow-Through Shares will be subject to a four-month hold period in Canada.



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