



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**

**(A DEVELOPMENT STAGE COMPANY)**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

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

**(AUDITED)**

## **Management's Responsibility for Financial Reporting**

The accompanying audited balance sheets as at December 31, 2008 and 2007 and the audited related statements of loss and comprehensive loss, cash flows, changes in shareholders' equity, and schedule of exploration expenses for the years then ended and for the period from inception (July 19, 2006) to December 31, 2008 of Detour Gold Corporation (A Development Stage Company) (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 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 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 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 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.

## **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 not effective as at December 31, 2008. During 2008, the Company did not have adequate procedures in place related to purchase commitments. The Company has implemented a procedure whereby the Chief Executive Officer and Chief Financial Officer ("Senior Officers") are required to review and approve all material commitments being entered into by the Company and ensure that these commitments are contractually appropriate and within the approval limits of these Senior Officers.

## **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 Multilateral 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, 2008.

/s/ Gerald S. Panneton

Gerald S. Panneton  
President and Chief Executive Officer

Toronto, Canada  
March 9, 2009

/s/ Paul Martin

Paul Martin  
Chief Financial Officer



**DETOUR GOLD**



McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

**AUDITORS' REPORT**

To the Shareholders of  
**Detour Gold Corporation**  
(A Development Stage Company)

We have audited the balance sheets of Detour Gold Corporation (A Development Stage Company) as at December 31, 2008 and 2007 and the statements of loss and comprehensive loss, cash flows, changes in shareholders' equity and schedule of exploration expenses for the years then ended and for the period from inception (July 19, 2006) to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended and for the period from inception (July 19, 2006) to December 31, 2008 in accordance with Canadian generally accepted accounting principles.

**McGOVERN, HURLEY, CUNNINGHAM, LLP**

A handwritten signature in cursive script that reads 'McGovern, Hurley, Cunningham, LLP'.

**Chartered Accountants**  
**Licensed Public Accountants**

TORONTO, Canada  
March 9, 2009

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Balance Sheets

(In thousands of dollars)

(Expressed in Canadian Dollars unless otherwise noted)

	December 31, 2008	December 31, 2007
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 127	\$ 18,919
Short-term investments	43,532	-
Amounts receivable and prepaids	1,749	639
Deferred transaction costs (note 19)	450	-
	<b>45,858</b>	<b>19,558</b>
<b>Restricted cash</b> (note 5)	<b>6,554</b>	<b>-</b>
<b>Property and equipment</b> (note 6)	<b>473</b>	<b>387</b>
<b>Mineral property interests</b> (note 7)	<b>109,486</b>	<b>108,194</b>
	<b>\$ 162,371</b>	<b>\$ 128,139</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities

Accounts payable and accrued liabilities (notes 13 and 18) \$ 5,769 \$ 2,271

Asset retirement obligation (note 8) 1,292 -

Future income tax liability (note 12) 10,503 21,432

**17,564** **23,703**

### Shareholders' equity

Share capital (note 9 and statement) 179,645 114,281

Contributed surplus (statement) 7,502 2,684

Accumulated deficit (statement) (42,340) (12,529)

**144,807** **104,436**

**\$ 162,371** **\$ 128,139**

Nature and continuance of operations (note 1)

Commitments and contingencies (notes 5, 7, 17 and 19)

Subsequent event (note 19)

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

Approved on behalf of the Board of Directors:

/s/ Gerald S. Panneton

/s/ Ronald W. Thiessen

Gerald S. Panneton  
Director

Ronald W. Thiessen  
Director



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## 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, 2008	Year ended December 31, 2007	Cumulative from inception (July 19, 2006) to December 31, 2008
<b>Expenses</b>			
Amortization	\$ 27	\$ 3	\$ 30
Exploration (schedule)	30,220	17,561	48,305
Investor relations and promotion	597	222	819
Office and administration	313	285	667
Professional fees	745	291	1,059
Regulatory fees	66	58	129
Salaries and management fees	1,599	1,503	3,103
Shareholders' information	143	62	218
Travel	129	210	350
Stock-based compensation (note 10)	5,714	2,659	8,373
	<b>39,553</b>	<b>22,854</b>	<b>63,053</b>
<b>Loss before the under noted</b>	<b>(39,553)</b>	<b>(22,854)</b>	<b>(63,053)</b>
Interest income	1,956	1,163	3,178
Termination payment (note 18)	(2,099)	-	(2,099)
<b>Loss before future income tax recovery</b>	<b>(39,696)</b>	<b>(21,691)</b>	<b>(61,974)</b>
Future income tax recovery (note 12)	9,885	9,749	19,634
<b>Loss and comprehensive loss</b>	<b>\$ (29,811)</b>	<b>\$ (11,942)</b>	<b>\$ (42,340)</b>
<b>Loss per share</b>	<b>\$ (0.69)</b>	<b>\$ (0.32)</b>	
<b>Weighted average number of common shares</b>	<b>43,467,701</b>	<b>37,230,108</b>	

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



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Statements of Cash Flows

(In thousands of dollars)

(Expressed in Canadian Dollars unless otherwise noted)

	Year ended December 31, 2008	Year ended December 31, 2007	Cumulative from inception (July 19, 2006) to December 31, 2008
<b>Cash provided by (used in)</b>			
<b>OPERATING ACTIVITIES</b>			
Loss	\$ (29,811)	\$ (11,942)	\$ (42,340)
Items not involving cash:			
Amortization	27	3	30
Amortization included in exploration	96	18	114
Future income tax recovery (note 12)	(9,885)	(9,749)	(19,634)
Stock-based compensation (note 10)	5,714	2,659	8,373
	(33,859)	(19,011)	(53,457)
Changes in non-cash working capital items:			
Amounts receivable and prepaids	(1,110)	(566)	(1,749)
Accounts payable and accrued liabilities	3,048	1,634	5,318
	(31,921)	(17,943)	(49,888)
<b>INVESTING ACTIVITIES</b>			
Acquisition of mineral property interests	-	(4,750)	(5,889)
Cash deposits held as security (note 5)	(6,554)	-	(6,554)
Purchase of property and equipment	(209)	(408)	(617)
Purchase of guaranteed investment certificates	(50,030)	-	(50,030)
Redemption of guaranteed investment certificates	6,498	-	6,498
	(50,295)	(5,158)	(56,592)
<b>FINANCING ACTIVITIES</b>			
Securities issued for cash	65,200	35,000	109,699
Exercise of warrants for cash	121	1,804	1,925
Exercise of options for cash	1,683	-	1,683
Share issuance costs	(3,580)	(2,806)	(6,700)
	63,424	33,998	106,607
<b>Change in cash</b>	<b>(18,792)</b>	<b>10,897</b>	<b>127</b>
<b>Cash, beginning of period</b>	<b>18,919</b>	<b>8,022</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 127</b>	<b>\$ 18,919</b>	<b>\$ 127</b>

Supplemental information (note 15)

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



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Statements of Changes in Shareholders' Equity**  
(In thousands of dollars except per security amounts)  
(Expressed in Canadian Dollars unless otherwise noted)

	Number of securities	Year ended December 31, 2008	Number of securities	Year ended December 31, 2007	Cumulative from inception Number (July 19, 2006) to of December 31, securities 2008	
<b>Share Capital</b>						
<b>Authorized</b>						
The Company's authorized share capital consists of an unlimited number of common shares without par value						
<b>Common shares issued and outstanding:</b>						
Balance, beginning of period	40,468,500	\$ 114,281	5,000,000	\$ 5	-	\$ -
Seed capital issued	-	-	-	-	5,000,000	5
Shares issued to subscription receipt holders, net of costs	-	-	5,000,000	9,494	5,000,000	9,494
Shares issued in initial public offering	-	-	10,000,000	35,000	10,000,000	35,000
Costs related to the initial public offering	-	-	-	(2,392)	-	(2,392)
Shares issued to acquire the Detour Lake property	-	-	20,000,000	70,000	20,000,000	70,000
Shares issued upon exercise of warrants (note 11)	31,500	121	468,500	1,804	500,000	1,925
Grant date estimated fair value of shares issued upon exercise of warrants transferred from contributed surplus (note 11)	-	25	-	370	-	395
Shares issued upon exercise of stock options (note 10)	363,800	1,683	-	-	363,800	1,683
Grant date estimated fair value of shares issued upon exercise of stock options transferred from contributed surplus	-	871	-	-	-	871
Conversion of Special Warrants (note 9(c))	4,000,000	62,664	-	-	4,000,000	62,664
Balance, end of period	44,863,800	\$ 179,645	40,468,500	\$ 114,281	44,863,800	\$ 179,645
<b>Special Warrants</b>						
Balance, beginning of period	-	\$ -	-	\$ -	-	\$ -
Special Warrants issued (note 9(c))	4,000,000	65,200	-	-	4,000,000	65,200
Costs related to Special Warrants issued	-	(2,536)	-	-	-	(2,536)
Conversion of Special Warrants	(4,000,000)	(62,664)	-	-	(4,000,000)	(62,664)
Balance, end of period	-	\$ -	-	\$ -	-	\$ -



