



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**

**(A DEVELOPMENT STAGE COMPANY)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009**

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

**(Unaudited)**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Interim Consolidated Balance Sheets

(In thousands of dollars)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 32,749	\$ 127
Short-term investments	30,575	43,532
Amounts receivable and prepaids	1,288	1,749
Deferred transaction costs	-	450
	<b>64,612</b>	<b>45,858</b>
<b>Restricted cash</b> (note 5)	<b>6,554</b>	<b>6,554</b>
<b>Property and equipment</b> (note 6)	<b>564</b>	<b>473</b>
<b>Mineral property interests</b> (note 8)	<b>109,486</b>	<b>109,486</b>
	<b>\$ 181,216</b>	<b>\$ 162,371</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current liabilities

Accounts payable and accrued liabilities (note 12) \$ 2,226 \$ 5,769

Asset retirement obligation (note 9) 1,386 1,292

Future income tax liability 1,953 10,503

**5,565** **17,564**

**Shareholders' equity** **175,651** **144,807**

**\$ 181,216** **\$ 162,371**

Nature and continuance of operations (note 1)

Commitments and contingencies (notes 5, 7, 8 and 17)

Subsequent event (note 18)

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

November 11, 2009



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Interim Consolidated Statements of Loss and Comprehensive Loss

(In thousands of dollars except per share amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
<b>Expenses</b>				
Exploration (note 3)	\$ 7,680	\$ 6,533	\$ 19,802	\$ 22,292
Stock-based compensation (note 10)	1,847	1,581	5,196	4,587
Salaries and management fees	627	250	2,291	836
Travel	27	42	113	90
Professional fees	120	151	499	538
Investor relations and promotion	243	151	427	492
Office and administration	185	77	460	218
Shareholders' information	(9)	8	160	136
Regulatory fees	7	4	133	63
Accretion (note 9)	33	-	94	-
Amortization	22	7	54	18
<b>Loss before the under noted</b>	<b>(10,782)</b>	<b>(8,804)</b>	<b>(29,229)</b>	<b>(29,270)</b>
Interest income	160	684	867	1,649
<b>Loss before future income tax recovery</b>	<b>(10,622)</b>	<b>(8,120)</b>	<b>(28,362)</b>	<b>(27,621)</b>
Future income tax recovery	2,519	2,389	6,674	6,821
<b>Loss and comprehensive loss</b>	<b>\$ (8,103)</b>	<b>\$ (5,731)</b>	<b>\$ (21,688)</b>	<b>\$ (20,800)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.17)</b>	<b>\$ (0.13)</b>	<b>\$ (0.46)</b>	<b>\$ (0.48)</b>
<b>Weighted average number of common shares</b>	<b>48,991,502</b>	<b>44,841,300</b>	<b>46,644,301</b>	<b>43,006,493</b>

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



**DETOUR GOLD**

**DETOUR GOLD CORPORATION**  
**(A DEVELOPMENT STAGE COMPANY)**  
**Interim Consolidated Statements of Cash Flows**  
(In thousands of dollars)  
(Unaudited)  
(Expressed in Canadian Dollars unless otherwise noted)

