Detour Gold

Canada's **largest** pure **gold** play **production** in early 2013

10 | 2010 ANNUAL REPORT

DETOUR GOLD CORPORATION (TSX:DGC) is a Canadian gold exploration and development company with a highly experienced management and technical team whose primary focus is to advance the development of its flagship Detour Lake gold project located in northeastern Ontario towards production.

Canada's largest pure gold play production in early 2013

Mill building foundation, April 2011

NOTICE OF ANNUAL MEETING

Thursday, May 26 at 10:00 a.m.
The Fairmont Royal York,
British Columbia Room
100 Front Street West, Toronto, ON
Canada M5J 1E3

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All amounts in this annual report are in Canadian dollars unless otherwise indicated.

LETTER TO SHAREHOLDERS

2010 year has proven to be a milestone year for Detour Gold. The Company accomplished a number of key goals in advancing the development of its Detour Lake project and concluded with a year-end mineral reserve increase of 69%, from 8.8 to 14.9 million ounces of gold.

Pierre Beaudoin, a highly experienced mineral processing professional, was appointed Senior Vice President Capital Projects to lead the development team for the Detour Lake project. Following his appointment, a positive feasibility study was delivered, establishing Detour Lake as Canada's largest pure gold play. We were successful in forming business partnerships with the local Aboriginal groups impacted by the project. On a similar note, we also fully engaged the local communities and made the decision to locate our regional base in the Town of Cochrane. Following receipt of all major provincial permits in late 2010, we immediately initiated site infrastructure construction activities, including installation of the transmission line and the expansion of the construction camp. Approximately $800 million was added to the treasury in 2010, bringing the Company into a solid position to finance pre-production capital expenditures and exploration. With the price of gold reaching all-time record highs, Detour Gold is proceeding with economic studies to assess the further expansion of the Detour Lake open pit mining operation once gold production starts in early 2013.

INCREASED GOLD RESERVES AND SOLID FINANCIAL POSITION

A positive feasibility study was delivered at the end of May 2010 and independently reviewed by third party engineering firms. At a conservative US$850 per ounce gold price, the results confirmed the Detour Lake deposit as a future significant gold producer with an average annual gold production of 649,000 ounces over a mine life of 16 years based on a mineral reserve of 11.4 million ounces of gold. Following a successful drilling campaign in 2010, the Company announced a year-end mineral reserve of 14.9 million ounces, representing a 31% increase from the feasibility study and extending the mine life to 21 years.

Having now reached a critical mass for its mineral reserve base, the Company is proceeding with further economic studies to assess the potential for increasing the annual production profile once the mine is operational in early 2013. The results of a throughput rationalization study are expected by mid-2011 and management is confident that mill capacity can be significantly increased from the current 55,000 – 61,000 tonnes per day after a successful commissioning and start-up period.

The Company successfully raised the majority of the $1.2 billion pre-production capital requirement for Detour Lake by completing two large offerings: a $290 million bought deal equity financing and a US$500 million of 5.5 percent senior unsecured convertible notes, which brought the cash position of the Company to $976 million at year-end. As at the end of March 2011, over $710 million had already been committed in contracts with $129 million spent, demonstrating the Company's commitment to the rapid development of the project with completion of mine construction anticipated by year-end 2012.

2010 ACHIEVEMENTS

Q1	• Appointed Pierre Beaudoin, Senior Vice President of Capital Projects
Q2	• Purchased long lead-time equipment for Detour Lake • Awarded PCM contract to AMEC and detailed engineering to BBA • Delivered positive feasibility study at US$850/oz
Q3	• Completed $290 million bought deal • Purchased initial mining fleet for Detour Lake • Acquired Conquest's properties adjacent to Detour Lake
Q4	• Received provincial permits to start construction • Executed IBAs with Wahgoshig First Nation and Taykwa Tagamou Nation • Signed memorandum of understanding with Métis Nation of Ontario • Completed US$500 million in convertible notes • Negotiated business agreement with Moose Cree First Nation • Year-end gold mineral reserves increased to 14.9 million ounces

DETOUR GOLD BY THE NUMBERS

$1.2 B	Detour Lake pre-production capital expenditures
14.9 M oz	Gold in mineral reserves at US$850/oz
25.6 M oz	Gold in mineral resources (inclusive of mineral reserves)
649,000 oz	Estimated average annual gold production
21 yrs	Estimated life of mine
$800 M	2010 funds added to treasury
3	Number of business partnerships signed with Aboriginal groups
107,000 m	2010 drilling completed at Detour Lake

COMMUNITY PARTNERSHIPS

Detour Gold is pleased to have entered into important business partnerships with the local Aboriginal communities during 2010, a significant step towards fulfilling the Company's vision of fostering strong ties with Aboriginal groups in Ontario's north.

Agreements are now in place with the Moose Cree First Nation, Taywka Tagamou Nation and the Wahgoshig First Nation, which include commitments by Detour Gold for career training, education, employment and financial compensation. The agreement with the Moose Cree First Nation was commemorated at the Prospectors and Developers Association of Canada convention on March 7, 2011. The agreements with the Moose Cree First Nation and the Taywka Tagamou Nation also provide for the establishment of Educational Funds to which Detour Gold will make contributions to provide for educational opportunities for their membership. As part of our commitment to working and consulting with all local communities, Detour Gold signed a memorandum of understanding in December 2010 with the Métis Nation of Ontario.

Being the closest community to the project site, the Town of Cochrane was selected as Detour Gold's regional office for the development and operation of the mine. The Detour Lake mine will make a significant contribution to the economy of northern Ontario and will provide opportunities for lasting benefits for our partnered communities and their economies.

DETOUR LAKE DEVELOPMENT ON TRACK

Detour Gold is in a solid position to realize the 2013 production timeline. The Company proceeded with ordering long lead-time items in April 2010, benefiting from cost savings and reduced delivery times resulting from the economic slowdown of late 2008. The first 18 of 32 Caterpillar hauling trucks (320 tonne) and other mine support equipment were also committed in September 2010. The Company is currently finalizing a US$105 million financing lease with Caterpillar for this equipment.

Infrastructure construction started at the end of 2010, immediately after receiving provincial approvals. The 1,200-man construction camp is nearly complete and the first 135 kilometre segment of the transmission line is installed and is expected to be operational in the fall, providing 115 kilovolts of power to the site to support construction activities. The line will be upgraded to 230 kilovolts in 2012 once the second transmission line segment of 45 kilometres is completed. Crews have started to pour the concrete foundation for the processing plant building, which is expected to be fully enclosed by the third quarter of 2011. As at the date of this letter, over 550 people were working at site and this number will reach 1,000 by July 2011.

SETTING PLATFORM FOR ORGANIC GROWTH

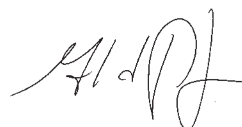
Our first priority in 2011 is to further increase the mineral reserves by completing a 50,000 metre definition drilling program to the west of the current open pit. Our near-term objective is to grow our reserve base to over 20 million ounces at a US$850 per ounce gold price.

The second priority is to focus our exploration efforts on our large prospective land position with the main objective of finding high-grade ore to supplement the mill feed. The acquisition of the Aurora property and the option to earn a 50 percent interest in the Sunday Lake property has increased our land position to 500 square kilometres. The Company now controls nearly 80 kilometres of strike length of two prospective regional gold structures, one of which hosts the Detour Lake deposit while the other is relatively unexplored. Geophysical and geochemical surveys are now in progress and we have started a drilling program at Sunday Lake.

We would like to acknowledge the excellent relations we have with our Aboriginal partners and the Town of Cochrane, and the contribution of our employees and contractors in making 2010 a very successful year for Detour Gold. Detour Gold is looking forward to 2011 as we take part in advancing Canada's largest gold mine towards production.

Detour Gold has enjoyed strong investor confidence as a result of all its achievements over a relatively short time period. We sincerely thank our shareholders for their continued trust in our vision of becoming a leading mid-tier gold company.

On behalf of the Board of Directors,



Gerald Panneton April 11, 2011
President and CEO, Detour Gold Corporation

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 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, 2010, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This report is dated March 15, 2011. The Company's public filings, including its most recent Annual Information Form, can be viewed on the SEDAR website (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 totaling 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 fourth quarter of 2010, Detour Gold completed 28 drill holes for a total of 14,184 metres of drilling to continue the infill drilling program on the western extension of the Detour Lake deposit. In 2010, Detour Gold completed a total of 331 holes for 116,362 metres, including 127 short drill holes totaling 9,366 metres for the grade control program. In addition, the Company completed condemnation drilling of 35 holes totaling 8,666 metres in the areas proposed for the northern waste and overburden stockpiles, and the plant site area. Approximately 552 metres were drilled for geotechnical studies.

During the fourth quarter of 2010, the Company released drill results from 66 holes totaling 40,554 metres from its 2010 drilling program. To date, the Company has released assay results of 170 holes totaling 90,603 metres from the 2010 drilling campaign, which continue to indicate significant gold mineralization up to 500 metres west of US$850/oz pit shell presented in the feasibility study.

A mineral resources and reserves update was released on January 31, 2011, which incorporated assay results of approximately 99,000 metres from the 2010 drilling program. Using a gold price of US$850 per ounce, the open pit mineral reserves were estimated at 14.9 million ounces (347.5 million tonnes grading 1.03 g/t) with a strip ratio (waste to ore) of 3.9 to 1. Based on the results obtained, Detour Gold is proceeding with further economic studies to assess the potential for increasing the annual production profile once the project has reached production in early 2013.

In early June 2010, the Company 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 the Aurora block and the Block A property (50% Detour Gold)) 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 generated several target areas, which are now being assessed by ground geophysics induced polarization (IP) survey.

Development Activities

The Company continued to advance its Detour Lake project during the fourth quarter ended December 31, 2010.

The Company received in November 2010 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. In addition, the Provincial Individual Environmental Assessment was received in December 2010 from the Ministry of Environment for the 230 Kv Transmission Line and construction of the power line commenced in January 2011. 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 of these permits 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. The Company completed two Impact Benefit Agreements prior to December 31, 2010 and a third business agreement shortly thereafter in January 2011. All three agreements had been ratified by the respective band members prior to the signings.

Infrastructure development progressed in the fourth quarter on the camp expansion which is expected to reach capacity of 1,000 persons by April 2011 as well as the installation of a temporary 5Mw power plant at site. Detailed engineering for the project continued throughout the quarter.

The Company has also continued to advance its preparations for development of the project 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 months. Commitments for the project now total $459,968 as at December 31, 2010.

SELECTED FINANCIAL INFORMATION

	December 31, 2010	December 31, 2009	December 31, 2008
Interest income	**$ 3,482**	$ 1,182	$ 1,956
Operating expenses	**$ 72,959**	$ 45,737	$ 39,553
Loss	**$ 72,699**	$ 36,809	$ 29,811
Loss per share [(1)]	**$ 0.96**	$ 0.78	$ 0.69
Total assets	**$ 1,230,264**	$ 439,256	$ 162,371
Long-term liabilities	**$ 314,927**	$ 1,419	$ 11,795

[(1)] Basic and diluted loss per share

RESULTS OF OPERATIONS

The Company reported a net loss of $72,699 ($0.96 per share) for the year ended December 31, 2010 as compared to net loss of $36,809 ($0.78 per share) for the year ended December 31, 2009. The increase in the loss from operations reflected higher non-cash stock-based compensation expense of $8,431, primarily as a result of increases in the Black-Scholes derived values of new option grants driven by the appreciation of the Company's underlying share price and the granting of an additional 532,125 options in 2010. Advisory costs increased by $5,760 to $6,345 in connection with costs associated with Barclays Capital as debt advisor and lead arranger for the financing of the Detour Lake project as the certainty surrounding the vesting of the performance conditions of warrants had increased, resulting in the expensing of these costs. The Company also recorded a foreign exchange loss of $2,107, interest expense of $1,730, accretion expense on senior unsecured convertible notes of $679 and a mark-to-market loss on the fair value adjustment of the Class A notes (see note 10 of the financial statements) of $1,492, related to the equity bought-deal financing. In addition salaries and management fees, including bonus, expense for the year ended December 31, 2010 increased by $4,052 from the comparative period in 2009 to $7,775 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 increased by $1,228, $940 and $764, respectively, and reflected expanded support costs of the growing company and additional office space requirements. The increase in exploration, studies and permitting activities of $2,892 to $30,016 was primarily as a

result of increased administration, consultation and travel expenses of $5,055 to $6,770, 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, compared to the equivalent period in 2009. These increases were augmented by higher environmental and geological and geophysical expenditures of $3,833 and $420, 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 $787 to $1,145 due to maintenance costs associated with the growing company activity. These increases were partially offset by lower drilling costs of $5,890 to $7,997, as the completion of the feasibility study resulted in the capitalization of these development costs beginning in the second quarter of 2010. Also as a result of the capitalization of development activities, expenditures on studies and engineering and assay and analysis activities decreased by $818 to $535, respectively, as compared to 2009.