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Statements of Changes in Shareholders' Equity (continued)

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

	Number of securities	Year ended December 31, 2008	Number of securities	Year ended December 31, 2007	Cumulative from inception Number (July 19, 2006) to of December 31, securities 2008
<b>Subscription receipts</b>					
Balance, beginning of period	-	\$ -	5,000,000	\$ 9,494	- \$ -
Subscription receipts issued, net of costs	-	-	-	-	5,000,000 9,494
Transfer of subscription receipts issued upon issue of common shares	-	-	(5,000,000)	(9,494)	(5,000,000) (9,494)
Balance, end of period	-	\$ -	-	\$ -	- \$ -
<b>Contributed surplus</b>					
Balance, beginning of period	-	\$ 2,684	-	\$ -	- \$ -
Stock-based compensation (note 10)	-	5,714	-	2,659	- 8,373
Grant date estimated fair value of warrants issued	-	-	-	395	- 395
Grant date estimated fair value of warrants exercised	-	(25)	-	(370)	- (395)
Grant date estimated fair value of stock options exercised	-	(871)	-	-	- (871)
Balance, end of period	-	\$ 7,502	-	\$ 2,684	- \$ 7,502
<b>Accumulated deficit</b>					
Balance, beginning of period	-	\$ (12,529)	-	\$ (587)	- \$ -
Loss	-	(29,811)	-	(11,942)	- (42,340)
Balance, end of period	-	\$ (42,340)	-	\$ (12,529)	- \$ (42,340)
<b>Total shareholders' equity</b>	-	\$ 144,807	-	\$ 104,436	- \$ 144,807

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



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Schedule of Exploration Expenses

(In thousands of dollars)

(Expressed in Canadian Dollars unless otherwise noted)

	Regional Work, Ontario, Canada	Detour Lake, Ontario, Canada	Block A, Ontario, Canada	Year ended December 31, 2008	Year ended December 31, 2007	Cumulative from inception (July 19, 2006) to December 31, 2008
<b>Expenditures</b>						
Administration and travel	\$ -	\$ 541	\$ 59	\$ 600	\$ 434	\$ 1,056
Amortization	-	96	-	96	18	114
Assays and analysis	127	3,625	-	3,752	1,574	5,326
Drilling	1,528	16,130	-	17,658	9,809	27,467
Environmental	-	375	10	385	252	647
Feasibility and engineering	-	6,814	2	6,816	877	7,700
Geological and geophysical	-	178	66	244	1,118	1,533
Site activities	3	523	143	669	3,479	4,462
<b>Total expenditures</b>	\$ 1,658	\$ 28,282	\$ 280	\$ 30,220	\$ 17,561	\$ 48,305

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



**DETOUR GOLD**

# **DETOUR GOLD CORPORATION**

## **(A DEVELOPMENT STAGE COMPANY)**

### **Notes to Financial Statements**

**December 31, 2008 and 2007**

**(In thousands of dollars except per security amounts)**

**(Expressed in Canadian Dollars unless otherwise noted)**

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#### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Detour Gold Corporation (the "Company") (A Development Stage 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 Company is a development stage company, as defined by Accounting Guideline 11 of the Canadian Institute of Chartered Accountants' ("CICA") Handbook.

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

The Company's financial statements are prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company believes it has adequate funds available to meet its corporate and administrative obligations plus its funding requirements to complete the feasibility study for the Detour Lake project, while having surplus funds available for exploration. The Company will have to obtain additional financing if a decision to develop the Detour Lake project is made based upon the completion of a positive feasibility study. Should this occur, the Company would have to raise sufficient funds to commence the mine development. There can be no assurance the Company will be able to raise sufficient funds as and when these funds are required.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If such assumption was not appropriate, then material adjustments would be necessary in the carrying values of our assets and liabilities, to be restated on a liquidation basis, reported revenues and expenses, and the balance sheet classifications used.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that of the previous period except as described below. Outlined below are those policies considered particularly significant.

##### **(a) Use of estimates**

The preparation of financial statements in conformity with 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. Significant areas requiring the use of management estimates include the determination of potential impairments of mineral property interests, the valuation of future income tax assets and liabilities, the rates for amortization of property and equipment, the assumptions used in determining asset retirement obligations and the fair value of stock-based compensation and other stock-based payments. Actual results could differ from those estimates.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (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) 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 fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of loss for the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in 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 and cash equivalents	Held for trading
Guaranteed investment certificates	Held for trading
Restricted cash	Held for trading
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

##### (d) Property, equipment and amortization

Mobile equipment is stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over five years, which represents the estimated useful lives of the related equipment. Amortization of mobile equipment used directly in exploration projects is included in exploration expenses.

Furniture and fixtures are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over five years.

Computer equipment and software are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over three years.

Machinery and equipment is stated at cost less accumulated amortization. Amortization is provided on a straight-line basis over five years, which represents the estimated useful lives of the related equipment. Amortization of machinery and equipment used directly in exploration projects is included in exploration expenses.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (e) 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.

The acquisition costs of mineral property interests include the cash consideration paid, liabilities assumed and the estimated fair market value of common shares, based on the trading price of the shares, on the date of issue.

Exploration costs and option payments are expensed in the period incurred until such time as economic ore 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.

##### (f) Impairment of long-lived assets

The Company reviews and evaluates its long-lived assets, including its mineral property interests and property 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.

##### (g) 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.

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. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

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 and changes in cost estimates. Changes in estimates are accounted for prospectively from the period in which these estimates are revised.

(Refer to note 8).



# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (h) Future income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, generally using the enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Future income tax assets also result from unused loss carry-forwards and other deductions. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount.

##### (i) Share capital

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date of issue.

##### (j) 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. The effect of potential issuances of shares under stock options and warrants would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

##### (k) Segment disclosures

The Company currently operates in a single segment – the acquisition, exploration and development of mineral properties. All of the Company's activities are conducted in Canada.

##### (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 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.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (m) Translation of foreign currencies

Monetary assets and liabilities 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) New accounting policies not adopted

###### 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 is currently assessing the impact of IFRS on its financial statements.

##### (o) New accounting policies adopted

###### (i) General standard of financial statement presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's audited financial statements as at and for the year ended December 31, 2008.

###### (ii) 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.

###### (iii) 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. As at December 31, 2008, short-term investments comprise guaranteed investment certificates of \$43,502 bearing interest at 3.3% and maturing on June 30, 2009.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) New accounting policies adopted (Continued)

(iv) Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

#### *Capital Disclosures*

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these financial statements.

#### *Financial Instruments*

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4(b) to these financial statements.

## 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 quantitative return on capital criteria 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, contributed surplus and accumulated deficit which at December 31, 2008 totaled \$144,807 (December 31, 2007 - \$104,436).

The properties in which the Company currently has an interest are at the exploration or feasibility stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned project related activities and pay for 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.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 4. PROPERTY AND FINANCIAL RISK FACTORS

##### (a) Property risk

The Company's significant mineral property is the Detour Lake property. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon the Detour Lake property. If no additional mineral properties are acquired by the Company, any adverse development affecting the Detour Lake property would have a material adverse 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 under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

##### **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, guaranteed investment certificates, amounts receivable and restricted cash. Cash, guaranteed investment certificates and restricted cash are held with reputable Canadian chartered banks, for which management believes the risk of loss to be low.

Financial instruments included in amounts receivable consist of sales tax receivable from government authorities in Canada, accrued interest and deposits held with service providers. All amounts receivable are in good standing as of December 31, 2008 and \$520 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 refers to the risk that the Company will not be able to meet its financial obligations when they become due, or can only do so at excessive cost. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash balance of \$127 (2007 - \$18,919) and a guaranteed investment certificates balance of \$43,532 (2007 - \$nil) to settle current liabilities of \$5,769 (2007 - \$2,271). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

---

#### 4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

(b) Financial risk (Continued)

##### Market risk

###### *Interest rate risk*

The Company has cash balances, guaranteed investment certificates and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks.

###### *Foreign currency risk*

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

##### Sensitivity analysis

As of December 31, 2008, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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

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

(i) Cash is subject to floating interest rates at the Canadian prime rate less 1.70%. As at December 31, 2008, sensitivity to a plus or minus 1% change in interest rates is not material to the statement of loss and comprehensive loss.

(ii) Guaranteed investment certificates have fixed interest rates therefore they are not subject to interest rate fluctuations.