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
<b>Cash provided by (used in)</b>				
<b>OPERATING ACTIVITIES</b>				
Loss	\$ (8,103)	\$ (5,731)	\$ (21,688)	\$ (20,800)
Items not involving cash:				
Amortization	22	7	54	18
Amortization included in exploration	26	24	76	72
Accretion (note 9)	33	-	94	-
Future income tax recovery	(2,519)	(2,389)	(6,674)	(6,821)
Stock-based compensation (note 10)	1,847	1,581	5,196	4,587
	<b>(8,694)</b>	<b>(6,508)</b>	<b>(22,942)</b>	<b>(22,944)</b>
Changes in non-cash working capital items (note 16)	<b>(820)</b>	<b>(907)</b>	<b>(2,975)</b>	<b>(1,065)</b>
	<b>(9,514)</b>	<b>(7,415)</b>	<b>(25,917)</b>	<b>(24,009)</b>
<b>INVESTING ACTIVITIES</b>				
Amalgamation costs of PDX Resources Inc., net of cash acquired (note 7)	(194)	-	(4,561)	-
Cash deposits held as security	-	-	-	-
Purchase of property and equipment	(48)	(17)	(222)	(178)
Purchase of guaranteed investment certificates	(76,003)	-	(98,379)	(50,030)
Redemption of guaranteed investment certificates	67,834	-	111,336	-
	<b>(8,411)</b>	<b>(17)</b>	<b>8,174</b>	<b>(50,208)</b>
<b>FINANCING ACTIVITIES</b>				
Securities issued for cash (note 11(b))	48,400	-	48,400	65,200
Exercise of warrants for cash	-	-	-	121
Exercise of options for cash	877	-	4,673	1,605
Securities issue costs (note 11(b))	(2,695)	22	(2,708)	(3,580)
	<b>46,582</b>	<b>22</b>	<b>50,365</b>	<b>63,346</b>
<b>Change in cash and cash equivalents</b>	<b>28,657</b>	<b>(7,410)</b>	<b>32,622</b>	<b>(10,871)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>4,092</b>	<b>15,458</b>	<b>127</b>	<b>18,919</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 32,749</b>	<b>\$ 8,048</b>	<b>\$ 32,749</b>	<b>\$ 8,048</b>
Supplemental information (note 14)				

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



**DETOUR GOLD**

# DETOUR GOLD CORPORATION

(A DEVELOPMENT STAGE COMPANY)

## Interim Consolidated Statements of Changes in Shareholders' Equity

(In thousands of dollars except per security amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

	Common shares		Special warrants		Contributed surplus (\$)	Deficit (\$)	Shareholders' equity (\$)
	(#)	(\$)	(#)	(\$)			
Balance at December 31, 2007	40,468,500	114,281	-	-	2,684	(12,529)	104,436
Special warrants issued	-	-	4,000,000	62,664	-	-	62,664
Shares issued upon exercise of warrants	31,500	146	-	-	(25)	-	121
Shares issued upon exercise of stock options	341,300	2,431	-	-	(826)	-	1,605
Conversion of Special Warrants	4,000,000	62,664	(4,000,000)	(62,664)	-	-	-
Stock-based compensation	-	-	-	-	4,587	-	4,587
Net loss for the period	-	-	-	-	-	(20,800)	(20,800)
<b>Balance at September 30, 2008</b>	<b>44,841,300</b>	<b>179,522</b>	<b>-</b>	<b>-</b>	<b>6,420</b>	<b>(33,329)</b>	<b>152,613</b>
Balance at December 31, 2008	44,863,800	179,645	-	-	7,502	(42,340)	144,807
Shares issued upon exercise of stock options	815,046	7,081	-	-	(2,408)	-	4,673
Stock-based compensation (note 10)	-	-	-	-	5,196	-	5,196
Stock-based compensation (notes 7 and 10)	-	-	-	-	2,851	-	2,851
Acquisition of PDX Resources Inc. and corresponding share cancellation (note 7)	(302)	(1)	-	-	-	-	(1)
Private placement (note 11(b))	4,000,000	46,477	-	-	-	-	46,477
Amalgamation costs (note 7)	-	-	-	-	-	(6,664)	(6,664)
Net loss for the period	-	-	-	-	-	(21,688)	(21,688)
<b>Balance at September 30, 2009</b>	<b>49,678,544</b>	<b>233,202</b>	<b>-</b>	<b>-</b>	<b>13,141</b>	<b>(70,692)</b>	<b>175,651</b>

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



**DETOUR GOLD**

# **DETOUR GOLD CORPORATION**

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

### **Notes to the Interim Consolidated Financial Statements**

**September 30, 2009**

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

**(Unaudited)**

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

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

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

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The recoverability of amounts shown for mineral property interests is dependant upon 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 consolidated 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 and to initiate, but not complete construction. 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. There can be no assurance the Company will be able to raise sufficient funds as and when these funds are required.

These unaudited interim consolidated 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 may be necessary in the carrying values of our assets and liabilities and the balance sheet classifications used. Such adjustments could be material.

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

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2009 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2009.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited financial statements for the year ended December 31, 2008, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended December 31, 2008.



# **DETOUR GOLD CORPORATION**

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

### **Notes to the Interim Consolidated Financial Statements**

#### **September 30, 2009**

(In thousands of dollars except per security amounts)

(Unaudited)

(Expressed in Canadian Dollars unless otherwise noted)

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

### **New accounting policies**

#### *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which establishes that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. This EIC should be applied to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.