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.

SUMMARY OF QUARTERLY RESULTS

	Fourth Quarter 2010	Third Quarter 2010	Second Quarter 2010	First Quarter 2010
Interest income	$ 1,435	$ 1,123	$ 498	$ 426
Operating expenses	$ 23,073	$ 12,909	$ 19,477	$ 17,500
Loss	$ 24,860	$ 11,786	$ 18,979	$ 17,074
Loss per share [1]	$ 0.30	$ 0.15	$ 0.27	$ 0.25
Total assets	$ 1,230,264	$ 709,073	$ 428,357	$ 431,830
Long-term liabilities	$ 314,927	$ 1,521	$ 1,486	$ 1,452
	Fourth Quarter 2009	**Third Quarter 2009**	**Second Quarter 2009**	**First Quarter 2009**
Interest income	$ 315	$ 160	$ 311	$ 396
Operating expenses	$ 16,508	$ 10,782	$ 8,907	$ 9,540
Loss	$ 15,121	$ 8,103	$ 6,421	$ 7,164
Loss per share [1]	$ 0.25	$ 0.17	$ 0.14	$ 0.16
Total assets	$ 439,256	$ 181,216	$ 144,570	$ 150,829
Long-term liabilities	$ 1,419	$ 3,339	$ 6,611	$ 8,755

[1] Basic and diluted loss per share

The loss from operations for the three month period ended December 31, 2010 was $24,860, $9,739 higher than the comparable period in 2009. The increase in the loss from operations reflected higher advisory costs of $3,938 to $4,523 in connection with costs associated with Barclays Capital as debt advisor and lead arranger for the financing of the Detour Lake project. Salaries and management fees expense of $3,908 for the fourth quarter of 2010 increased by $2,476 from the fourth quarter of 2009 due to increases in the number of personnel employed by the Company, as well as annual bonus payments, to support the increased level of activity in the development of the Detour Lake project. Office and administration and professional fees increased by $393 and $295, respectively, and reflected expanded support costs of the growing company and related additional office space requirements. The Company also recorded a foreign exchange loss of $2,297, interest expense of $1,730, accretion expense on senior unsecured convertible notes of $679 and a mark-to-market loss on the fair value adjustment of the Class A notes (see note 10 of the financial statements) of $1,492 related to bought-deal financing in the fourth quarter of 2010. These increases were partially offset by a decrease in non-cash stock-based compensation expense of $1,300 to $4,795, which primarily reflected the capitalization of stock-based compensation costs, while these costs were fully expensed during the comparative period in 2009.

These increases in the above costs were also partially offset by decreases in exploration, studies and permitting activities for the three months ended December 31, 2010 of $2,534 to $4,788 which was lower than the comparable period in 2009, due to less drilling totaling $3,032, as these costs began being capitalized in June 2010 as a result of the successful completion of the feasibility study, this in turn was offset by $478 incurred with respect to the 50/50 joint venture on the Block A property.

In addition to this decrease, studies and engineering costs expensed for the three months ended December 31, 2010 were $81, $2,228 lower than the comparable period in 2009, due to the completion of the feasibility study in the second quarter of 2010. As a result of the capitalization of development activities, expenditures on assay and analysis activities decreased by $724 to $332. These decreases were partially offset by higher administration, consultation and travel expenses related to the Detour Lake project and Block A, which increased by $1,413 to $1,849, reflecting increased personnel and activity at the site. These increases were augmented by higher expenditures on environmental matters for the three months ended December 31, 2010 of $1,768, $1,180 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 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 December 31, 2010.

CHANGES IN FINANCIAL POSITION

The increase in cash, cash equivalents, short-term and long-term investments for the year ended December 31, 2010 was $647,800 to $968,783. For the comparative period in 2009, cash, cash equivalents and short-term investments increased by $277,324 to $320,983. The variance of $370,476 between the cash generated for the twelve months of 2010 and the twelve months of 2009 can be attributed to $492,830 of net proceeds associated with the debt financing completed in the fourth quarter of 2010 and higher cash inflows from stock option exercises of $7,508 to $14,562 for the year ended December 31, 2010. This was partially offset by lower net proceeds of $18,790 to $290,544 associated with the securities offering in the third quarter and fourth quarter of 2010 compared to the same period in 2009, as a result of fewer shares being offered at higher prices. In addition, 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 offset the proceeds of debt and equity financing in 2010. Progress payments on long-lead capital equipment purchases of $62,484, additions to mineral property of $10,847 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 twelve months ended December 31, 2010. Cash outflows from operating activities after working capital changes of $47,726 were $13,599 higher than the comparative period in 2009. 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.

FINANCIAL POSITION

As at December 31, 2010, total assets of $1,230,264 increased by approximately $791,008 from December 31, 2009. The increase was primarily attributed to the successful completion of the bought-deal and debt financings in the third and fourth 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 and convertible debt 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.

On November 24, 2010 the Company announced it had closed an offering, on a best efforts private placement basis for 320,050 flow-through common shares ("Flow-Through Shares") at a price of $42.00 per Flow-Through Share, representing aggregate gross proceeds of approximately $13,442. 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.

On December 3, 2010, the Company completed an offering of 5.5% senior unsecured convertible notes ("Notes") on a private placement basis for total gross proceeds of $501,650 (US$500,000), net proceeds of $492,427 (US$491,208) after deducting $9,923 (US$8,792) in transaction costs, $403 of which were accrued at December 31, 2010 (the "Private Placement"). $250,825 (US$250,000) of Notes were purchased by a syndicate of underwriters and $250,825 (US$250,000) of Notes were purchased by Paulson & Co. Inc. ("Paulson"), on behalf of investment funds managed by Paulson. The Notes purchased by Paulson included $75,248 (US$75,000) of Class A Notes (the "Class A Notes"). The Notes bear interest at 5.5% per annum, payable in arrears in equal semi-annual installments on May 31 and November 30 in each year. The Notes mature on November 30, 2017.

Also, the Company realized $14,562 in proceeds on the exercise of stock options for the year ended December 31, 2010, as compared to $7,054 in the comparative period in 2009.

Upon successful completion of the feasibility study, the Company determined in the second quarter of 2010 that its property contains reserves. However the property is not yet 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 2011 planned expenditures. The Company will have to source additional financing to fully fund the development project including a potential cost overrun amount. In the event that the capital markets for equity are not available, or the cost of capital is excessive, the Company may have to delay the development 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 holds foreign currencies (U.S. dollar and Euro) to match the commitments made to ensure that the future foreign exchange exposures are fixed. At the date of this MD&A, management still was required to convert approximately US$250,000 in U.S. dollar proceeds from the senior unsecured convertible notes and Class A notes to match its Canadian dollar expenditure requirements.

COMMITMENTS AND CONTINGENCIES

The following is a summary of the material contractual obligations of the Company including payments due for each of the next five years and thereafter.

Contractual Obligation $ thousands	**Total**	**Less than 1 year**	**1–3 years**	**4–5 years**	**Thereafter**
Contracts/Equipment orders[1]	$ 459,968	$ 316,166	$ 143,802	–	–
Operating leases	3,829	970	1,688	1,171	–
Interest payable on short- and long-term debt	191,310	27,200	82,055	54,703	27,352
Debt – short- and long-term[2]	497,300	74,595	–	–	422,705
Total contractual obligations	$ 1,152,407	$ 418,931	$ 227,545	$ 55,874	$ 450,057

[1] Certain contract and equipment orders do not have defined payment schedules and have been estimated for the purposes of this table

[2] See the Liquidity and Capital Resources section of the MD&A for further details on the current classification of the debt

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 twelve months ended December 31, 2010 and 2009.

Former Officer

During the three and twelve months ended December 31, 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, applicable interest rate of a non-convertible compound feature debt to determine the debt and equity components of a compound financial instrument 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 December 31, 2010 the long-term portion of the Company's asset retirement obligation was $4,572 (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 (refer to note 11 of the financial statements). 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 ended December 31, 2010 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 as construction continues.

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.

Mineral Property Interests

As at December 31, 2010, the Company's net value of its mineral property interests was $131,667 (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 costs related to 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 December 31, 2010, $13,170 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, $3,317 of changes in the estimated cash flows related to asset retirement obligations and $700 of capitalized costs associated with the senior unsecured convertible notes.

Compound Financial Instruments

The Company has allocated the net proceeds of the senior unsecured convertible notes based on the estimated fair value of a similar debt instrument without an associated convertible feature based on an 11% implied interest rate.

Future Income Tax Asset and Liability

As at December 31, 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 $19,722 (2009 – $11,291) for the twelve months ended December 31, 2010. 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. Commencing in the fourth quarter of 2010, the Company revised its weighted average expected life assumption to 2.5 years for all options granted after September 30, 2010.

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 six 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. For the three and twelve month period ended December 31, 2010, $4,523 and $6,345 (2009 – $585) have 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 December 31, 2010, the Company incurred $1,865 of expenditures relating to this joint venture operation. These expenditures were charged to the Statement of Loss (refer to note 13 of the financial statements). As at December 31, 2010, $480 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").

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. From September 27, 2010, to December 31, 2010, the Company incurred $34 of expenditures relating to this joint venture operation. These expenditures were charged to the Statement of Loss (refer to note 13 of the financial statements). As at December 31, 2010, $nil is included in accounts payable and accrued liabilities, related to the Conquest Joint Venture.

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.

NEW ACCOUNTING POLICIES

Long-term Debt

On December 3, 2010, the Company completed an offering of 5.5% senior unsecured convertible notes ("Notes") on a private placement basis for total gross proceeds of $501,650 (US$500,000), net proceeds of $492,427 (US$490,808) after deducting $9,223 (US$9,192) in transaction costs, $403 of which were accrued at December 31, 2010 (the "Private Placement").

$250,825 (US$250,000) of Notes were purchased by a syndicate of underwriters led by BMO Capital Markets and $250,825 (US$250,000) of Notes were purchased by Paulson & Co. Inc. ("Paulson"), on behalf of investment funds managed by Paulson. The Notes purchased by Paulson included $75,248 (US$75,000) of Class A Notes (the "Class A Notes"). The Notes bear interest at 5.5% per annum, payable in arrears in equal semi-annual installments on May 31 and November 30 in each year. The Notes mature on November 30, 2017.

A trust indenture between the Company and Computershare Trust Company of Canada dated December 3, 2010, was entered into for each of (i) the Notes purchased by the syndicate of underwriters led by BMO Capital Markets; (ii) the Class A Notes; and (iii) the remaining Notes purchased by Paulson (collectively, the "Trust Indentures").

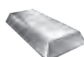
The Notes are convertible into common shares of the Company (subject, in the case of the Class A Notes, to the Optional Settlement Provision described below) at the option of the holder at any time prior to maturity at a conversion price of US$38.50 per share ("Conversion Price"). With respect to the Class A Notes, the Company has the right, in certain circumstances, upon receiving a conversion notice, to elect to satisfy its obligations thereunder by delivering either common shares of the Company at the Conversion Price or the cash equivalent thereof to the holder (the "Optional Settlement Provision").

The Company has the right, in certain circumstances, to redeem the Class A Notes at any time, and has the right to redeem all other Notes after November 30, 2013, provided in each case that the current market price of the Company's common shares is at least 130% of the Conversion Price.

In the event of a "Change of Control" (as defined in the Trust Indentures), the terms of the Trust Indentures require that the Company offer to purchase all of the Notes for an amount equal to the principal amount thereof and all accrued interest thereon. In addition, in certain circumstances where noteholders exercise their conversion rights following a Cash Change of Control (as defined in the Trust Indentures), such holders may be entitled to a Make Whole Premium (as defined by the Trust Indentures) in addition to their conversion rights set out above. The Make Whole Premium may be payable in common shares of the Company and/or cash depending on various circumstances.