(iii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Other risks

(i) Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it is acquiring an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, noncompliance with regulatory and environmental requirements, increases in taxes and royalties, renegotiation of contracts and political uncertainty.

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 has initiated consultations with First Nation's bands respecting its plans for the Detour Lake project. 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 Detour Lake 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 Detour Lake project.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

#### 4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)

##### (c) Other risks (Continued)

(ii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold. Gold prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of gold may be produced in the future, a profitable market will exist. A decline in the market price of gold may also require the Company to reduce its mineral resources, which could have a material and adverse effect on the Company's market value.

As of December 31, 2008, the Company was not a gold producer. As a result, commodity price risk may affect the completion of future equity and debt transactions. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

(iii) Mineral property risk is significant. In particular, if an economic orebody is not found, the Company cannot enter into commercial production and generate sufficient revenues to fund its continuing operations. There can be no assurance that the Company will identify an economic orebody and therefore generate any revenues or achieve profitability or provide a return on investment in the future from any of the properties it may have an interest in.

#### 5. RESTRICTED CASH

In October 2008, in relation to the Detour Lake mine property (the "Mine Option 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 Option Property. The LC is secured by an equal value investment certificate, which bears interest at 5.17% and matures on October 21, 2013.

#### 6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	Net carrying value
<b>December 31, 2008</b>			
Mobile equipment	\$ 466	\$ 103	\$ 363
Machinery and equipment	38	3	35
Furniture and fixtures	36	7	29
Computer equipment and software	77	31	46
	<b>\$ 617</b>	<b>\$ 144</b>	<b>\$ 473</b>
<b>December 31, 2007</b>			
Mobile equipment	\$ 352	\$ 10	\$ 342
Furniture and fixtures	20	3	17
Computer equipment and software	36	8	28
	<b>\$ 408</b>	<b>\$ 21</b>	<b>\$ 387</b>



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

#### 7. MINERAL PROPERTY INTERESTS

Detour Lake property

The Company completed the acquisition of Detour Lake property on January 31, 2007 with a \$4,000 cash payment and the issuance of 20 million common shares to PDX Resources Inc. ("PDX") (formerly Pelangio Mines Inc.), and having fully funded the approved work program, pursuant to the purchase agreement. The value of the 20 million common shares issued as part of the acquisition was determined based upon the initial public offering price of the common shares of the Company on January 31, 2007 (\$3.50 per share). Certain of the claims acquired from PDX are subject to net smelter royalties of up to 3%, including the 1% royalty to Goldcorp Canada Ltd. ("Goldcorp") described below.

On April 14, 2008, the Company entered into an agreement (the "Purchase Agreement") with Goldcorp pursuant to which the Company exercised its option (the "Mine Option") and on October 30, 2008, acquired ownership of the mine option property from Goldcorp (the "Transaction").

Pursuant to the terms of the Purchase Agreement, the Company has assumed all of Goldcorp's liabilities and obligations relating to the mine option property (refer to note 8) and certain other exploration properties in the Detour Lake and Massicotte areas of Ontario and Quebec. As part of the agreement, the Company has granted Goldcorp a 1% royalty on the net smelter returns derived from the Mine Option Property (the "Mine Option Property NSR"). The Company has the right to purchase the Mine Option Property NSR from Goldcorp at any time by paying Goldcorp the sum of \$1,000.

A summary of the investment in the Detour Lake property is as follows:

<b>2007</b>	<b>Amount</b>
Issuance of 20,000,000 common shares to PDX	\$ 70,000
Cash payments to PDX	5,000
Finders' fees	750
Related transaction costs	139
	\$ 75,889
Future income tax liability at acquisition	32,305
	\$ 108,194
<b>2008</b>	
Asset retirement obligation (note 8)	\$ 1,292
	\$ 109,486

Following the Purchase Agreement, the Company estimated its liabilities and obligations at \$1,292. Consequently, the carrying value of the mineral property interests was increased by \$1,292 in 2008.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

#### 8. ASSET RETIREMENT OBLIGATION

The Company has restoration and remediation obligations associated with its Detour Lake property. The following table summarizes the movements in the asset retirement obligation:

	December 31, 2008	December 31, 2007
Balance, beginning of period	\$ -	\$ -
Recognition of new obligation	1,292	-
Balance, end of period	\$ 1,292	\$ -

The asset retirement obligation has been recorded as a liability at its estimated fair value, assuming a discount rate of 9.80% in October 2008. As the amount and timing are uncertain, the fair value was estimated using the expected cash flow technique by assigning probability factors to various potential cash flow assumptions. A study completed by a consultant in June 2008 estimated the total undiscounted asset retirement obligation at \$13,564.

#### 9. SHARE CAPITAL

##### (a) Subscription receipts

On October 23, 2006, the Company completed a private placement of 5,000,000 subscription receipts at a price of \$2.00 per subscription receipt for gross proceeds of \$10,000 (\$9,494 net of issue costs). Each subscription receipt entitled the holder thereof to acquire one common share of the Company. All of the subscription receipts were exchanged for common shares upon the completion of the Initial Public Offering ("IPO") on January 31, 2007.

##### (b) IPO

On January 31, 2007, the Company completed an initial public offering of 10,000,000 common shares on the Toronto Stock Exchange. The common shares were issued at a price of \$3.50 per common share, for gross proceeds of \$35,000. The Company paid the agents a cash commission, including expenses, of \$2,251 and issued 500,000 warrants (note 11). In addition, \$870 of transaction costs were incurred in relation to the IPO, with \$555 being paid during 2007 and the remainder having been paid in 2006. A future income tax asset of \$1,124 was recorded against the share issuance costs.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 9. SHARE CAPITAL (Continued)

##### (c) Special warrants

On February 21, 2008, the Company completed a bought deal private placement of 4,000,000 special warrants (the "Special Warrants"). The Special Warrants were issued to investors under applicable prospectus exemptions 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. Each Special Warrant was exercisable by the holder thereof into one common share without payment of any additional consideration and without any further action on the part of the holder. On April 25, 2008, the Company received a final receipt for the final prospectus qualifying the Special Warrants for distribution and all Special Warrants were converted to common shares. Future income taxes assets arising from share issuance costs of the Special Warrants of \$1,044 were recognized.

#### 10. SHARE PURCHASE OPTION PLAN

In January 2007, the Company instituted a rolling stock option plan, whereby 10% of the Company's issued and outstanding share capital may be granted to officers, directors, employees and consultants of the Company. Exercised options are automatically re-loaded into the plan. Pursuant to the policies of the Toronto Stock Exchange, the plan must be approved by shareholders every three years.

The fair value of the 3,305,000 options granted in 2007 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 4.18%; a weighted average volatility factor of 52% and a weighted average expected life of 4.4 years. The weighted average grant date fair value of the total options granted in fiscal 2007 was \$3.20. Vesting of these options is 30% after 12 months, 30% after 24 months and 40% after 36 months. As a result, the fair value of the options was estimated at \$10,576 and will be recognized over the vesting periods.

The fair value of the 830,000 options granted in 2008 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 3.49%; a weighted average volatility factor of 54.9% and a weighted average expected life of 3.5 years. The weighted average grant date fair value of the total options granted in fiscal 2008 was \$6.37. Vesting of these options is 30% after 12 months, 30% after 24 months and 40% after 36 months. As a result, the fair value of the options was estimated at \$5,292 and will be recognized over the vesting periods.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

### 10. SHARE PURCHASE OPTION PLAN (Continued)

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2006	-	\$ -
Granted	3,305,000	6.54
Forfeited	(120,000)	6.09
Balance, December 31, 2007	3,185,000	\$ 6.55
Granted	830,000	15.23
Exercised	(363,800)	4.63
Forfeited	(287,500)	10.06
Balance, December 31, 2008	3,363,700	\$ 8.60

As at December 31, 2008, the Company had the following stock options outstanding:

Range of Exercise Prices	Options Granted	Options Vested	Weighted Average Remaining Contractual Life (in years)
\$0.01 to \$5.00	1,067,500	210,000	3.1
\$5.01 to \$10.00	707,200	115,000	3.1
\$10.01 to \$15.00	1,154,000	256,200	4.0
\$15.01 to \$20.00	435,000	-	4.4
	3,363,700	581,200	3.6

The portion of the estimated fair value of options granted in prior periods and vesting in the current period, which have been reflected in the statements of loss and comprehensive loss are as follows:

	December 31, 2008	December 31, 2007	Cumulative from inception (July 19, 2006) to December 31, 2008
Exploration	\$ 1,213	\$ 800	\$ 2,013
Administration	4,501	1,859	6,360
Total expense recognized in loss and comprehensive loss and credited to contributed surplus	\$ 5,714	\$ 2,659	\$ 8,373



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

#### 11. WARRANTS

The Company granted 500,000 common share warrants to agents in relation to the IPO (note 9(b)), with each warrant exercisable into one common share in the Company at an exercise price of \$3.85 until January 31, 2008. The warrants have been recorded at an estimated fair value at the time of grant of \$395, using the following assumptions: risk-free interest rate – 4%; expected life – 1 year; expected volatility – 62%; expected dividends – nil. The continuity of these warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price	Estimated Grant Date Fair Value
Balance, December 31, 2006	-	\$ -	\$ -
Issued	500,000	3.85	395
Exercised	(468,500)	3.85	(370)
Balance, December 31, 2007	31,500	\$ 3.85	25
Exercised	(31,500)	3.85	(25)
Balance, December 31, 2008	-	\$ -	\$ -

#### 12. INCOME TAXES

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of 33.5% (2007 - 36.0%) is as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
Loss before income taxes	\$ (39,696)	\$ (21,691)
Expected future income tax (recovery) based on statutory rate	(13,298)	(7,809)
Adjustments to expected income tax benefit:		
Changes and differences in tax rates	1,786	(2,504)
Stock-based compensation	1,657	957
Other	(30)	-
Change in valuation allowance	-	(393)
Future income tax (recovery)	\$ (9,885)	\$ (9,749)



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

#### December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

#### 12. INCOME TAXES (Continued)

##### Future Income Tax Balances

	Year ended December 31, 2008	Year ended December 31, 2007
Future income tax assets (liabilities):		
Mineral property interests	\$ (12,592)	\$ (22,484)
Share issue costs	1,432	812
Non-capital losses	657	240
Valuation allowance	-	-
Future income tax liability (net)	\$ (10,503)	\$ (21,432)

The Company's exploration-related tax pools at December 31, 2008 total approximately \$64,626 (December 31, 2007 – \$30,806). The Company has undeducted share issue costs for tax purposes of approximately \$4,939. At the time of acquisition of the Detour Lake Property in January 2007, the Company and PDX agreed, for income tax purposes, to select a transfer price jointly under the Income Tax Act at an amount of not less than \$10,300.

At December 31, 2008, the Company has available non-capital loss carry-forwards for Canadian tax purposes with expiry as follows:

Year	Amount
2028	\$ 1,464
2027	450
2026	354
	\$ 2,268

#### 13. 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. The amounts are unsecured, non interest bearing and generally payable within 30 days or less.

Included in accounts payable and accrued liabilities are the following amounts due to related parties	December 31, 2008	December 31, 2007
Hunter Dickinson Inc.	\$ 22	\$ 165
Officer	\$ 17	-



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

### 13. RELATED PARTY TRANSACTIONS (Continued)

Reimbursement for expenses and payments for services rendered by related parties

	Year ended December 31, 2008	Year ended December 31, 2007
Hunter Dickinson Inc.		
Services rendered and expenses reimbursed	\$ 39	\$ 2,359
Director	\$ -	\$ 14
Officer	\$ 217	\$ 80

#### *Hunter Dickinson Inc. ("HDI")*

HDI is a private company which has certain directors in common with the Company. HDI provides geological, technical, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company on a full cost recovery basis pursuant to an agreement dated July 19, 2006. Balances receivable from, or payable to HDI, have arisen in the normal course of exploration work on the Company's mineral property and from the provision of ongoing administrative and technical services. The services provided by HDI have been significantly reduced during 2008.

#### *Director*

For the periods presented, the Company paid a director for technical consulting services.

#### *Officer*

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

### 14. SEGMENTED INFORMATION

The Company currently operates in one reportable operating segment, being the acquisition, exploration and development of mineral property interests in Canada. All assets, including cash balances are currently located in Canada.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

### 15. SUPPLEMENTAL INFORMATION

	Year ended December 31, 2008	Year ended December 31, 2007	Cumulative from inception (July 19, 2006) to December 31, 2008
Common shares issued pursuant to acquisition of Detour Lake property	\$ -	\$ 70,000	\$ 70,000
Warrants issued as share issuance costs	\$ -	\$ 395	\$ 395
Value of warrants exercised	\$ 25	\$ 370	\$ 395
Value of options exercised	\$ 871	\$ -	\$ 871
Future income tax liability arising from acquisition of Detour Lake property	\$ -	\$ 32,305	\$ 32,305
Future income tax assets arising from share issuance costs	\$ 1,044	\$ 1,123	\$ 2,167
Change in deferred transaction costs	\$ 450	\$ 454	\$ 450

### 16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted as at December 31, 2008.

### 17. COMMITMENTS AND CONTINGENCIES

The following table lists the Company's material contractual obligations over the next three years:

	2009	2010	2011	Total
Operating leases	\$ 237	\$ 171	\$ 116	\$ 524

The Company is party to certain management and consulting contracts. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as contract termination or change of control by the Company. The additional commitments range from \$1,294 for contract termination to \$2,454 as a result of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements (See note 19).

### 18. TERMINATION PAYMENT

During fiscal 2008, the Company signed a Letter of Award ("LOA") for the order of grinding mills which was subsequently terminated in January 2009 and paid in February 2009. The Company accrued a termination payment of \$2,099. A portion of the termination payment may be recoverable if the Company reinstates the order in 2009 and the Company commits to using the same contractor and sub-suppliers for future work.



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to Financial Statements

December 31, 2008 and 2007

(In thousands of dollars except per security amounts)

(Expressed in Canadian Dollars unless otherwise noted)

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#### 19. SUBSEQUENT EVENT

On January 26, 2009, the Company and PDX announced they had entered into a combination agreement on January 24, 2009, providing for, among other things, the merger of the companies (the "Combination Agreement"). PDX's principal asset is its ownership interest in the Company. This transaction will be implemented through, among other things, an amalgamation under the Business Corporations Act (Alberta) (the "Amalgamation") in which PDX will amalgamate 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 will be 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 will be issued to PDX shareholders.

Promptly following the Amalgamation, the Company intends to wind-up Amalco and the 19 million common shares of the Company currently held by PDX (which will then be held by Amalco) will be cancelled.

Special meetings of the shareholders of each of the Company and PDX will be held on March 26, 2009 to consider the transaction. The transaction requires the approval of not less than two-thirds of the votes cast by PDX shareholders. In addition, the transaction requires the approval of a simple majority of the votes cast by the Company's shareholders, as well as the approval of a simple majority of the votes cast by the Company's minority shareholders. The transaction is also subject to the receipt of customary regulatory approvals. The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Company's shares to be issued pursuant to the Amalgamation and the Company's shares reserved for issuance in respect of the Converted Options (as defined below), subject to the Company satisfying customary listing requirements of the TSX. A joint management information circular in respect of the proposed transaction was mailed to shareholders of the Company and PDX on February 24, 2009.

#### Termination

The Combination Agreement includes a commitment by PDX and the Company not to solicit or initiate discussions concerning alternative transactions. In addition, PDX and the Company have each agreed to pay a termination fee of \$3,140 to the other party in specified circumstances where the transaction is not consummated. In certain circumstances where the Combination Agreement is terminated by a party due to the other party's breach, the breaching party is obligated to pay the other party's expenses incurred in connection with the transaction, not to exceed \$500.

#### Treatment of PDX Stock Options

Upon completion of the merger, the Company will assume the incentive stock option plan of PDX (the "PDX Option Plan") and the outstanding obligations of PDX under the PDX Option Plan. A PDX share receivable on the exercise of an option under the PDX Option Plan will be 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 expects to reserve up to 542,481 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 shares that may be reserved for issuance under the Company's current option plan.



**DETOUR GOLD**

# **DETOUR GOLD CORPORATION**

## **(A DEVELOPMENT STAGE COMPANY)**

### **Notes to Financial Statements**

**December 31, 2008 and 2007**

**(In thousands of dollars except per security amounts)**

**(Expressed in Canadian Dollars unless otherwise noted)**

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#### **19. SUBSEQUENT EVENT (Continued)**

##### **Certain Costs and Other Liabilities Assumed By the Company**

If the merger is completed, the Company will pay for all costs and expenses incurred in connection with the preparation, execution and delivery of the Combination Agreement and the consummation of the Amalgamation and other transactions contemplated by the Combination Agreement. The combined estimated fees, costs and expenses of PDX and the Company in connection with the merger are anticipated to be approximately \$4,000. However, if the Combination Agreement is terminated in accordance with its terms, except for any required Termination Payment or Expense Payment (each as defined in the Combination Agreement), each party shall pay its own legal, financial, advisory, accounting and other costs and expenses incurred in connection with the Combination Agreement, provided that the Company will pay for any proxy solicitation costs of both parties.