As the Company may settle the Class A Notes at its option in either common shares of the Company or cash, the Company has treated the Class A Notes as current portion of long-term debt for accounting purposes on the basis that, as at December 31, 2010, the Company would have elected to repay $63,710 (US$63,500) of the Class A Notes in cash in order to ensure that the holders of the Class A Notes do not beneficially own (as defined in the Company's Shareholder Rights Plan) 20% or more of the Company's common shares.

For accounting purposes, the embedded derivatives within the Class A Notes being, the cash settlement option and the equity conversion option, are held-for-trading financial instruments. The Company has designated the liability component of the Class A Notes as financial instrument held-for-trading and therefore is accounting for the Class A notes at their fair value, in their entirety. The transaction costs of $161 (US$160) associated with the Class A Notes was charged to the Statement of Loss accordingly.



The estimated fair value of the Class A Notes on the balance sheet date was $76,087 and the mark-to-market loss of $1,492 was recognized during the period. As at December 31, 2010, the carrying amount of the Class A Notes was $1,492 (US$1,500) higher than the amount the Company is contractually obligated to pay at maturity.

The Company has allocated a total of $417,341 (US$415,968) of the net proceeds as senior unsecured convertible notes comprised of a $312,222 (US$311,195) debt component and a $105,119 (US$104,773) equity component. The debt component is based on the fair value of a similar debt instrument without an associated conversion option. The fair value of the conversion option, which is represented by the equity component, of the senior unsecured convertible notes on December 3, 2010 was estimated using the residual value.

The debt component of the senior unsecured convertible notes is being accreted over the expected term to maturity using the effective interest method. Accretion costs will be added to the convertible debt balance.

The Trust Indentures obligate the Company to comply with certain reporting and other covenants that include limits on indebtedness.

The Company has allocated the $9,062 (US$9,032) of costs associated with the Private Placement against the component parts of the Notes issued and the fair value of the conversion option.

As a result of the Private Placement, the Company has incurred interest charges of $2,233 and recognized $876 in accretion costs and $3,395 in foreign exchange gain for the year ended December 31, 2010. The interest charges and accretion costs were charged between the SL&CL and mineral properties in accordance with the Company's accounting policy as follows:

	Accretion	Interest	Total
SL&CL	679	1,730	**2,409**
Mineral property interests	197	503	**700**
	876	**2,233**	**3,109**

Interest Capitalization

Interest expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. Interest will be allocated between expensing it to the Statement of Operations and capitalizing it to mineral properties by applying the weighted average effective interest rate of the Company's debt to the average deferred Detour Lake mine costs applicable for the period.

Transaction Costs

The Company records financial assets and liabilities net of transaction costs. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are netted against the financial asset or financial liability on initial recognition and amortized using the effective interest method over the life of the related instrument.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

NEW ACCOUNTING PRONOUNCEMENTS

International Financial Reporting Standards ("IFRS")

The following information is provided solely for the purpose of allowing investors and others to obtain a better understanding of the Company's IFRS changeover plan and the resulting expected effects on the Company's financial statements and operating performance measures. Readers are cautioned that it may not be appropriate to use such information for any other purpose. The accounting policy differences identified in this MD&A should not be considered as complete or final as further changes or other effects and other policy differences may be identified. In addition, the information provided reflects the Company's current assumptions, estimates and expectations, all of which are subject to change. Circumstances may arise, including changes in IFRS, regulations or economic conditions, which could change these assumptions, estimates or expectations or the information provided.

The Canadian Accounting Standards Board requires that all public companies adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Company's audited annual consolidated financial statements for the year ending December 31, 2011 will be the first audited annual consolidated financial statements that will be prepared in accordance with the requirements of IFRS. Starting in the first quarter of 2011 the unaudited interim period consolidated financial statements will be prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting", including 2010 comparative figures and required reconciliations prepared in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" ("IFRS 1").

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.

IFRS Changeover Plan and Status

A summary status of the key elements of the changeover plan is as follows:

Key activities

Financial statement preparation:

- Identify differences in Canadian GAAP/IFRS 1 accounting policies
- Select entity's ongoing IFRS policies
- Select entity's IFRS 1 choices
- Develop financial statement format
- Quantify effects of change in initial IFRS 1 disclosures and 2010 financial statements

Status

The Company has identified and quantified the significant differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS as further described below.

Infrastructure:

Development of IFRS expertise for each of the following:

- Head office, accounting staff and consolidation group
- Senior Executives and Board, including Audit Committee

Status

The Company is providing training for key employees and stakeholders.

Infrastructure:

Preparation of information technology to be fully IFRS compliant for all of:

- Systematic processing changes
- Program upgrades/changes
- One-off calculations (IFRS 1)
- Gathering data for disclosures
- Scope of consolidation package
- Budget/plan/forecast monitoring process

Status

The Company is in the process of updating and revising system processes as necessary.

Control Environment:

Internal control over financial reporting ("ICFR")

- For all accounting policy changes identified, assess ICFR design and effectiveness implications
- Implement appropriate changes

Status

The Company has completed this evaluation within the context of its existing ICFR processes.

Taking into account the fact that the Company is a single asset company which has recently commenced the development of a gold mine which will take approximately 24 months to construct before commercial operations commence; and has identified relatively few changes for the Company's transition to IFRS; certain aspects of the IFRS conversion have minimal impact on the Company and its processes.

First-time Adoption of IFRS

The adoption of IFRS will require the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of all IFRS standards, with the exception of certain mandatory exceptions and limited optional exemptions provided in the standard. The table below summarizes the significant optional exemptions that are available to the Company and the Company's decision with regard to the exemption described.

Fair value as deemed cost

There is an option to choose to use the fair value of an item of property, plant and equipment as deemed cost at the transition date or a previous revaluation under Canadian GAAP as deemed cost under IFRS.

The Company elected not to use fair value as deemed cost on transition. The items of property, plant and equipment are reported at cost as determined under IFRS.

Share-based payments

A first-time adopter is encouraged, but not required, to apply IFRS 2 to equity instruments that were granted on or before November 7, 2002, or were granted after November 7, 2002 and vested before the Company's IFRS transition date.

The Company elected this exemption and as a result, has applied IFRS 2 retrospectively for only share-based payments that were granted after November 7, 2002, that had not vested at the date of transition.

The impact on the opening balance sheet as a result of this election is immaterial.

Decommissioning liabilities

A first-time adopter has an option to apply International Financial Reporting Interpretations Committee 1 ("IFRIC 1"), "Changes in Existing Decommissioning, Restoration and Similar Liabilities", retrospectively or prospectively. IFRIC 1 requires that the changes in decommissioning liabilities to be added to or deducted from the items of property, plant and equipment to which the changes relate to.

The Company elected to adopt IFRIC 1 prospectively at the transition date.

Cumulative translation differences

IFRS 1 provides an optional exemption relating to the treatment of cumulative translation differences upon first-time adoption, where cumulative translation differences to be deemed zero at the date of transition to IFRS.

Due to the changes in business activities in the fourth quarter of 2010, the Company's functional currency under IFRS is in the process of being re-evaluated. Should the functional currency change under IFRS, the Company intends to use this exemption.

Significant Accounting Policy Changes under IFRS

The Company currently expects IFRS to affect the Company's consolidated financial statements in the following key areas:

Decommissioning liabilities (asset retirement obligation)

Under Canadian GAAP, the Company records a decommissioning liability based on the estimated amount to be paid out at the time of decommissioning discounted to the current date using a credit adjusted risk-free rate. Subsequent to a provision for reclamation and remediation being recorded, changes to the estimated liability, other than accretion, are recorded only as a result of changes in the timing or amount of future cash flows to settle the obligations. IFRS requires the Company to recognize a provision based on the estimated amount to be paid out at the time of decommissioning, discounted using a pre-tax discount rate that reflects the market's assessment of the time value of money and the risks specific to the liability at

the reporting date. IFRS also requires changes in the liability to be recorded each period based on changes in discount rates in addition to changes in estimated timing or amount of future cash flows.

Under Canadian GAAP, the accretion related to the decommissioning liability is recognized as an operating expense. IFRS requires the accretion to be recognized within finance expense.

The difference in measurement is estimated to be immaterial on transition to IFRS.

Asset impairment

Under Canadian GAAP, the carrying value of the asset is compared to the undiscounted future cash flows to see whether there is an impairment. If there is an impairment, it is measured by comparing the carrying value of the asset with its fair value. IAS 36, "Impairment of Assets", takes a one-step approach and compares the carrying value of the asset with the higher of its fair value less costs to sell or its value in use.

The difference in accounting for asset impairment could lead to greater volatility in reported earnings in future periods. The value-in-use test under IFRS uses discounted future cash flows, increasing the likelihood of asset impairment compared to the test under Canadian GAAP, which uses undiscounted cash flow. IFRS also requires companies to reverse impairment losses (for everything except goodwill) if an impairment is reduced due to a change in circumstances. Canadian GAAP does not allow companies to reverse impairment losses. As at January 1, 2010, the Company has not recorded any impairment charges under Canadian GAAP.

Provisions

IAS 37, "Provisions, Contingent Liabilities, and Contingent Assets", requires companies to recognize a provision when:

- there is a present obligation due to a past transaction or event,
- it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and
- the obligation can be reliably estimated.

Canadian GAAP uses the term "likely" in its recognition criteria, which is a higher threshold than "probable". IFRS also requires a provision to be recognized when a contract is determined to be onerous. A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Canadian GAAP only requires the recognition of such a liability in certain prescribed situations.

These differences could result in the recognition of a liability under IFRS that was not previously recognized under Canadian GAAP. Other measurement differences under IFRS could result in the earlier recognition of provisions or the recognition of a different amount than under Canadian GAAP. There is no difference on transition to IFRS.

Senior unsecured convertible notes

IFRS requires the liability component of convertible financial instruments to be measured first, and the residual amount assigned to the equity component. Under Canadian GAAP, an entity can choose to either value the debt or the equity and assign the residual amount to the other component.

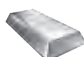
For the convertible notes that were issued in the fourth quarter of 2010, other than the Class A notes, the Company measured the debt component and assigned the residual amount to the equity component under Canadian GAAP. There is no difference on transition to IFRS.

Class A notes

The Company's intention is to designate the Class A Notes as fair value through profit or loss on transition to IFRS. Under Canadian GAAP, the Class A Notes were designated as held-for-trading financial instruments, and they were measured at fair value. There is no difference on transition to IFRS.

Deferred taxes

Under IAS 12, "Income Taxes", deferred income taxes are not recognized for temporary differences that arise from differences between the fair values and tax bases of assets acquired in a transaction other than a business combination. Under Canadian GAAP, deferred income taxes are recognized for such temporary differences.



On transition to IFRS, the Company reversed the income tax benefit recognized on acquisition of Detour Lake Property in October 2008. The impact of this adjustment was to decrease the mineral property interests by $32,305 and increase the opening deficit by the same amount. This difference is reflected in the preliminary IFRS opening balance sheet.

Share-based payments

Under Canadian GAAP, stock options issued under the Company's share-based compensation plans that vest in increments over a number of periods are treated as a single grant for purposes of valuation. The value of the grant is then amortized evenly over the vesting period.

Under IFRS, where stock options vest over a number of periods, each vesting amount is valued as a separate tranche and each tranche is amortized over its individual vesting period. The result of the treatment under IFRS as compared with Canadian GAAP is generally to accelerate the recognition of compensation costs.

The difference on transition to IFRS is determined to be immaterial.

Exploration expenditures

IFRS 6, "Exploration for and Evaluation of Mineral Resources", requires companies to either capitalize or expense costs incurred during the exploration and evaluation phase. Under Canadian GAAP, the Company expensed the exploration expenditures as incurred.

The Company will maintain the current accounting policy of expensing all costs relating to exploration and evaluation as they are incurred on transition to IFRS. Once a property is determined to be economically viable, costs will be capitalized until the commencement of production.

There is no difference on transition to IFRS.

Preliminary IFRS Opening Balance Sheet

The Company is in the process of finalizing its IFRS opening balance sheet at January 1, 2010. The most significant adjustment on transition to IFRS identified to date relates to deferred income taxes. The balance sheet reflects accounting policy differences that have been identified to date, as well as the IFRS 1 elections expected to be applied on transition to IFRS. The balance sheet is preliminary and the final opening balance sheet may reflect adjustments relating to any new IFRS pronouncements or other items identified through the first quarter of 2011.