Pursuant to the Combination Agreement, the Company has advanced to PDX the sum of \$1,140 to fund PDX's out-of-pocket expenses that PDX anticipated would be incurred prior to the Amalgamation and to fund PDX's current accounts payable (the "PDX Expense Amount"). PDX is required to repay the full amount of the PDX Expense Amount plus interest in certain circumstances to the Company in the event that the Combination Agreement is terminated in accordance with its terms. As security for the obligation to refund the PDX Expense Amount, at the time of the advance, PDX pledged 200,000 Company common shares owned by PDX to the Company.

In September 2008, PDX implemented a tax-deferred "butterfly" spin-off transaction that resulted in the distribution of certain assets of PDX to a newly formed corporation, Pelangio Exploration Inc. ("PX"). Under the terms of the tax ruling issued by the Canada Revenue Agency in respect of this spin-off and the applicable "butterfly rules" in the Income Tax Act (Canada), it is possible that income tax could be assessed against PDX and/or PX if certain other transactions (including the Amalgamation) are considered to be part of a series of transactions or events that includes the spin-off transaction. In connection with the proposed transaction, the Company and PDX entered into a tax indemnity agreement with PX dated January 24, 2009 which will become effective if and when the Amalgamation is implemented. Under this tax indemnity agreement, PDX has agreed to indemnify PX for certain tax liabilities that it might incur in respect of the "butterfly" spin-off transaction as a result of the Amalgamation or certain other transactions. The Company does not consider its exposure to potential tax liabilities that it might incur under the "butterfly rules" as a result of the Amalgamation or under the tax indemnity agreement to be material.

The merger is expected to close prior to March 31, 2009 if the required approvals of the merger are obtained from the shareholders of each of the Company and PDX on March 26, 2009.

Transaction costs associated with this merger amounted to \$450 as at December 31, 2008 and have been recognized as deferred transaction costs on the balance sheet.



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

1

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The following Management's Discussion and Analysis ("MD&A") of Detour Gold Corporation ("Detour Gold" or the "Company") is intended to supplement and complement the Company's 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, 2008 and 2007, which have been prepared in accordance with Canadian generally accepted accounting principles. This report is dated March 16, 2009 and the Company's public filings, including its most recent Annual Information Form, can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)). All dollar figures stated herein are expressed in thousands of Canadian dollars, unless otherwise specified.

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

### **Business Overview**

The Company was incorporated on July 19, 2006 and is in the business of acquiring, exploring and developing mineral properties in Canada.

On January 31, 2007, the Company completed the acquisition of the Detour Lake property from PDX Resources Inc. ("PDX") (formerly Pelangio Mines Inc.) concurrently with the closing of its \$35,000 Initial Public Offering ("IPO").

The Company's primary asset is the Detour Lake project which is currently the subject of a feasibility study. The Company currently has no producing properties.

### ***Exploration Activities***

#### ***Detour Lake Property***

In 2008, Detour Gold continued its infill drilling program (40 metres by 40 metres grid) on the Detour Lake deposit (located on the Mine Option Property), which totaled 121,506 metres in 316 holes. From the acquisition of the property in January 2007 to end of 2008, the Company completed a total of 231,104 metres in 621 holes on the deposit.

In addition, the Company completed 12,054 metres in 38 holes on several other targets on the property. The Sunday Lake Deformation Zone was tested for six kilometres east of the Detour Lake deposit with 5,389 metres in 20 drill holes, which returned only anomalous to low-grade gold mineralization. Holes targeting the North Walter Lake area confirmed the previously know gold mineralization and holes testing the eastern extension of the M Zone (main target on Block A) did not intersect any significant mineralization.

Prior to the mineral resource update of July 2, 2008, the Company had reported the drill results of 114 holes from its Phase II drilling program at the Detour Lake deposit. The results were continuing to confirm the grade and continuity of the deposit and have extended the deposit to the east of the West Pit and west of the Calcite Zone. The mineralized corridor was extended to over 350 metres in width in certain areas of the deposit.

On July 2, 2008, the Company released an updated National Instrument 43-101 compliant mineral resource estimate for the Detour Lake gold project based on a detailed engineered pit design. The NI 43-

**DETOUR GOLD CORPORATION  
FOR THE YEAR ENDED DECEMBER 31, 2008  
FORM 51-102F1  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

2

101 Technical Report was filed on SEDAR in August 2008. The update included results from the historical drilling, approximately 123,000 metres completed by Detour Gold (49,322 metres from Phase I and 73,469 metres from Phase II ). The measured and indicated gold resources increased by 125% from 4.8 million ounces to 10.8 million ounces while inferred gold resources decreased 20% from 3.0 million ounces to 2.4 million ounces. Based on a cut-off grade of 0.50 g/t gold and a gold price of US\$700 per ounce, the in-pit resources included in the detailed engineered pit design are shown in Table 1.

Table 1. June 2008 Detailed Engineered Pit Design Resource Estimate  
Base Case US\$700/oz

	Tonnes (millions)	Grade Capped at 20 g/t Au (g/t Au)	Gold Ounces (capped) (000's)
Measured (M)	38.8	1.68	2,099
Indicated (I)	204.1	1.32	8,664
Total (M&I)	<b>242.9</b>	<b>1.38</b>	<b>10,763</b>
Inferred	<b>63.9</b>	<b>1.19</b>	<b>2,452</b>

Notes:

- (1) The mineral resources are classified as measured, indicated and inferred, and comply with the CIM mineral resource definitions referenced in National Instrument 43-101.
- (2) Base case assumes a gold price of US\$700/oz gold and US dollar exchange rate of \$1.10.
- (3) Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (4) The quantity and grade of reported inferred resources in this estimation are conceptual in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured resource category.

The designed and engineered open pit resource presented in Table 1 was prepared by Patrice Live, Qualified Person, Eng. of BBA Inc. Prior to the detailed engineered pit design, Kurt Beerde, P. Eng of Watts Griffiths and McQuat Limited audited the mineral estimate that was initially prepared by Thon Consulting of Smithers, B.C. The costs estimates used in the resource estimates were also provided and reviewed by BBA Inc. The gold recovery was reviewed by Lawrence Melis, P.Eng. of Melis Engineering Ltd. The pit slope information used in the designed and engineered open pit resource was provided by Luiz Castro, P.Eng. of Golder Associates Ltd. With the except of Thon Consulting, all the names mentioned above are Qualified Persons with respect to the Company's mineral properties in accordance with NI 43-101 regulations.

In the fourth quarter of 2008, the Company released drill results from 100 holes from its infill drilling program (40 metres by 40 metres grid). Results continue to show good continuity of the main mineralized zones and confirmation of additional gold mineralization within the US\$700 pit shell, which should positively impact the pit design, including the reduction of the waste to ore ratio for the pre-feasibility study expected in the second quarter of 2009. In support of the pre-feasibility study, the Company completed during the fourth quarter an 8,000 metre infill drilling program on a 20 metre by 20 metre grid in the eastern portion (sector 19500E) of the deposit. The drilling aims to closely infill an area of 80 metres along strike (east-west) by 300 metre in width (north-south) to a depth of 160 metres. Results from this program are expected by the end of the first quarter of 2009.

Subsequent to year-end, the Company announced on February 18, 2009 that it anticipated concluding a pre-feasibility study in the second quarter of 2009 followed by a feasibility study later this year. The pre-

**DETOUR GOLD CORPORATION  
FOR THE YEAR ENDED DECEMBER 31, 2008  
FORM 51-102F1  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

3

---

feasibility study currently underway is being prepared by Met-Chem Canada Inc. ("Met-Chem") in conjunction with the additional consulting firms noted below. Metallurgical tests have been completed and conclude excellent gold recoveries ranging from 91% to 95%. The process plant design is expected to incorporate both a gravity circuit and a standard carbon-in-pulp (CIP) circuit for gold recovery. Trade-off studies to determine the appropriate throughput rate for the deposit currently suggest an optimized rate of 40,000 to 50,000 tonnes per day. Tailings and infrastructure studies, being conducted by AMEC Earth and Environmental (a Division of AMEC Americas Limited) and Ausenco Minerals Canada Inc. respectively, are well advanced. The Company is also proceeding with the re-permitting of the existing right of way for the construction of the power line and connection to the existing power grid.

The Company is advancing work on the next block model for a new mineral resource and reserve estimate to be used in the pre-feasibility study. Results from an additional 102,000 metres of infill diamond drilling (completed since the last resource estimate of July 2, 2008) will be incorporated in the pre-feasibility study. In total, the study will incorporate the results from approximately 225,000 metres of drilling by the Company in the project database totaling approximately 788,000 metres of drilling. Scott Wilson Roscoe Postle Associates Inc. of Toronto has been retained to independently audit the new mineral resource estimate for the study. The Company has also retained SGS Geostat Ltée to conduct further gold assay capping studies. Current studies suggest that a higher capping grade could be used in the upcoming pre-feasibility study than the 20 g/t gold previously used. Following the audit of the mineral resource estimate, BBA Inc. of Montreal will be providing the mineral reserve statement and design of the proposed engineered open pit.