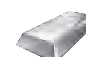
(Expressed in thousands of dollars)	As at December 31, 2009 CGAAP	IFRS Transition Adjustment Deferred Taxes	As at January 1, 2010 IFRS
	(Audited)	(Unaudited)	(Unaudited)
Assets	$ 439,256	$ (32,305)	**$ 406,951**
Liabilities	5,140	–	5,140
Shareholders' equity	434,116	(32,305)	401,811
Liabilities and shareholders' equity	$ 439,256	$ (32.305)	**$ 406,951**

Preliminary Impact of IFRS Conversion on 2010 Results

The Company is in the process of quantifying the impacts of IFRS conversion on the 2010 interim periods and for the year ended December 31, 2010. The most significant recurring adjustments to profit or loss identified to date relate to deferred income taxes and share-based payments.

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 is responsible for establishing and maintaining adequate control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting – Guidance For Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2010.

DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision of and with the participation of management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2010.

OUTLOOK

The Detour Lake project remains the focus of exploration and development efforts over the short to medium term following the substantial de-risking of the project in 2010 which included the completion of a positive feasibility study, signing of aboriginal agreements, receipt of the provincial permits and financing a significant portion of the capital costs through the issuance of senior unsecured convertible notes and equity totaling approximately $800 million in gross proceeds.

Near term goals for 2011 include completing the process to secure the remaining federal permits necessary to allow for operations to commence after the completion of the construction. In addition, the Company continues to add to its owner's team required to oversee the development of the Detour Lake project while in 2011 the hiring of the operational team will take on more significance as the Company prepares itself for operations post construction. Another goal for 2011 includes evaluating the potential to expand the mine and mill production beyond 60,000 tonnes per day. This requirement was highlighted with the release of the reserve update in February 2011 which saw the reserves increase by 31%. The Company expects to release the results of this study in early 2012; however, amendment to or new permits may be required if the study proves positive. The Company will also have to complete the financing of the projected capital costs within the next 12 to 18 months prior to depleting its cash resources on hand. Such financing would be completed with equity as the Company has completed approximately 50% of the capital costs in debt as a result of the US$500 million in senior unsecured convertible notes and cash settlement notes completed in December 2010 plus the mobile fleet leasing arrangement for up to US$105 million with the equipment supplier expected to be completed in March or April of 2011.

With infrastructure development now commenced following receipt of the provincial permits and $102,799 having been spent on the project in 2010 the focus will be on proceeding to a full scale ramp up of the project development. The planned expenditures in 2011 exceed $500 million which will be financed from existing cash resources, the peak activity level occurring in the latter half of the year as the mill construction, the single largest expenditure for the project, reaches peak levels.

A project control estimate detailing the updated capital costs including items already committed and updating the project schedule has been completed by the Company's EPCM contractors. The evaluation identified a minor variance of approximately 7% above the Feasibility Study costs which is well within the tolerance levels for such estimates and not unexpected given the high level of commitments that have already been made for the project.

The Company also continues its exploration and resource advancement efforts at and around the site in 2011 with a budget of approximately $15 million and which includes the evaluation of the newly acquired Conquest properties in search of additional resources. As well, drilling to the west of the known reserves and resources will continue as they did in 2010. Depending on the results of these programs, they may be further expanded.

OUTSTANDING SHARE DATA

As at March 15, 2011, the date of this MD&A, the Company had the following securities outstanding:

	Number
Common shares	83,676,384
Share purchase options	5,254,712
Share purchase options – PDX amalgamation	296,666
Warrants	500,000
Senior unsecured convertible notes and Class A notes	12,987,013

RISK FACTORS

The following major risk factors should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the following risk factors could cause circumstances to differ materially from those described in forward-looking statements relating to the Company, and could have a material adverse effect upon the Company, its business and future prospects. Although the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company. In addition, other risks and uncertainties not presently known by management could impair the Company and its business in the future.

Limited Property Portfolio

At present, the Company's only mineral properties are those properties comprising the Detour Lake Property. Unless the Company acquires or develops additional mineral properties, the Company will be solely dependent upon the Property. If no additional mineral properties are acquired by the Company, any adverse development affecting the progress of the Property may have a material adverse effect on the Company's financial condition and results of operations.

Fluctuating Gold Prices

The Company's future profitability and the viability of development depend upon the world market price of gold, amongst other things. Prices fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by factors including industrial and retail supply and demand, exchange rates, inflation rates, changes in global economies, confidence in the global monetary system, forward sales of gold and other metals by producers and speculators as well as other global or regional political, social or economic events. The supply of gold and other metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers.

If the market price for gold falls significantly, it could affect the Company's decision to proceed with further exploration or development and could materially and adversely affect the Company's ability to fully finance the development of the Project. Furthermore, the economic prospects of the projects in which the Company has an interest could be significantly reduced or rendered uneconomic.

Gold prices have fluctuated widely in recent years. There is no assurance that, even as commercial quantities of gold may be produced in the future, a profitable market will exist for them. The Company does not presently have a gold hedging policy in effect.

A decline in the market price of gold may also require the Company to reduce its mineral reserves and resources, which could have a material adverse effect on the Company's value.

Share Price Volatility

In recent years, particularly in 2008 and 2009, the world securities markets, including those in the United States and Canada, have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, including the Company, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Financial Capability and Additional Financing

Although the Company has the majority of project funding in place for the Project, the Company will require additional financial resources to complete the development of the Project. The Company has no operating revenues, has significant operational expenses and there is no assurance that additional funding will be available to the Company. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing debt and capital market conditions, the price of gold, the business performance of the Company and other factors outlined herein. Failure to obtain sufficient financing may result in delaying or the indefinite postponement of the development of the Project. With respect to the Sunday Lake Claims, if the Company does not incur the required expenditures within the stipulated timeframe set out in the Sunday Lake Option and Joint Venture Agreement it will not acquire any interest in the Sunday Lake Claims. If the Company does acquire an interest in the Sunday Lake Claims, but it cannot obtain adequate funds, or funds on reasonable terms, it may elect not to fund future work programs, and its interest in the property will be diluted as a result. With respect to the property known as Block A, if the Company cannot obtain adequate funds, or funds on reasonable terms, it may elect not to fund future work programs, and its interest in the property will be diluted as a result. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If the Company raises additional funds through the sale of equity securities or securities convertible into equity securities, shareholders may have their equity interest in the Company diluted.

Recent Global Financial Conditions

In recent years, particularly 2008 and 2009, financial conditions have been characterized by volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such volatility and market turmoil continue, the Company's business and financial condition could be adversely impacted.

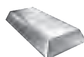
Mining Exploration and Development

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for, and the development of, mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

The Company's exploration and future production may be hampered by mining, heritage and environmental legislation, industrial accidents, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies. The success of the Company also depends on the delineation of economically recoverable reserves, the availability and cost of required development capital, the price of commodities, securing and maintaining title to its exploration and mining tenements as well as obtaining all necessary consents and approvals for the conduct of its exploration and future development and production activities. The failure of the Company to achieve its production estimates could have a material adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition.

Risks involved in mining operations include unusual and unexpected geologic formations, seismic activity, cave-ins, flooding and other conditions involved in the drilling and removal of any material, any of which could result in damage to life or property, environmental damage and possible legal liability. Further, weather conditions over a prolonged period can adversely affect exploration, production, mining and drilling operations and the timing of earning revenues.

Whether income will result from any of the Company's projects will depend on the successful establishment of mining operations. Various factors, including costs, actual mineralization, consistency and reliability of ore grades, and commodity prices affect successful project development, future cash flow and profitability, and there can be no assurance that current or future estimates of these factors will reflect actual results and performance. The design and construction of efficient processing facilities, the cost and availability of suitable machinery, supplies, mining equipment and skilled labour, the existence of competent operational management and prudent financial administration, as well as the availability and reliability of appropriately skilled and experienced consultants also can affect successful project development.



The recoverability of amounts for mineral properties and related deferred costs is dependent upon the confirmation of the Company's interest in the underlying claims, the Company's ability to obtain necessary financing to complete development, future profitable production or, alternatively, upon disposition of such properties at a profit.

Competitive Conditions

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial resources and technical facilities. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically and businesses compete for the technical expertise to find, develop, and produce such properties, the skilled labour to operate the properties and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis and some of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties.

The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operation and business.

Mineral Reserve and Resource Estimates

The mineral reserve and resource figures referred to herein or in documents filed by the Company from time to time on SEDAR at www.sedar.com are estimates only and no assurance can be given that any particular level of recovery of gold or other minerals from mineral reserves or resources will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) orebody which can be economically exploited. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Any material change in the quantity of mineralization, grade or ore to waste ratio, or the price of gold may affect the economic viability of any property held by the Company. In addition, there can be no assurance that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Until mineral reserves and resources are actually mined and processed, the quantity of mineral reserve and resource grades must be considered as estimates only.

Permits

There is no assurance that the Company can obtain, or that there will not be delays in obtaining, the environmental approval or permits necessary to develop the Project, including environmental approvals and permits required in connection with the Company's future mining operations.

To the extent such approvals or consents are required and are delayed or not obtained, the Company may be curtailed or prohibited from proceeding with planned development of, or commencing mining operations on, the Property.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or require abandonment or delays in development of new mining properties.

Aboriginal Title and Rights Claims

Aboriginal title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred.

The Company is also engaged with the Aboriginal groups whose traditional territories are or may be impacted by the development of the mine. The Company has signed agreements with the Moose Cree First Nation, the Taykwa Tagamou Nation and the Wahgoshig First Nation. The agreements set out the benefits these First Nation communities will receive from

the development of the Project and outline how the Company and each First Nation will work together on community training initiatives as well as employment and business opportunities. Each agreement recognizes and respects both the First Nation's aboriginal rights and interests as well as the Company's rights and interests in the development of the Project. Each also endorses a commitment by the Company and each First Nation to consult and accommodate with one another over the life of the mine. The Company has also signed a memorandum of understanding with the Métis, to guide their working relationship in regard to the development of the Project. There can be no assurance that an agreement with the Métis will be negotiated and executed. The Company is not aware of any treaty land entitlement claims or Aboriginal land claims having been formally asserted or any legal actions relating to Aboriginal issues having been instituted with respect to the Property. There can be no assurance that treaty or Aboriginal rights will not be asserted during the course of the consultations or in the future in respect of the Project, or any of the Company's other properties. In addition, other parties may dispute the Company's title to its properties and its properties may be subject to prior unregistered agreements or transfers or land claims by Aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

Environmental and Safety Regulations and Risks

Environmental laws and regulations affect the operations of the Company. These laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. Furthermore, the permission to operate could be withdrawn temporarily where there is evidence of serious breaches of health and safety, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or non-compliance with environmental laws or regulations. Environmental legislation is evolving in a manner that may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Permits from a variety of regulatory authorities are required for many aspects of mine development, operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Project, the extent of which cannot be predicted. In the context of environmental permits, including the approval of reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority.

Reclamation Estimates and Obligations

The Company estimates the cost to complete the reclamation of the Mine Site as at December 31, 2010 to be approximately $16.3 million. In October 2008, the Company issued a Letter of Credit in favour of the Ministry of Northern Development, Mines and Forestry in the amount of $6.6 million (the "2008 LC") in support of its obligations under the 2008 Mine Closure Plan. The 2008 LC is secured by an investment certificate of equal value. In September 2010, the Company issued a second Letter of Credit in favour of MNDMF in the amount of $21.62 million (the "2010 LC") to provide financial assurance regarding the closure plan submission related to the development of the future mining operations. The 2010 LC is secured by an investment certificate of equal value. Should the Project be developed, and as estimated in the revised 2010 Mine Closure Plan, the estimated closure costs after 16 years of operations are estimated to be $72.5 million. Actual costs of completing the reclamation of the Mine Site may be higher than those estimated.

Government Regulation

The Company's mineral exploration is, and its development activities will be, subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licences and permits. The granting and enforcement of the terms of such approvals, licences and permits are, as a practical matter, subject to the

discretion of the applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licences and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or development costs or reduction in levels of production at producing properties, if any, or require abandonment or delays in development of new mining properties.

Management and Technical Personnel

The success of the Company is currently largely dependent on the performance of its officers and technical personnel. Shareholders will be relying on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business of the Company. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. There is no assurance the Company can maintain the services of its officers or other qualified technical personnel required to operate its business. The loss of the services of one or more of these persons could have a material adverse effect on the Company's business and prospects.

Insurance and Uninsurable Risks

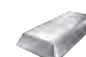
Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, ground or slope failures, fires, floods, earthquakes, cyclones and other environmental occurrences, as well as political and social instability that could result in damage to or destruction of mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining caused by industrial accidents or labour disputes or changes in regulatory environment, monetary losses and possible legal liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all potential risks associated with its operations, and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company.