#### Block A

On the Block A property, activities were limited to camp completion and maintenance. No exploration work took place in 2008. The Company intends to continue its exploration activities on Block A, subject to entering into a joint venture agreement with Trade Winds Ventures Inc. ("Trade Winds"). Trade Winds is the operator during the exploration phase. Trade Winds is currently proceeding with a NI 43-101 compliant mineral resource estimate update.

#### *Corporate Activities*

In April 2008, the Company entered into an agreement (the "Purchase Agreement") with Goldcorp Canada Ltd. ("Goldcorp") pursuant to which the Company exercised its option (the "Mine Option") and would acquire ownership of the Detour Lake mine property (the "Mine Option Property") from Goldcorp (the "Transaction").

Pursuant to the terms of the Purchase Agreement, the Company assumed all of Goldcorp's liabilities and obligations relating to the Mine Option Property and certain other exploration properties in the Detour Lake and Massicotte areas of Ontario and Quebec. Upon the exercise of the Mine Option and the closing of the Transaction, as per the terms of the Option and Access Agreement dated December 10, 1998, Detour Gold granted Goldcorp a 1% royalty on the net smelter returns derived from the Mine Option Property (the "Mine Option Property NSR"). The Company has the right to purchase the Mine Option Property NSR from Goldcorp at any time by paying Goldcorp the sum of \$1,000.

The exercise of the Mine Option and the closing of the Transaction was completed on October 30, 2008 and the Company became the sole owner of the Mine Option Property, including all the surface rights. The Company estimates that the existing reclamation liability assumed by completing this Transaction is approximately \$13,564 and will be incurred over a period exceeding 25 years. The Company has secured

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

4

a letter of credit in the amount of \$6,554 in favour of the Ontario Government against this future work. However, the vast majority of the work required to complete the closure activities will, if a positive feasibility study is received in 2009 and the project developed, be deferred until later in the new mine life as the majority of the liability is associated with the existing tailings facility which is contemplated to be reused if the Detour Lake project proceeds to development.

In March 2008, Mr. J. Michael Kenyon was appointed director of the Company. In April 2008, Mr. Patrick Donovan was appointed Vice-President Corporate Development of the Company and in September 2008, Mr. Paul Martin was appointed Chief Financial Officer of the Company.

### **Outlook**

The Detour Lake property, being the primary asset of the Company, will remain the focus of exploration and development efforts over the short to medium term. In the near term, this includes completing a pre-feasibility and feasibility study in 2009, securing the remaining mining permits, advancing First Nations negotiations and sourcing the capital and/or debt to finance its ongoing operations.

The feasibility study in 2009 will quantify the capital costs necessary to bring the future mine into production. Following completion of the feasibility study, management in conjunction with the Board of Directors, will make the decision as to whether development of the Detour Lake project should commence or not. If it is decided to proceed, this decision will be dependent on the raising of additional financing, debt and equity. The amount and timing of these raisings may be materially impacted by the current economic turmoil in the capital markets that the world has experienced beginning in 2008 and which escalated in October 2008. As a result of this turmoil the cost of and availability of both equity and debt may be restricted. Efforts made by central banks and governments around the world to inject capital into the banking system are attempting to reinvigorate bank lending, however at this time, these markets continue to remain relatively illiquid. There can be no assurance that the Company will be able to raise sufficient funds as and when such funds are required.

Detour Gold has sufficient funds to meet its planned expenditures beyond 2009 but does not have sufficient cash resources to commence the mine development.

### **Market Trends**

The Company's future profitability depends, among other things, upon the world market price of gold. Gold prices have been increasing over the past four years. Overall, the average gold price increased from US\$410 per ounce in 2004 to US\$445 per ounce in 2005, US\$604 in 2006, US\$695 in 2007 and US\$872 in 2008. The gold price closed at US\$870 per ounce on December 30, 2008 and on March 16, 2009 gold was trading higher at US\$920 per ounce.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

5

**Selected Annual Information**

	December 31 2008	December 31 2007	December 31 2006
Interest Income	1,956	1,163	59
Operating Expenses	39,553	22,854	646
Loss	29,811	11,942	587
Basic and Diluted loss per share	0.69	0.32	0.12
Total Assets	162,371	128,139	9,548
Long-Term Liabilities	11,795	21,432	-

Detour Gold was incorporated on July 19, 2006 and did not commence significant activity until January 2007 when the Company completed its IPO and the acquisition of the Detour Lake property from PDX. The increase in interest income from 2006 to 2008 is reflective of a higher average cash balance during each of the periods. The Company's accounting policy is to expense exploration expenses until the completion of a positive feasibility study on its property; consequently, the operating expenses include \$30,220 in 2008 versus \$17,561 in 2007 and \$523 in 2006 as a result of increased drilling activities plus the commencement of a feasibility study in 2008. At the time of closing the transaction contemplated by the Purchase Agreement in January 2007, Detour Gold and PDX agreed for income tax purposes, to select a transfer price jointly under the Income Tax Act of not less than \$10,300 which contributed to a long-term future income tax liability of \$32,305. This future income tax liability was \$10,503 at the end of December 2008 (2007-\$21,432) which reflects the increase in the property value for tax purposes while for accounting purposes the cost have been expensed. In addition, the future income tax rate applied has decreased since the inception of the Company.

**Results of Operations**

The Company's loss for the year ended December 31, 2008 was \$29,811 compared to \$11,942 for 2007. This \$17,869 increase is primarily attributable to the following three items: i) an increase of \$12,659 (2008-\$30,220 versus 2007-\$17,561) in costs expended at the Detour Lake project for drilling and advancement of activities in support of the feasibility study; ii) an increase of \$3,055 (2008-\$5,714 versus 2007-\$2,659) in non-cash stock based compensation expense related to options granted to new and current employees and iii) a one-time expense of \$2,099 incurred as termination payment to cancel the order for milling equipment initially entered into in August 2008 (See Capital Resources).

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

6

During the year, exploration expenses totaled \$30,220 (2007-\$17,561) where drilling and assaying costs at the Detour Lake project accounted for \$19,755 (2007-\$10,653) and \$6,814 (2007-\$877) was directed to the advancement of the feasibility and engineering processes. The Company also incurred \$1,658 in 2008 to test additional targets around the Detour Lake project. The administrative expenses for 2008 totaled \$3,619 in comparison to \$2,634 in 2007. Significant increases include \$454 (2008-\$745 versus 2007-\$291) in professional fees and \$375 (2008-\$597 versus 2007-\$222) for investor relation activities and \$96 in salaries and management fees. The increase in administrative expenses was offset by an increase of \$793 (2008-\$1,956 versus 2007-\$1,163) in interest income due to higher cash balances which were generated by the proceeds from the \$65.2 million equity issue completed in February 2008. Also offsetting the loss for the year ended December 31, 2008, was a future income tax recovery of \$9,885 (2007-\$9,749) in relation to the exploration and other expenses incurred during the year.

**Summary of Quarterly Results**

	<b>Fourth Quarter 2008</b>	<b>Third Quarter 2008</b>	<b>Second Quarter 2008</b>	<b>First Quarter 2008</b>
Interest income	307	684	554	411
Loss	9,011	5,731	7,544	7,525
Loss per share <sup>(1)</sup>	0.20	0.13	0.17	0.19
	<b>Fourth Quarter 2007</b>	<b>Third Quarter 2007</b>	<b>Second Quarter 2007</b>	<b>First Quarter 2007</b>
Interest income	281	305	330	247
Loss (Earnings)	(2,182)	5,777	4,569	3,778
Loss (Earnings) per share <sup>(1)</sup>	(0.07)	0.14	0.11	0.14

<sup>(1)</sup> Loss per share remains the same on a fully diluted basis

On January 31, 2007, the Company successfully completed an IPO and raised gross proceeds of \$35,000 with such funds directed towards the advancement of the Detour Lake property. The decline in interest income over the last two quarters of 2007 is a result of decreasing cash balances on hand due to the incremental exploration expenditures. The increase in interest income in the first, second and third quarter of 2008 is related to higher cash balance generating interest as the Company raised \$61,260 (net of issue costs) on February 21, 2008. The earnings of \$2,182 in the fourth quarter of 2007 is directly related to a \$9,259 non-cash year-end tax adjustment to reflect the increase in the property value for tax purposes as a consequence of the 2007 expenses incurred and change in future tax rates. The losses in the first, second, third and fourth quarter of 2008 include a similar non-cash tax recovery of \$2,398, \$2,034, \$2,389 and \$3,064 respectively. The loss for the fourth quarter of 2008 also includes a one-time expense of \$2,099 incurred as termination payment to cancel the order of milling equipment.