No History of Earnings or Dividends

The Company has no history of earnings and as such the Company has not paid dividends on its Common Shares since incorporation and does not anticipate doing so in the foreseeable future. Payment of any future dividends will be at the discretion of the board of directors after taking into account many factors, including operating results, financial condition and anticipated cash needs.

Price Fluctuations of Consumed Commodities

Prices and availability of commodities consumed or used in connection with exploration and development and mining, such as natural gas, diesel, oil and electricity, also fluctuate, and these fluctuations affect the costs of production at various operations. These fluctuations can be unpredictable, can occur over short periods of time and may have a material adverse impact on the Company's operating costs or the timing and costs of various projects.



Infrastructure

Mining, processing, development and exploration activities depend on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The Project will need sufficient infrastructure to commence and continue mining operations, and will need access to start-up and ongoing capital to establish and maintain the infrastructure necessary to operate a mine on the Property. There is no assurance that such infrastructure can be put in place or that the capital will be available to the Company on satisfactory terms, or at all, in order to build and maintain such infrastructure, which would have a material adverse effect on the Company's financial condition and results of operation. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could also adversely affect the Company's operations, financial condition and results of operations.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with Canadian generally accepted accounting principles. In preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's audited financial statements. 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. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

Limited Operating History

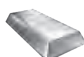
The Company has not yet recorded any revenues from its operations nor has the Company commenced commercial production on the Property. The Company does not expect to generate revenues from operations in the foreseeable future. The Company expects to continue to incur losses unless and until such time as the Project enters into commercial production and generates sufficient revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or that the Property or any of the properties it may hereafter acquire or obtain an interest in will generate earnings, operate profitably or provide a return on investment in the future. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial productions of its properties are added. The amount and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control.

Joint Ventures

On April 8, 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 Mine Property. On September 27, 2010, the Company entered into the Sunday Lake Option and Joint Venture Agreement with Conquest which provides the Company with the option to acquire a 50% interest in the Sunday Lake Claims and to enter into a joint venture with Conquest in relation to the Sunday Lake Claims. The existence or occurrence of one or more of the following circumstances and events could have an adverse impact on the Company's future profitability, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition: (i) disagreement with joint venture partners on how to develop and operate mines efficiently, (ii) inability of joint venture partners to meet their obligations to the joint venture or third party, (iii) litigation between joint venture partners regarding joint venture matters; and (iv) failure of joint venture partners to conduct operations appropriately.

Litigation

The Company is subject to litigation risks. All industries, including the mining industry, are subject to legal claims, with and without merit. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the



inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's financial position or results of operations.

Third Party Claims on the Detour Lake Property

Title to, and the area of, resource claims may be disputed and additional amounts may be paid to surface rights owners in connection with any development of mining activity. Although the Company is satisfied, based on due diligence conducted by the Company, that its surface and mineral rights to the Property are valid, there may be challenges, including Aboriginal land claims, on the Property which, if successful, could impair exploration, development and/or future mining operations.

Conflict of Interest

All of the directors of the Company also serve as directors and/or officers of other companies involved in natural resource exploration, development and production. Consequently, there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving these other companies will be made in accordance with the duties and obligations to deal fairly and in good faith with the Company and these other companies. In addition, such directors must declare, and refrain from voting on, any matter in which such directors may have a material conflict of interest.

Possible Dilutive Effects on Holders of Common Shares

We may issue additional Common Shares pursuant to the Notes, outstanding options and warrants and a number of existing agreements, as well as in order to give effect to our business plan, all of which may dilute the ownership interests of existing holders of Common Shares. Any sales in the public market, or the availability for sale, of any of such Common Shares could adversely affect prevailing market prices of the Common Shares. In addition, the anticipated conversion of the Notes into Common Shares could depress the price of the Common Shares. A decline in the market prices of Common Shares could impair our ability to raise additional capital through the sale of Common Shares or securities convertible into Common Shares should we desire to do so.

The Company May Not Be Able to Satisfy Principal and Interest Payments on the Notes

The Notes may be redeemed in certain circumstances and have a maturity date of November 30, 2017. The Class A Notes provide that, in limited circumstances, the Company may be obligated to pay cash to a holder of Notes who has exercised conversion rights thereunder. The Company is also required to offer to repurchase the Notes upon the occurrence of certain events defined in the three indentures entered into as part of the December 2010 Offering as a "Change of Control". In addition, interest is payable semi-annually to holders of the Notes. There is no guarantee that the Company will have sufficient cash available to make interest and principal payments on the Notes on a timely basis or at all. The likelihood that holders of the Notes will receive the payments owing to them in connection with the Notes will be dependent upon numerous factors including the financial health and creditworthiness of the Company and the ability of the Company to generate positive cash flows. Notwithstanding that the Notes may be subordinated to other indebtedness of the Company, a default under the Notes could have significant adverse consequences to the Company and could prevent the Company from operating in accordance with its business plan, or at all.

The Level of Debt Associated with the Notes Could Have an Adverse Impact on Our Business

Our indebtedness as a result of the Notes, among other things, could:

- make it difficult for us to satisfy our obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to or capitalizing on, changes in our business, the markets in which we operate and in government regulation;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow or raise additional funds.

Currency Risk

We conduct some of our business, and the Notes are denominated, in currencies other than Canadian dollars. We maintain most of our working capital in Canadian dollars or Canadian dollar-denominated securities except for those funds required for foreign denominated payments in United States dollars. However, from time to time, there may be a time lag in converting funds either from Canadian to foreign currencies or foreign currencies to Canadian dollars. In addition the Company may have to settle a portion of the Class A Notes in United States dollars should they be called by the note holders. Accordingly, we are subject to fluctuation in the rates of currency exchange between the Canadian dollar and United States dollar, and these fluctuations could materially affect our financial position and results of operations. The Company has not used any hedging or other financial derivatives.

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;
- 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 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 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.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited consolidated balance sheets as at December 31, 2010 and 2009 and the audited related consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for each of the years then ended of Detour Gold Corporation (the "Company") were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the audited annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the audited annual consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting and disclosure process and the audited annual consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited annual consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Conclusion Relating to Disclosure Controls and Procedures

An evaluation was performed under the supervision of and with the participation of management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at December 31, 2010.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting – Guidance For Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at December 31, 2010.

Gerald S. Panneton
President and Chief Executive Officer

Paul Martin
Chief Financial Officer

Toronto, Canada
March 15, 2011

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders of Detour Gold Corporation

We have audited the accompanying consolidated financial statements of Detour Gold Corporation ("the Entity"), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Detour Gold Corporation as at December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
March 15, 2011

CONSOLIDATED BALANCE SHEETS

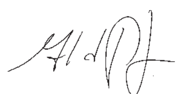
(In thousands of dollars)
(Expressed in Canadian dollars unless otherwise noted)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 713,228	$ 268,408
Short-term investments	253,061	52,575
Amounts receivable and prepaids	10,364	1,568
	976,653	322,551
Restricted cash (note 5)	28,174	6,554
Long-term investments (note 6)	2,494	–
Equipment (note 7)	91,276	665
Mineral property interests (note 9)	131,667	109,486
	$ 1,230,264	$ 439,256
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 35,856	$ 3,721
Current portion of long-term debt (note 10)	76,087	–
	111,943	3,721
Long-term debt (note 10)	310,355	–
Asset retirement obligations (note 11)	4,572	1,419
Future income tax liability (note 14)	–	–
	426,870	5,140
Shareholders' equity	803,394	434,116
	$ 1,230,264	$ 439,256

Commitments and contingencies (note 9, 12(d) and 17)

Subsequent event (note 18)

Approved on behalf of the Board of Directors:



Gerald S. Panneton
Director

Alex Morrison
Director

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

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In thousands of dollars except per share amounts)
(Expressed in Canadian dollars unless otherwise noted)

	Year ended December 31, 2010	Year ended December 31, 2009
Expenses		
Exploration studies and permitting (note 13)	$ 30,016	$ 27,124
Stock-based compensation (note 12(e))	19,722	11,291
Salaries and management fees	7,775	3,723
Office, administration and other	2,259	1,031
Professional fees	1,628	688
Advisory costs (note 12(f))	6,345	585
Foreign exchange (gain)/loss	2,107	–
Investor relations and promotion	400	573
Shareholders' information	162	203
Travel	937	173
Regulatory fees	323	138
Financing fees (note 10)	161	–
Accretion on convertible notes (note 10)	679	–
Accretion on asset retirement obligation (note 11)	139	127
Amortization	306	81
Loss before the under noted	(72,959)	(45,737)
Interest income	3,482	1,182
Interest expense on convertible notes (note 10)	(1,730)	–
Fair value mark to market on debt	(1,492)	–
Loss before future income tax recovery	(72,699)	(44,555)
Future income tax recovery (note 14)	–	7,746
Loss and comprehensive loss	$ (72,699)	$ (36,809)
Basic and diluted loss per share	$ (0.96)	$ (0.78)
Weighted average number of common shares	75,762,711	47,409,097

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)
(Expressed in Canadian dollars unless otherwise noted)

	Year ended December 31, 2010	Year ended December 31, 2009
Cash provided by (used in)		
OPERATING ACTIVITIES		
Loss for the year	$ (72,699)	$ (36,809)
Items not involving cash:		
Amortization	306	81
Amortization included in exploration	126	104
Accretion on asset retirement obligation (note 11)	139	127
Accretion on convertible notes (note 10)	679	–
Financing fees (note 10)	161	–
Advisory costs (note 12(f))	6,345	585
Unrealized foreign exchange gain	2,107	–
Fair value mark to market on debt	1,492	–
Gain on sale of property and equipment	(15)	–
Future income tax recovery (note 14)	–	(7,746)
Stock-based compensation (note 12(e))	19,722	11,291
	(41,637)	(32,367)
Changes in non-cash working capital items:		
Amounts receivable and prepaids	(8,796)	301
Accounts payable and accrued liabilities	2,707	(2,061)
	(47,726)	(34,127)
INVESTING ACTIVITIES		
Amalgamation costs of PDX Resources Inc., net of cash acquired (note 8)	–	(4,561)
Addition to mineral property interests	(10,847)	–
Proceeds from sale of equipment	43	–
Purchase of equipment	(62,484)	(377)
Purchase of short-term investments	(538,875)	(128,878)
Redemption of short-term investments	338,123	119,836
Purchase of long-term investments	(9,975)	–
Redemption of long-term investments	7,481	–
Cash deposit held as security	(21,620)	–
Acquisition of mineral property interests	(2,000)	–
	(300,154)	(13,980)
FINANCING ACTIVITIES		
Convertible notes issued for cash	501,650	–
Convertible notes issuance costs	(8,820)	–
Securities issued for cash	303,242	323,418
Share issuance costs	(12,697)	(14,084)
Exercise of options for cash	14,562	7,054
	797,937	316,388
Effect of exchange rate on cash and cash equivalents	(5,237)	–
Change in cash and cash equivalents	444,820	268,281
Cash and cash equivalents, beginning of year	268,408	127
Cash and cash equivalents, end of year	$ 713,228	$ 268,408
Supplemental information (note 16)		

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands of dollars except per security amounts)
(Expressed in Canadian dollars unless otherwise noted)

	Common shares		Warrants		Convertible	Contributed		Shareholders'
	(#)	($)	(#)	($)	notes ($)	surplus ($)	Deficit ($)	equity ($)
Balance at December 31, 2008	**44,863,800**	**179,645**	**–**	**–**	**–**	**7,502**	**(42,340)**	**144,807**
Shares issued upon exercise of stock options	1,123,236	10,785	–	–	–	(3,731)	–	7,054
Stock-based compensation (note 12(e))	–	–	–	–	–	11,291	–	11,291
Stock-based compensation (note 8 and 12(e))	–	–	–	–	–	2,851	–	2,851
Acquisition of PDX Resources Inc. and corresponding share cancellation (note 8)	(302)	(1)	–	–	–	–	(6,664)	(6,665)
Public offerings (note 12(c))	23,299,500	311,015	–	–	–	–	–	311,015
Issue of warrants (note 12(f))	–	–	500,000	572	–	–	–	572
Loss and comprehensive loss for the year	–	–	–	–	–	–	(36,809)	(36,809)
Balance at December 31, 2009	**69,286,234**	**501,444**	**500,000**	**572**	**–**	**17,913**	**(85,813)**	**434,116**
Shares issued upon exercise of stock options	1,624,075	23,064	–	–	–	(8,502)	–	14,562
Public offering (note 12(c))	12,395,050	290,545	–	–	–	–	–	290,545
Acquisition of mineral claims (note 9)	100,000	2,994	–	–	–	–	–	2,994
Warrant valuation – advisory costs (note 12(f))	–	–	–	6,345	–	–	–	6,345
Convertible notes (note 10)	–	–	–	–	105,119	–	–	105,119
Stock-based compensation (note 12(e))	–	–	–	–	–	22,412	–	22,412
Loss and comprehensive loss for the year	–	–	–	–	–	–	(72,699)	(72,699)
Balance at December 31, 2010	**83,405,359**	**818,047**	**500,000**	**6,917**	**105,119**	**31,823**	**(158,512)**	**803,394**

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

December 31, 2010 and 2009
(In thousands of dollars except per security amounts) (Expressed in Canadian Dollars unless otherwise noted)

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 and equipment is dependent upon the ability of the Company to obtain necessary financing to complete the development and future profitable production or, alternatively, upon disposition of such property and assets 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

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Outlined below are those policies considered particularly significant.