**Liquidity**

Historically, the Company's sole source of funding has been the issuance of equity securities for cash. On February 21, 2008, Detour Gold completed a bought deal private placement of 4 million special warrants (the "Special Warrants"). The Special Warrants were issued to investors under applicable prospectus exemptions at a price of \$16.30 per Special Warrant, representing aggregate gross proceeds of \$65,200. A 5% cash commission was paid in relation to the placement. Following the final receipt for the Short

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

7

Form Prospectus the exercise of the Special Warrants was completed on April 30, 2008 and 4 million shares of the Company were issued. Also during the current year, the Company realized \$1,683 in proceeds on the exercise of stock options and \$121 from the exercise of warrants.

The Company has not yet determined whether its property contains economically recoverable reserves. As a result, the Company has no current sources of revenue and relies on the issuance of shares or debt to generate the funds required to advance its projects. Industry and market conditions have allowed the Company to raise gross proceeds of \$100,200 since January 2007 but there can be no assurance of continued access to significant funding will continue in the future.

Detour Gold has sufficient funds to meet its 2009 planned expenditures, however, following the completion of the feasibility study, the Company will have to evaluate the development timetable and the necessity to lock in such items as ordering long lead items and commence detailed engineering. Commitments for these items will require that the Company source additional financing. In the event that the capital markets for debt and equity do not open, or management determines the cost of capital is too expensive, then the Company may have to delay the start of the eventual construction of the Detour Lake project.

All funds are currently held in cash or guaranteed investment certificates with Canadian banks.

### **Commitments and Contingencies**

As at December 31, 2008, the Company had operating lease obligations terminating in 2011 as follows: 2009 - \$237, 2010 - \$171 and 2011 - \$116.

The Company is party to certain management and consulting contracts. These contracts contain clauses requiring additional payments to be made upon the occurrence of certain events such as change of control or contract termination by the Company. The additional commitments range from \$1,294 for contract termination to \$2,454 as a result of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements (See Subsequent Event to December 31, 2008).

### **Capital Resources**

The Company had no material commitments for capital expenditures as of December 31, 2008 as it cancelled the Letter of Award to order milling and grinding equipment in December 2008 and has accrued the termination fee of \$2,099 which was paid in February 2009, and which approximately 50% is recoverable from the vendors if the order is reinstated in 2009. The Company has no lines of credit and there are no other sources of financing which have been arranged but are as yet unused.

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

The Company has no off-balance sheet arrangements.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

8

---

### **Transactions with Related Parties**

The Company had the following transactions with related parties during the year ended December 31, 2008. During 2007, the Company paid a director \$17 for technical consulting services.

#### Hunter Dickinson Inc. ("HDI")

HDI carries out investor services, geological, corporate development, administrative and other management activities for, and incurs third party costs on behalf of, the Company on an as-needed and as-available basis. The Company reimburses HDI on a full cost-recovery basis. HDI has certain directors in common with the Company.

Costs for services rendered by HDI to the Company totaled \$39 (2007-\$2,359) for the year ended December 31, 2008 and decreased as a result of the Company establishing its own office with its own staffing in late 2007.

#### Officer

During the year ended December 31, 2008, the Company paid \$217 (2007-\$80) in management fees to a company owned by an officer of the Company.

### **Fourth Quarter**

During the fourth quarter of 2008, the Company's loss totaled \$9,011. Exploration costs amounted to \$7,928 of which \$7,758 of this amount was attributable to activities at Detour Lake. The loss also includes a one-time expense of \$2,099 incurred as termination payment to cancel the order of milling equipment. Administrative expenses totaled \$2,355 with the main items being stock based compensation \$1,126 and salaries and management fees \$763. The expenses were offset by interest income of \$307 and non-cash future income tax recovery of \$3,064.

### **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 estimation of mineral resources, the determination of potential impairments of mineral property interest, the valuation of future income tax assets and liabilities, the carrying value of mineral property interests, the assumptions used in determining asset retirement obligations 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*

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.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

9

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

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, 2008, the Company's net value of its mineral property interests was \$109,486 (2007-\$108,194). 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.

The Company expenses exploration costs and option payments in the period incurred until such time as economic ore reserves are confirmed in a feasibility study. Subsequent, the development costs are capitalized.

*Future Income Tax Asset and Liability*

At the time of closing the transaction contemplated by the Purchase Agreement in January 2007, Detour Gold and PDX agreed for income tax purposes, to select a transfer price jointly under the Income Tax Act of not less than \$10,300 which created a long-term future income tax liability of \$32,305 due to a temporary tax difference. As at December 31, 2008, the future income tax amount was \$10,503 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 and which have been expensed for accounting purposes, combined with a reduction in the future income tax rates.

The Company commenced recording future tax assets in 2007 to offset its future income tax liabilities recognized on the acquisition of the Detour Lake property.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

10

---

*Stock-based Compensation*

The Company recorded stock-based compensation expense of \$5,714 (2007-2,659) for the year ended December 31, 2008. The stock-based compensation expense is based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rates, life of options, stock price volatility and 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.

**Financial Instruments and Other Instruments**

The Company has not used any hedging or other financial derivatives since the inception of the Company.

**Disclosure of Outstanding Share Data**

As at March 16, 2009, the date of this MD&A, the Company had outstanding the following securities:

	<u>Number</u>
Common shares	45,013,700
Share purchase options	4,008,800

**New Accounting Policies Adopted**

(i) General standard of financial statement presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's audited financial statements as at and for the year ended December 31, 2008.

(ii) Restricted cash

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

(iii) 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. As at December 31, 2008, short-term investments comprise guaranteed investment certificates of \$43,502 bearing interest at 3.3% and maturing on June 30, 2009. An additional \$30 is reserved to secure corporate credit cards.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

11

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### **New Accounting Pronouncements**

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canadian GAAP. The effective date is for the Company's interim and annual financial statements for the year beginning January 1, 2011. The transition date will require the restatement for comparative purposes of amounts reported by the Company for the prior year. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **Subsequent Event to December 31, 2008**

On January 26, 2009, the Company and PDX announced they had entered into a combination agreement on January 24, 2009, providing for, among other things, the merger of the companies (the "Combination Agreement"). PDX's principal asset is its ownership interest in the Company. This transaction will be implemented through, among other things, an amalgamation under the *Business Corporations Act* (Alberta) (the "Amalgamation") in which PDX will amalgamate 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 will be 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 will be issued to PDX shareholders.

Promptly following the Amalgamation, the Company intends to wind-up Amalco and the 19 million common shares of the Company currently held by PDX (which will then be held by Amalco) will be cancelled.

Special meetings of the shareholders of each of the Company and PDX will be held on March 26, 2009 to consider the transaction. The transaction requires the approval of not less than two-thirds of the votes cast by PDX shareholders. In addition, the transaction requires the approval of a simple majority of the votes cast by the Company's shareholders, as well as the approval of a simple majority of the votes cast by the Company's minority shareholders. The transaction is also subject to the receipt of customary regulatory approvals. The Toronto Stock Exchange ("TSX") has conditionally approved the listing of the Company's shares to be issued pursuant to the Amalgamation and the Company's shares reserved for issuance in respect of the Converted Options (as defined below), subject to the Company satisfying customary listing requirements of the TSX. A joint management information circular in respect of the proposed transaction was mailed to shareholders of the Company and PDX on February 24, 2009.

### **Termination**

The Combination Agreement includes a commitment by PDX and the Company not to solicit or initiate discussions concerning alternative transactions. In addition, PDX and The Company have each agreed to pay a termination fee of \$3,140 to the other party in specified circumstances where the transaction is not consummated. In certain circumstances where the Combination Agreement is terminated by a party due

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

12

---

to the other party's breach, the breaching party is obligated to pay the other party's expenses incurred in connection with the transaction, not to exceed \$500.

**Treatment of PDX Stock Options**

Upon completion of the merger, The Company will assume the incentive stock option plan of PDX (the "PDX Option Plan") and the outstanding obligations of PDX under the PDX Option Plan. A PDX share receivable on the exercise of an option under the PDX Option Plan will be 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 expects to reserve up to 542,481 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 shares that may be reserved for issuance under the Company's current option plan.

**Certain Costs and Other Liabilities Assumed By the Company**

If the merger is completed, the Company will pay for all costs and expenses incurred in connection with the preparation, execution and delivery of the Combination Agreement and the consummation of the Amalgamation and other transactions contemplated by the Combination Agreement. The combined estimated fees, costs and expenses of PDX and the Company in connection with the merger are anticipated to be approximately \$4,000. However, if the Combination Agreement is terminated in accordance with its terms, except for any required Termination Payment or Expense Payment (each as defined in the Combination Agreement), each party shall pay its own legal, financial, advisory, accounting and other costs and expenses incurred in connection with the Combination Agreement, provided that the Company will pay for any proxy solicitation costs of both parties.