(a) Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP 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. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates include the determination of potential impairments of mineral property interests and related deferred exploration costs, the applicable interest rate to be applied to a non-convertible compound feature debt to determine the debt and equity component of a compound financial instrument, the valuation of future income tax assets and liabilities, the assumptions used in determining asset retirement obligations and the fair value of stock-based compensation and other stock-based payments.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments, having maturity dates of three months or less from the date of purchase, which are readily convertible to known amounts of cash.

(c) Restricted cash

Restricted cash consists of cash for asset retirement obligations. Restricted cash is recorded at cost and interest earned is recorded as interest income when earned.

(d) Short-term investments

Short-term investments include interest bearing instruments with original maturities between three months and less than one year at the time the investment is made. Short-term investments are reported at market value. As at December 31, 2010, short-term investments comprise guaranteed investment certificates, bankers acceptances, promissory notes, bonds, T-bills and discount notes of $253,061 (December 31, 2009 – $52,575) bearing fixed interest rates.

(e) Financial instruments and comprehensive loss

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in the estimated fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at estimated fair value and changes in the estimated fair value are recognized in the statement

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of loss for the year in which they arise; available-for-sale financial instruments are measured at the estimated fair value with changes in the estimated fair value recorded in other comprehensive loss until the investment is de-recognized or impaired at which time the amounts would be recorded in the statement of loss.

The Company has made the following classifications:

Cash	Held-for-trading
Short-term investments	Held-for-trading
Restricted cash	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Class A notes	Held-for-trading
Senior unsecured convertible notes	Other financial liabilities

(f) Equipment amortization

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the following periods:

Mobile equipment	5 years
Furniture and fixtures	5 years
Computer equipment and software	3 years
Machinery and equipment	5 years
Leasehold improvements	Term of lease

Amortization of mobile equipment as well as machinery and equipment used directly in exploration projects is included in exploration expenditures. Assets under development are not amortized until they are available for use.

(g) Mineral property interests

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 the period of such determination.

Exploration costs are expensed in the period incurred until such time as reserves have been identified by a feasibility study. Subsequent development costs of the property will be capitalized. Option payments which are solely at the Company's discretion are recorded as they are made.

(h) Impairment of long-lived assets

The Company reviews and evaluates its long-lived assets, including its mineral property interests and equipment, for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. Measurement of an impairment loss is based on the excess of the carrying value of the asset over its estimated fair value.

(i) Asset retirement obligations

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. 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 the estimated fair value.

It is possible that the Company's estimates of its asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required, the means and timing of reclamation, changes in cost estimates and decisions that management may make. Changes in estimates are accounted for prospectively from the period in which these estimates are revised.

(j) Future income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. Income tax expense or benefit is the sum of the Corporation's provision for the current income taxes and the difference between the opening and ending balances of the future income tax assets and liabilities.

(k) Loss per share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. For senior unsecured convertible notes and Class A notes (note 10), the number of additional shares for inclusion in diluted earnings per share calculations is determined using the if converted method. The effect of potential issuances of shares under stock options, warrants and convertible notes would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

(l) Stock-based compensation

The fair value of stock options granted is estimated using the Black Scholes option pricing model with assumptions for risk-free interest rates, dividend yields, volatility and the expected life of the options. Forfeitures are recorded based on actual occurrences. The Company charges costs related to stock-based compensation to operations or mineral property interests over the vesting period with a corresponding credit to contributed surplus.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(m) Translation of foreign currencies

The Canadian dollar is the Company's reporting and functional currency. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses are translated at exchange rates in a manner that produces substantially the same reporting amounts that would have resulted had the

underlying transactions been translated on the dates they occurred. Exchange gains or losses arising on translation are included in net loss for the period.

(n) Joint ventures

A portion of the Company's exploration activities is conducted jointly with others wherein the Company has entered into an agreement that provides for a specified interest in a mining exploration property. The Company accounts for its investment in the joint venture using the proportionate consolidation method.

(o) Fair value hierarchy and liquidity risk disclosure

In June 2010, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments – Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 – Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the consolidated financial statements (refer to note 4(c)).

(p) New accounting policies

Interest capitalization

Interest expense allocable to the qualifying cost of developing mining properties and to constructing new facilities is capitalized until assets are ready for their intended use. Interest will be allocated between expensing in the Statement of Operations and capitalizing it to mineral properties by applying the weighted average effective interest rate of the Company's debt to the average deferred Detour Lake mine costs applicable for the period.

Transaction costs

The Company records financial assets and liabilities net of transaction costs. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are netted against the financial asset or financial liability on initial recognition and amortized using the effective interest method over the life of the related instrument.

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.

3. CAPITAL MANAGEMENT

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain appropriate returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary, in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish criteria for quantitative return on capital for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be equity, which comprises share capital, warrants, the equity component of senior unsecured convertible notes, contributed surplus and accumulated deficit which at December 31, 2010 totaled $803,394 (December 31, 2009 – $434,116).

The properties in which the Company currently has an interest are at the exploration or development stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned project related development activities and pay for exploration and administrative costs, the Company will spend its existing working capital and plans to raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. As part of this evaluation, management determined that adding debt comprised of a convertible note to its capital structure was appropriate.

The Company is not subject to any externally imposed capital requirements.

4. PROPERTY AND FINANCIAL RISK FACTORS

(a) Property risk

The Company's significant mineral property is the Detour Lake mine property (the "Mine Property"). Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Mine Property. If no additional mineral properties are acquired by the Company, any material development affecting the Mine Property could have a material effect on the Company's financial condition and results of operations.

(b) Financial risk

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.

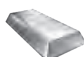
Credit risk

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, short-term investments, amounts receivable and restricted cash. Cash, short-term investments and restricted cash 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 accrued interest and deposits held with service providers. All amounts receivable are in good standing as of December 31, 2010 and $7,801 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 stock market conditions generally or as a result of conditions specific to the Company.



4. PROPERTY AND FINANCIAL RISK FACTORS (CONTINUED)

The following are the contractual cash flow requirements as at December 31, 2010:

	< 1 year	1–3 years	4–5 years	After 5 years	Total
Accounts payable and accrued liabilities	35,856	–	–	–	35,856
Interest payable on short- and long-term debt	27,200	82,055	54,703	27,352	191,310
Current portion of long-term debt	74,595	–	–	–	74,595
Long-term debt	–	–	–	422,705	422,705
Other (see note 17 (b))	316,166	143,802	–	–	459,968
	453,817	**225,857**	**54,703**	**450,057**	**1,184,434**

The amounts presented represent the future undiscounted principal and interest cash flows and therefore do not equate to the carrying amounts on the consolidated balance sheet.

The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As at December 31, 2010, the Company had cash, cash equivalents and short-term investments of $966,289 (December 31, 2009 – $320,983) to settle its contractual liabilities of $1,184,434 (December, 31, 2001 – $3,721). In management's opinion, the Company has the ability to meet its short-term contractual obligations and continue developing the Detour Lake property. The Company may need external financing to repay its long-term debt in the future.

Market risk

Interest rate risk

The Company has cash balances, cash equivalents and short-term investments and 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.

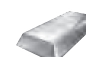
Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases to this point in the Company's history have been transacted in Canadian dollars. With the addition of the U.S. dollar denominated convertible debt, the Company's exposure to foreign currency risk has increased (see Sensitivity analysis).

Sensitivity analysis

As of December 31, 2010, both the carrying and estimated fair value amounts of the Company's financial instruments, other than short-term and long-term debt, are approximately equivalent.

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable, accounts payable and accrued liabilities and debt. Cash and cash equivalents are recognized at their fair value and the carrying values of all other financial instruments, other than the Class A notes which are carried at their fair value and the senior unsecured convertible notes, approximate their fair values due to the relatively short period to maturity of these instruments. The senior unsecured convertible notes are a financial instrument and the estimated fair market value of the senior unsecured convertible note is approximately $445,954 based on quoted market prices, while the Class A notes estimated fair market value is approximately $76,087 derived by using a valuation technique based on the quoted market price of the convertible notes to reflect the relative differences in the two debt instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.



4. PROPERTY AND FINANCIAL RISK FACTORS (CONTINUED)

Based on management's knowledge and experience of the financial markets, the following movements are reasonable over a twelve month period:

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates could impact the reported net loss for the twelve months ended December 31, 2010 by approximately $7,132. The Company's debt is subject to a fixed interest rate.

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

(iii) The Company holds balances in the U.S. dollar and Euro foreign currencies and U.S. dollar denominated debt which could give rise to exposure to foreign exchange risk. Sensitivity to a plus or minus $0.01 change in foreign exchange rates could impact the reported net loss for the twelve months ended December 31, 2010 by approximately $1,272.

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

(c) Fair value hierarchy and liquidity risk disclosure

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy (see note 2 (o)) as at December 31, 2010:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
– Cash	$ 544,148	$ –	$ –	$ 544,148
– Cash equivalents	169,080	–	–	169,080
	713,228	–	–	713,228
Short-term investment[1]	253,061	–	–	253,061
	$ 966,289	**$ –**	**$ –**	**$ 966,289**
Debt:				
– Class A notes	–	76,087	–	76,087
	$ –	**$ 76,087**	**$ –**	**$ 76,087**

[1] Includes guaranteed investment certificates, bankers acceptances, promissory notes, bonds, T-bills and discount notes

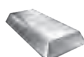
5. RESTRICTED CASH

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 future estimated reclamation obligation incurred during the original mine operation, on the Mine Property. The LC is secured by an equal value investment certificate, 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 1.18% and matures on March 14, 2011.

6. 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.



7. EQUIPMENT

December 31, 2010	Cost	Accumulated Amortization	Net Carrying Value
Mobile equipment	$ 737	$ 316	$ 421
Machinery and equipment	175	35	140
Furniture and fixtures	359	60	299
Computer equipment and software	714	253	461
Leasehold improvements	422	96	326
Assets under development (a)	89,629	–	89,629
	$ 92,036	$ 760	$ 91,276

December 31, 2009	Cost	Accumulated Amortization	Net Carrying Value
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
	$ 993	$ 328	$ 665

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

8. AMALGAMATION

On March 27, 2009, the Company and PDX Resources Inc. ("PDX") completed the merger of both companies. PDX's principal asset was its ownership interest in the Company. The Company and PDX had two directors in common. This transaction was implemented through, among other things, an amalgamation under the Business Corporations Act (Alberta) (the "Amalgamation") in which PDX amalgamated with a newly formed, wholly-owned subsidiary of the Company (the amalgamated company being referred to as "Amalco").

Pursuant to the Amalgamation, each PDX share was exchanged for 0.2571 of a common share of the Company. Pursuant to the Amalgamation, a total of approximately 19 million common shares of the Company were issued to PDX shareholders. Following the Amalgamation, the Company wound up Amalco and the 19 million common shares of the Company held by Amalco were cancelled.

In addition, after completing the merger, the Company assumed the incentive stock option plan of PDX (the "PDX Option Plan") and the outstanding obligations of PDX under the PDX Option Plan (refer to note 12(e)). A PDX share receivable on the exercise of an option under the PDX Option Plan was converted at the effective time of the Amalgamation into an option to receive 0.2571 of a common share of the Company subject to rounding (such options, as converted, the "Converted Options"). The Company has also reserved 542,477 common shares in respect of the Converted Options. The Converted Options will continue to be governed by the PDX Option Plan. The Company's shares reserved for issuance in respect of the Converted Options under the PDX Option Plan will not reduce the maximum aggregate number of the Company's shares that may be reserved for issuance under the Company's current option plan.

The amalgamation has been treated as a non-monetary, related party transaction. The purchase consideration of $74,360 exceeded the carrying value of the assets acquired by $7,754. As a result of this excess $2,851 was applied to increase the value of contributed surplus for the assumption of the incentive stock option plan of PDX, $1,090 was applied to decrease the value of future income tax liabilities representing the estimated future recoverable amount related to the amalgamation costs of $5,010, $106 was applied to increase net working capital, $1 was applied to decrease the value of share capital representing the difference in value between the number of common shares issued and received and the balance of $6,664 was applied to increase the value of opening deficit.

9. 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 December 31, 2010, $13,170 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.

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. During 2010, the Company incurred $1,865 of expenditures relating to this joint venture operation. These expenditures were charged to the statement of loss (refer to note 13). As at December 31, 2010, $480 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 Mine Property, 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. From September 27, 2010 to December 31, 2010, the Company incurred $34 of expenditures relating to this joint venture operation. These expenditures were charged to the statement of loss (refer to note 13). As at December 31, 2010, $nil is included in accounts payable and accrued liabilities related to the Conquest joint venture.

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.

10. LONG-TERM DEBT

Long-term debt consists of the following:

		2010		2009
Class A Notes	$	**76,087**	$	–
Senior unsecured convertible notes – debt component		**310,355**		–
		386,442		–
Less: Portion due within one year		**76,087**		–
Total	$	**310,355**	$	–

On December 3, 2010, the Company completed an offering of 5.5% senior unsecured convertible notes (“Notes”) on a private placement basis for total gross proceeds of $501,650 (US$500,000), net proceeds of $492,427 (US$490,808) after deducting $9,223 (US$9,192) in transaction costs, $403 of which were accrued at December 31, 2010 (the “Private Placement”).

$250,825 (US$250,000) of Notes were purchased by a syndicate of underwriters led by BMO Capital Markets and $250,825 (US$250,000) of Notes were purchased by Paulson & Co. Inc. (“Paulson”), on behalf of investment funds managed by Paulson. The Notes purchased by Paulson included $75,248 (US$75,000) of Class A Notes (the “Class A Notes”). The Notes bear interest at 5.5% per annum, payable in arrears in equal semi-annual installments on May 31 and November 30 in each year. The Notes mature on November 30, 2017.

A trust indenture between the Company and Computershare Trust Company of Canada dated December 3, 2010, was entered into for each of (i) the Notes purchased by the syndicate of underwriters led by BMO Capital Markets; (ii) the Class A Notes; and (iii) the remaining Notes purchased by Paulson (collectively, the “Trust Indentures”).

The Notes are convertible into common shares of the Company (subject, in the case of the Class A Notes, to the Optional Settlement Provision described below) at the option of the holder at any time prior to maturity at a conversion price of US$38.50 per share (“Conversion Price”). With respect to the Class A Notes, the Company has the right, in certain circumstances, upon receiving a conversion notice, to elect to satisfy its obligations thereunder by delivering either common shares of the Company at the Conversion Price or the cash equivalent thereof to the holder (the “Optional Settlement Provision”).

The Company has the right, in certain circumstances, to redeem the Class A Notes at any time, and has the right to redeem all other Notes after November 30, 2013, provided in each case that the current market price of the Company’s common shares is at least 130% of the Conversion Price.

In the event of a “Change of Control” (as defined in the Trust Indentures), the terms of the Trust Indentures require that the Company offer to purchase all of the Notes for an amount equal to the principal amount thereof and all accrued interest thereon. In addition, in certain circumstances where noteholders exercise their conversion rights following a Cash Change of Control (as defined in the Trust Indentures), such holders may be entitled to a Make Whole Premium (as defined by the Trust Indentures) in addition to their conversion rights set out above. The Make Whole Premium may be payable in common shares of the Company and/or cash depending on various circumstances.

As the Company may settle the Class A Notes at its option in either common shares of the Company or cash, the Company has treated the Class A Notes as current portion of long-term debt for accounting purposes on the basis that, as at December 31, 2010, the Company would have elected to repay $63,710 (US$63,500) of the Class A Notes in cash in order to ensure that the holders of the Class A Notes do not beneficially own (as defined in the Company’s Shareholder Rights Plan) 20% or more of the Company’s common shares.

For accounting purposes, the embedded derivatives within the Class A Notes, being the cash settlement option and the equity conversion option, are held-for-trading financial instruments. The Company has designated the liability component of the Class A Notes as financial instrument held-for-trading and therefore is accounting for the Class A Notes at fair value, in their entirety. The transaction costs of $161 (US$160) associated with the Class A Notes was charged to the Statement of Loss accordingly.

10. LONG-TERM DEBT (CONTINUED)

The estimated fair value of the Class A Notes on the balance sheet date was $76,087 and the mark-to-market loss of $1,492 was recognized during the period. As at December 31, 2010, the carrying amount of the Class A Notes was $1,492 (US$1,500) higher than the amount the Company is contractually obligated to pay at maturity.

The Company has allocated a total of $417,341 (US$415,968) of the net proceeds as senior unsecured convertible notes comprised of a $312,222 (US$311,195) debt component and a $105,119 (US$104,773) equity component. The debt component is based on the fair value of a similar debt instrument without an associated conversion option. The fair value of the conversion option, which is represented by the equity component, of the senior unsecured convertible notes on December 3, 2010 was estimated using the residual value.

The debt component of the senior unsecured convertible notes is being accreted over the expected term to maturity using the effective interest method. Accretion costs will be added to the convertible debt balance.

The Trust Indentures obligate the Company to comply with certain reporting and other covenants that include limits on indebtedness.

The Company has allocated the $9,062 (US$9,032) of costs associated with the Private Placement against the component parts of the Notes issued and the fair value of the conversion option.

As a result of the Private Placement, the Company has incurred interest charges of $2,233 and recognized $876 in accretion costs and $3,395 in foreign exchange gain for the year ended December 31, 2010. The interest charges and accretion costs were charged between the SL&CL and mineral properties in accordance with the Company's accounting policy as follows:

	Accretion	Interest	Total
SL&CL	$ 679	$ 1,730	**$ 2,409**
Mineral property interests	197	503	**700**
	$ 876	**$ 2,233**	**$ 3,109**

11. ASSET RETIREMENT OBLIGATIONS

The Company has future obligations to retire its mining assets for the Mine Property including dismantling, remediation and ongoing treatment and monitoring of sites ("asset retirement obligation"). The exact nature of environmental issues and costs, if any, which the Company may encounter in the future are subject to change, primarily because of the changing character of environmental requirements that may be enacted by governmental agencies or by decisions the Company may make in the future.

The Company prepares estimates of the timing and amount of expected cash flows when an asset retirement obligation ("ARO") is incurred and records the fair value of an ARO as it is incurred. Expected cash flows are updated to reflect changes in facts and circumstances, which may include construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life-of-mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment.

Each period the Company reviews cost estimates and other assumptions used in the valuation of AROs at the Mine Property to reflect events, changes in circumstances and new information available. The following table summarizes the changes to the AROs:

11. ASSET RETIREMENT OBLIGATIONS (CONTINUED)

	December 31, 2010	December 31, 2009
Balance, beginning of period	**$ 1,419**	$ 1,292
Revision in the estimated cash flows and timing of payments	**3,317**	–
Accretion	**139**	127
Balance, end of period	**$ 4,875**	$ 1,419
Less: current portion	**303**	–
Long-term portion	**$ 4,572**	$ 1,419

The total undiscounted cash flow, before inflation adjustments, estimated to settle the AROs as at December 31, 2010 are approximately $16,362 (2009 – $13,564). The majority of the expenditures are expected to occur near the end of the projected mine closure in 2038. The weighted average credit adjusted risk-free rate used in estimating the site restoration cost obligation were 8.4% (2009 – 9.8%), and the inflation rate used was 2% for each of the years ended December 31, 2010 and 2009.

Regulatory authorities require that security be provided to cover the AROs (refer to note 5).

12. SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of voting and participating common shares, without par value.

(a) Special warrants

On February 21, 2009, the Company completed a bought deal private placement of 4,000,000 special warrants (the "Special Warrants"). The Special Warrants were issued to investors at a price of $16.30 per Special Warrant, representing an aggregate amount of $65,200. A 5% commission plus expenses was paid to the agents as part of the private placement. On April 25, 2009 each Special Warrant was converted to common shares. Future income tax assets arising from share issuance costs of the Special Warrants of $1,044 were recognized.

(b) Shareholder Rights Plan (the "Plan")

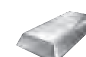
On April 29, 2009, the Board of Directors adopted a Plan and authorized the issue of one right (a "Right") in respect of each common share of the Company. The Plan was ratified at the annual and special meeting of the Company's shareholders held on June 3, 2009. The Plan will continue in force up to the end of the Company's third annual meeting of shareholders after the approval.

The Rights are not exercisable initially. Subject to certain customary exceptions, upon the acquisition by any person (an "Acquiring Person") of Beneficial Ownership (as defined in the Plan) of 20% or more of the common shares of the Company (a "Flip in Event"), the Rights will entitle shareholders, other than the Acquiring Person and its affiliates and associates and persons acting jointly or in concert with it, to purchase that number of common shares of the Company which have a market value equal to two times the exercise price of the Rights.

The Rights may be redeemed by the Board of Directors at a redemption price of $0.0001 per Right at any time prior to the occurrence of a Flip in Event without the prior approval of shareholders or Rights holders. The provisions of the Plan which apply upon the occurrence of a Flip in Event may be waived at the option of the Board of Directors and without the prior approval of shareholders or Rights holders in certain circumstances prior to the occurrence of a Flip in Event.

(c) Public offerings

On July 14, 2009, the Company closed a public offering of 4,000,000 common shares at a price of $12.10 per share, representing aggregate gross proceeds of $48,400. In connection with the offering, the underwriters were paid a 5% commission totaling approximately $2,420. Share issuance costs of $288 were incurred in relation to the offering.



12. SHARE CAPITAL (CONTINUED)

On November 12, 2009, the Company closed a public offering of 19,299,500 common shares at a price of $14.25 per common share for cash consideration of $275,018. In connection with the offering, the underwriters were paid a 4% commission totaling approximately $11,001. Share issuance costs of $362 were incurred in relation to the 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. Shares issuance costs of $570 were incurred in relation to the offering.

On November 24, 2010 the Company closed an offering of 320,050 flow-through common shares ("Flow-Through Shares") at a price of $42.00 per Flow-Through Share, representing aggregate gross proceeds of approximately $13,442. Share issuance costs of $535 were incurred in relation to the offering.

(d) Share commitments

In December 2010 and January 2011, the Company made financial and other commitments to various aboriginal groups who asserted aboriginal rights and interests in the area of the Detour Lake project in consideration of securing recognition and respect from these aboriginal groups of the Company's rights and interests in the development of the project. The financial compensation provided for in these agreements included the issuance of up to 1,125,000 common shares of the Company payable upon the achievement of certain project milestones. Subsequent to December 31, 2010, 160,000 common shares were issued pursuant to these agreements. Additional common shares will be issued during the construction of the Detour Lake project in conjunction with any project milestones with a final issue scheduled six months after the achievement of commercial production at the Detour Lake project.

(e) Share purchase option plan

On April 23, 2010 at the Company's Annual and Special Meeting of Shareholders the disinterested shareholders approved certain amendments to the Company's stock option plan. Included was the Company's ability to continue to grant options under the rolling plan, whereby 10% of the Company's issued and outstanding share capital may be granted to officers, directors, employees and consultants of the Company, until May 26, 2013.

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	**3,363,700**	**$ 8.60**
Granted	1,897,250	11.27
Issued on amalgamation with PDX (note 8)	542,477	7.31
Forfeited	(398,000)	15.67
Expired	(105,000)	16.39
Exercised	(1,123,236)	6.28
Balance, December 31, 2009	**4,177,191**	**$ 9.40**
Granted	2,429,375	23.40
Forfeited	(11,063)	19.97
Exercised	(1,624,075)	8.97
Balance, December 31, 2010	**4,971,428**	**$ 16.36**

The fair value of the 1,897,250 options granted in 2009 has been estimated at the date of grant using the Black Scholes option pricing model, using the following assumptions: a weighted average risk-free interest rate of 1.94%; a weighted average expected volatility factor of 92%, an expected dividend yield of $nil and a weighted average expected life of

12. SHARE CAPITAL (CONTINUED)

3.5 years. The weighted average grant date fair value of the options granted was $6.94 per option. The vesting of these options was 30% after 12 months, 30% after 24 months and 40% after 36 months.