Pursuant to the Combination Agreement, the Company has advanced to PDX the sum of \$1,140 to fund PDX's out-of-pocket expenses that PDX anticipated would be incurred prior to the Amalgamation and to fund PDX's current accounts payable (the "PDX Expense Amount"). PDX is required to repay the full amount of the PDX Expense Amount plus interest in certain circumstances to the Company in the event that the Combination Agreement is terminated in accordance with its terms. As security for the obligation to refund the PDX Expense Amount, at the time of the advance, PDX pledged 200,000 Company common shares owned by PDX to the Company.

In September 2008, PDX implemented a tax-deferred "butterfly" spin-off transaction that resulted in the distribution of certain assets of PDX to a newly formed corporation, Pelangio Exploration Inc. ("PX"). Under the terms of the tax ruling issued by the Canada Revenue Agency in respect of this spin-off and the applicable "butterfly rules" in the Income Tax Act (Canada), it is possible that income tax could be assessed against PDX and/or PX if certain other transactions (including the Amalgamation) are considered to be part of a series of transactions or events that includes the spin-off transaction. In connection with the proposed transaction, the Company and PDX entered into a tax indemnity agreement with PX dated January 24, 2009 which will become effective if and when the Amalgamation is implemented. Under this tax indemnity agreement, PDX has agreed to indemnify PX for certain tax liabilities that it might incur in respect of the "butterfly" spin-off transaction as a result of the Amalgamation or certain other transactions. The Company does not consider its exposure to potential tax liabilities that it might incur under the "butterfly rules" as a result of the Amalgamation or under the Tax Indemnity Agreement to be material.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

13

---

The merger is expected to close prior to March 31, 2009 if the required approvals of the merger are obtained from the shareholders of each of the Company and PDX on March 26, 2009.

***Disclosure Controls and Procedures***

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

***Internal Control over Financial Reporting***

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) control framework entitled "*Internal Control over Financial Reporting – Guidance for Smaller Public Companies*" (COSO-SPC) to assess the effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that as at December 31, 2008, the Company's internal control over financial reporting was not effective. During 2008, the Company did not have adequate procedures in place related to purchase commitments. The Company has implemented a procedure whereby the Chief Executive Officer and Chief Financial Officer ("Senior Officers") are required to review and approve all material commitments being entered into by the Company and ensure that these commitments are contractually appropriate and within the approval limits of these Senior Officers.

In addition, the Company has effected in 2008 changes in its internal controls over financial reporting. These changes were in part necessitated by expanding operational activity. The Company contracted a third party consultant to assist in enhancing its internal controls and to test the enhanced controls as part of management's assessment of internal controls over financial reporting. The Company has a) in general,

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

14

enhanced its internal controls across material financial reporting processes by designing and evaluating additional controls; and b) more specifically, improved its controls over period end closing processes with an emphasis on improving segregation of duties within the Company's small organizational structure.

***Limitations of Controls and Procedures***

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**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, and 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 property is the Detour Lake property. Unless the Company acquires or develops additional mineral properties, the Company will be solely dependent upon the Detour Lake property. If no additional mineral properties are acquired by the Company, any adverse development affecting the progress of the Detour Lake 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 depends 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

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

15

---

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 finance the development of the Detour Lake 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 resources, which could have a material and adverse effect on the Company's value.

***Share Price Volatility***

In recent years, and, in particular, in 2008, 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***

Additional funds will be required for future exploration and development of the Detour Lake property. The Company currently has sufficient financial resources to carry out its planned exploration and development programs through the end of 2009. Beyond this, however, the Company has limited financial resources, and no source of operating income. There is no assurance that additional funding will be available to the Company for further exploration, or, should the results of the planned Detour Lake feasibility study prove to be positive, for the ultimate development of such property. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing debt and capital market conditions as well as the business performance of the Company. Failure to obtain sufficient financing may result in delaying or the indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. 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, shareholders may have their equity interest in the Company diluted.

***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

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

16

---

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.

Risks involved in mining operations include unusual and unexpected geologic formations, seismic activity, rock bursts, 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 exploration 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.

**DETOUR GOLD CORPORATION  
FOR THE YEAR ENDED DECEMBER 31, 2008  
FORM 51-102F1  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

17

---

***Resource Estimates***

The mineral resource figures included herein are estimates only and no assurance can be given that any particular level of recovery of gold or other mineral from resources will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body 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. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition. Until mineral resources are actually mined and processed, the quantity of mineral 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 permits necessary to develop the Detour Lake project, including government 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 Detour Lake property.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, 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 has initiated consultations with the Moose Cree First Nation, the Taykwa Tagamou Nation and the Wahgoshig First Nation respecting its plans for the Detour Lake project. Detour Gold 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 Detour Lake 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 Detour Lake project, or any of the Company's other properties. In addition, other parties may dispute

**DETOUR GOLD CORPORATION  
FOR THE YEAR ENDED DECEMBER 31, 2008  
FORM 51-102F1  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

18

---

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 Detour Lake 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***

Company management estimates the cost to complete the reclamation of the existing Detour Lake mine site (the "Mine Site") to be approximately \$13,564. In October 2008, the Company issued a Letter of Credit (the "LC") in favour of the Ministry of Northern Development and Mines in the amount of \$6,554, equal to the present value of the estimated future reclamation obligations resulting from the original operation of the Mine Site. The LC is secured by an investment certificate of equal value. The actual costs of completing the reclamation could be significantly higher.

***Government Regulation***

The Company's mineral exploration and 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

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

19

---

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 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.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

20

---

***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 period of time and may have a materially 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 Detour Lake 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 Detour Lake 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 prepared its financial reports in accordance with accounting policies and methods prescribed by 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 Detour Lake 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 Detour Lake project enters into commercial production and generates sufficient

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

21

---

revenues to fund its continuing operations. There can be no assurance that the Company will generate any revenues or achieve profitability or that the Detour Lake 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***

The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's future profitability, which could have a material 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, and (iii) litigation between joint venture partners regarding joint venture matters.

***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 Detour Lake property are valid, there may be challenges, including aboriginal land claims, on the Detour Lake property which, if successful, could impair exploration, development and/or future mining operations.

***Conflict of Interest***

Certain directors of the Company also serve as directors 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.

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

22

Messrs. Thiessen, and Dickinson who are directors of the Company, are also directors of Hunter Dickinson Inc. ("HDI"). Mr. Thiessen is also a senior officer of HDI. HDI and the Company are parties to a services agreement dated July 19, 2006. Ms. Hibbard and Mr. Olson are each directors and shareholders, and in the case of Ms. Hibbard, an officer, of PDX and are also directors of the Company. PDX currently owns approximately 42% of the Company's outstanding Common Shares on an undiluted basis and, on January 24, 2009, entered into an agreement with the Company providing for the combination of PDX and the Company, to be effected principally by way of amalgamation (the "Amalgamation"). A joint special meeting of the shareholders of PDX and the Company is scheduled for March 26, 2009, at which such shareholders will be asked to consider and, if deemed advisable, pass a resolution approving the Amalgamation.

### **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, and specifically the Mine Option Property;*
- *the Company's planned drilling program and feasibility study work and the continuation of exploration programs on the Detour Lake property;*
- *the Company's estimate of the quantity and quality of its mineral resources;*
- *the acquisition of additional mineral properties by the Company;*
- *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 the exercise of the Mine Option by the Company;*
- *the Company's future exploration and capital 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, change in debt and equity markets, the uncertainties involved in interpreting geological data, increase in costs, environmental compliance and changes in environmental legislation and regulation, interest rate and exchange rate fluctuations, as well as general economic conditions and other risks involved in the gold exploration and development industry, as well as those risk factors listed above. Readers are cautioned that the forgoing 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*

**DETOUR GOLD CORPORATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**  
**FORM 51-102F1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

23

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*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;*
- *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;*
- *the timing of the receipt of regulatory and governmental approvals;*
- *the supply and availability of consumables and services;*
- *the accuracy of the Company's resource estimates and the geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral resources) and operational and price assumptions on which the resource estimates are based;*
- *market competition;*
- *the Company's ongoing relations with its employees and local 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.*

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

*This MD&A uses the terms "measured resources", "indicated resources" and "inferred resources". The Company advises investors that although these terms are recognized and required by Canadian regulations (under National Instrument 43-101 Standards of Disclosure for Mineral Projects), the United States Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence, and 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 rules, estimates of inferred resources may not form the basis of feasibility or pre-feasibility studies, or economic studies, except for a Preliminary Assessment as defined under NI 43-101. Investors are cautioned not to assume that part or all of an inferred resource exists, or is economically or legally mineable.*