In December of 2009, the vesting of the share purchase option plan was amended such that for all grants issued after June 29, 2007, the vesting became: 25% on the date of grant, 25% after 8 months, 25% after 16 months and 25% after 24 months. While this amendment did not result in any change to the estimated fair value of the affected options, an additional $3,117 of stock-based compensation expense was recognized in the statements of loss and comprehensive loss to reflect the amended vesting terms.

The fair value of the 2,429,375 options granted in 2010 has been estimated at the date of grant using the Black-Scholes option pricing model, using the following assumptions: a weighted average risk-free interest rate of 2.19%; a weighted average expected volatility factor of 82%, an expected dividend yield of $nil and a weighted average expected life of 3.5 years for those options issued up to September 30, 2010. Commencing in the fourth quarter of 2010, the Company revised its weighted average expected life assumption to 2.5 years for all options granted after September 30, 2010. The weighted average grant date fair value of the options granted in 2010 was $12.77 per option.

As a result of the amalgamation with PDX (refer to note 8), the Company granted 542,477 stock options as part of the amalgamation agreement. The stock options were valued at the historical carrying value in PDX, at the time of amalgamation, of $2,851.

As at December 31, 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 $6.40	537,340	537,340	1.1
$6.41 to $12.80	1,731,101	1,385,476	2.7
$12.81 to $19.20	759,500	349,124	3.9
$19.21 to $25.60	1,272,237	394,267	4.4
$25.61 to $32.00	671,250	167,813	4.9
	4,971,428	**2,834,020**	**3.5**

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

	December 31, 2010	December 31, 2009
Exploration	**$ 1,271**	$ 2,669
Administration	**18,451**	8,622
Total expense recognized in loss and comprehensive loss	**$ 19,722**	$ 11,291
Mineral property interests	**$ 2,690**	$ –
Total amount credited to contributed surplus	**$ 22,412**	$ 11,291

(f) 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 at fair value, with compensation cost being recognized in the statements of loss and comprehensive

12. SHARE CAPITAL (CONTINUED)

loss. The remaining warrants vest upon the achievement of certain prescribed milestones. During the fourth quarter of 2010, there was greater certainty of the likelihood of the milestones being achieved and a value was ascribed to them at December 31, 2010 as described below.

The 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 fair value of these warrants was estimated at $2,408 and recognized over the vesting period. These warrants were fair valued again at their vesting date under the Black Scholes option pricing model, using the following assumptions: risk-free interest rate – 1.89%; expected life – 1.6 years; expected volatility – 101%; expected dividends – nil. As a result, the fair value decrease of these warrants was estimated at $931 and recognized.

The fair value of the 250,000 warrants that vest on performance conditions has been estimated at December 31, 2010 using the Black Scholes option pricing model, using the following assumptions: risk-free interest rate – 1.70%; expected life – 1 year; expected volatility – 43%; expected dividends – nil. As a result, the fair value of these warrants was estimated at $3,591 and fully recognized on December 31, 2010.

For the twelve month period ended December 31, 2010, $6,345 has been recorded in the statements of loss and comprehensive loss as Advisory costs. Warrant issue costs of nil (December 31, 2009 – $13) were incurred in relation to the warrant issue.

The continuity of share purchase options is as follows:

	Number of Warrants	Weighted Average Exercise Price	Estimated Fair Value
Balance, December 31, 2008	–	$ –	$ –
Issued	500,000	15.33	2,408
Balance, December 31, 2009	500,000	$ 15.33	$ 2,408
Balance, December 31, 2010	**500,000**	**$ 15.33**	**$ 6,930**

13. EXPLORATION, STUDIES AND PERMITTING

	Detour Lake, Ontario, Canada[(a)]	Block A, Ontario, Canada	Sunday Lake, Ontario, Canada	Regional, Ontario, Canada	Year ended December 31, 2010	Year ended December 31, 2009
Expenditures						
Administration and travel	$ 6,143	$ 327	$ –	$ 300	**$ 6,770**	$ 1,715
Amortization	144	–	–	–	**144**	104
Assays and analysis	1,873	313	–	–	**2,186**	2,721
Drilling	7,277	720	–	–	**7,997**	13,887
Environment and permitting	5,125	–	–	–	**5,125**	1,292
Geological and geophysical	56	372	34	154	**616**	196
Studies and engineering	6,033	–	–	–	**6,033**	6,851
Site activities	1,012	133	–	–	**1,145**	358
Total expenditures	$ 27,663	$ 1,865	$ 34	$ 454	**$ 30,016**	$ 27,124

(a) Subsequent to the confirmation of reserves in the feasibility study released on May 25, 2010, the Company commenced deferring development expenditures associated with the Detour Lake property.

14. INCOME TAXES

Income tax differs from the amount that would have been computed by applying the combined Canadian federal and provincial statutory rate of 31.0% (2009 – 33.0%) to losses before income taxes. The reasons for the differences are a result of the following:

	Year ended December 31, 2010	Year ended December 31, 2009
Loss before income taxes	**$ (72,699)**	$ (44,555)
Expected future income tax (recovery) based on statutory rate	**(22,537)**	(14,703)
Adjustments to expected income tax benefit:		
Changes and differences in tax rates	**2,806**	1,535
Stock-based compensation	**8,081**	3,919
Other	**(112)**	57
Change in valuation allowance	**11,762**	1,446
Future income tax (recovery)	**$ –**	$ (7,746)

Future Tax Balances	**December 31, 2010**	December 31, 2009
Future income tax assets (liabilities):		
Mineral property interests	**$ 5,423**	$ (2,707)
Share issue costs	**7,009**	3,688
Non-capital losses	**7,342**	1,628
Amalgamation costs (note 8)	**939**	939
Other	**(237)**	–
Valuation allowance	**(20,476)**	(3,548)
Future income tax liability (net)	**$ –**	$ –

The Company's tax pools at December 31, 2010 total approximately $148,027 (December 31, 2009 – $96,619). The Company has undeducted share issue costs for tax purposes of approximately $28,035 (December 31, 2009 – $14,754).

At December 31, 2010, the Company has available non-capital loss carry-forwards for Canadian tax purposes with expiry as follows:

Year	**Amount**
2030	$ 18,236
2029	8,881
2028	1,449
2027	450
2026	354
	$ 29,370

15. RELATED PARTY TRANSACTIONS

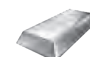
Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

	Year ended December 31, 2010	Year ended December 31, 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.



16. SUPPLEMENTAL INFORMATION

	Year ended December 31, 2010	Year ended December 31, 2009
Value of options exercised	**$ 8,502**	$ 3,731
Value of common shares issued to acquire mineral claims	**$ 2,994**	$ –
Future income taxes recovery arising from share issuance costs	**$ –**	$ 2,742
Change in deferred transaction costs	**$ –**	$ (450)
Income taxes paid	**$ –**	$ –
Interest paid	**$ –**	$ –

As at December 31, 2010 and 2009, cash and cash equivalents consisted of cash of $544,148 (2009 – $128,414) and cash equivalents of $169,080 (2009 – 139,994). Cash equivalents consist of Canadian Federal Securities and certificates of deposit or cash deposits at select Canadian chartered banks as at December 31, 2010.

17. COMMITMENTS AND CONTINGENCIES

(a) Three aboriginal groups (Moose Cree First Nation (“MCFN”), Taykwa Tagamou Nation (“TTN”) and Wahgoshig First Nation (“WFN”) ratified agreements with the Company with respect to the development and operation of the Company’s Detour Lake gold project in northeastern Ontario. During 2010 the Company executed formal agreements with TTN and WFN and in 2011 with MCFN. The agreements include provisions on how the aboriginal groups can access business and employment opportunities during the construction and operation of the Detour Lake mine as well as providing training initiatives, sponsorship of cultural and heritage programs, and financial compensation, should the Detour Lake property reach commercial production, including the right to receive common shares (see note 12 (d)).

(b) The Company has entered into a number of commitments related to services and equipment orders to purchase long-lead time items or critical pieces of equipment necessary to commence development of the Detour Lake project. At December 31, 2010 these commitments totaled $459,968 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.

(c) The following table lists the Company’s material contractual obligations for fiscal 2011 and over the next six years:

	2011	2012	2013	2014	2015	2016	Total
Operating leases	$ 970	$ 902	$ 786	$ 740	$ 431	$ –	$ 3,829

18. SUBSEQUENT EVENT

On February 3, 2011 the Company executed a term sheet with Caterpillar Financial Services Corporation (“CFSC”), pursuant to which CFSC has agreed to underwrite up to US$105 million in mobile fleet equipment financing to fund the Company’s acquisition of mining equipment, for the Detour Lake gold project in northeastern Ontario (the “Equipment Financing Facility”).

The Equipment Financing Facility will be utilized towards the acquisition cost of haulage trucks and ancillary equipment (the “Mobile Fleet”) under a fleet leasing facility with Caterpillar Financial Services Ltd. (the “Lease”). The term of the Equipment Financing Facility will be five years and will be secured by the Mobile Fleet. Title to the Mobile Fleet will transfer to the Company at the completion of the Lease.

CORPORATE INFORMATION

DIRECTORS

Peter Crossgrove [1][4][5][6]
(Ontario, Canada)

Louis Dionne [4]
(Ontario, Canada)

Robert E. Doyle [1][3]
(Ontario, Canada)

André Gaumond [4]
(Québec, Canada)

Ingrid Hibbard [2][3]
(Ontario, Canada)

Michael Kenyon [7]
(British Columbia, Canada)

Alex G. Morrison [1][2]
(Washington, US)

Gerald S. Panneton
(Ontario, Canada)

Jonathan Rubenstein [2][3]
(British Columbia, Canada)

Ron Thiessen [1][2]
(British Columbia, Canada)

Committees of the Board of Directors

1 Audit Committee
2 Compensation Committee
3 Corporate Governance and Nominating Committee
4 Environment, Health and Safety Committee
5 Non-Executive Co-chair
6 Lead Director
7 Executive Chair

OFFICERS AND SENIOR MANAGEMENT

Gerald Panneton
President and Chief Executive Officer and Director

Paul Martin
Chief Financial Officer

Pierre Beaudoin
Senior Vice President Capital Projects

Pat Donovan
Vice President Corporate Development

Julie Galloway
Vice President General Counsel and Corporate Secretary

Derek Teevan
Vice President Aboriginal and Government Affairs

Paul Chawrun
Director Technical Services

Laurie Gaborit
Director Investor Relations

Eric Josipovic
Controller

Greg Miazga
Director Construction and Engineering

Rachel Pineault
Director Human Resources and Aboriginal Affairs

Sheldon Rachuk
Director Procurement Contract and Logistics

James Robertson
Director Environment and Sustainability

CORPORATE OFFICE

Royal Bank Plaza, South Tower
200 Bay Street, Suite 2200, Box #23
Toronto, ON Canada M5J 2J1

Telephone 416.304.0800
Fax 416.304.0184

Email info@detourgold.com
Website www.detourgold.com

EXCHANGE LISTING

Toronto Stock Exchange
Symbol: DGC

SHAREHOLDER INQUIRY

Shareholders may obtain information about their shares, lost certificates and other matters from Detour Gold's transfer agent:

Computershare Investor Services Inc.
100 University Ave.
8th Floor, South Tower
Toronto, ON Canada M5J 2Y1
Telephone 1.800.564.6253

AUDITORS

KPMG LLP
Toronto, Ontario, Canada

LEGAL COUNSEL

McMillan LLP
Toronto, Ontario, Canada

FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking information as defined in applicable securities laws (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. 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 annual report speak only as of the date of this annual report or as of the date specified in such statement. Specifically, this annual report contains forward-looking statements regarding the Company's intent to advance the Detour Lake Project towards the operation stage, the continuation of exploration programs on the Company's property, reserve and resource estimates, the expected mine life, anticipated gold production, the development schedule and the potential expansion of the processing plant, as well as those forward-looking statements identified in the section entitled "Forward-Looking Statements" in Detour Gold's 2010 MD&A included in this annual report. 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 discussed in the section entitled "Risk Factors" in Detour Gold's 2010 MD&A. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the 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.

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