#### *Mining Exploration Costs*

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.

#### *Leasehold improvements*

Leasehold improvements are recorded at cost. Amortization is calculated using the straight-line method over the remaining term of the lease.

#### *Joint Ventures*

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

#### *Goodwill and Intangible Assets*

Effective January 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces CICA Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs", as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognized as assets than are recognized under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.



**DETOUR GOLD**

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## Notes to the Interim Consolidated Financial Statements

September 30, 2009

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### 3. EXPLORATION

	Massicotte, Quebec, Canada	Detour Lake, Ontario, Canada	Block A, Ontario, Canada	Nine months ended September 30, 2009	Nine months ended September 30, 2008
<b>Expenditures</b>					
Administration and travel	\$ 2	\$ 1,240	\$ 37	\$ 1,279	\$ 399
Amortization	-	76	-	76	72
Assays and analysis	-	1,660	5	1,665	2,648
Drilling	-	11,096	-	11,096	14,032
Environmental	-	704	-	704	273
Studies and engineering	-	4,542	-	4,542	4,173
Geological and geophysical	-	41	127	168	164
Site activities	-	183	89	272	531
<b>Total expenditures</b>	\$ 2	\$ 19,542	\$ 258	\$ 19,802	\$ 22,292

	Massicotte, Quebec, Canada	Detour Lake, Ontario, Canada	Block A, Ontario, Canada	Three months ended September 30, 2009	Three months ended September 30, 2008
<b>Expenditures</b>					
Administration and travel	\$ 1	\$ 480	\$ 9	\$ 490	\$ 180
Amortization	-	26	-	26	24
Assays and analysis	-	629	-	629	701
Drilling	-	4,777	-	4,777	3,776
Environmental	-	576	-	576	160
Studies and engineering	-	1,040	-	1,040	1,643
Geological and geophysical	-	19	35	54	-
Site activities	-	64	24	88	49
<b>Total expenditures</b>	\$ 1	\$ 7,611	\$ 68	\$ 7,680	\$ 6,533



**DETOUR GOLD**

# **DETOUR GOLD CORPORATION**

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

### **Notes to the Interim Consolidated Financial Statements**

#### **September 30, 2009**

(In thousands of dollars except per security amounts)

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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 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 September 30, 2009 and \$278 represents the maximum credit exposure. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is low.

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at September 30, 2009, the Company had a cash balance of \$32,749 (December 31, 2008 - \$127) and a guaranteed investment certificates balance of \$30,575 (December 31, 2008 - \$43,532) to settle current liabilities of \$2,226 (December 31, 2008 - \$5,769). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.



# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to the Interim Consolidated Financial Statements

#### September 30, 2009

(In thousands of dollars except per security amounts)

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#### 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 debt. The Company's current policy is to invest excess cash in Government of Canada treasury bills and certificates of deposit or interest bearing accounts at major Canadian chartered banks. The Company periodically monitors the investments it makes and is satisfied with their creditworthiness.

###### *Foreign currency risk*

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

##### Sensitivity analysis

As of September 30, 2009, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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

(i) Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect the reported net loss for the nine months ended September 30, 2009 by approximately \$19.

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

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

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

(c) Other risks

(i) 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 September 30, 2009, 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.



**DETOUR GOLD CORPORATION**  
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**4. PROPERTY AND FINANCIAL RISK FACTORS (Continued)**

(c) Other risks (Continued)

(ii) 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**

<b>September 30, 2009</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net carrying value</b>
Mobile equipment	\$ 467	\$ 173	\$ 294
Machinery and equipment	47	10	37
Furniture and fixtures	81	18	63
Computer equipment and software	216	68	148
Leasehold improvements	27	5	22
	<b>\$ 838</b>	<b>\$ 274</b>	<b>\$ 564</b>

<b>December 31, 2008</b>	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net carrying value</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>



# DETOUR GOLD CORPORATION

## (A DEVELOPMENT STAGE COMPANY)

### Notes to the Interim Consolidated Financial Statements

#### September 30, 2009

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#### 7. AMALGAMATION

On March 27, 2009, the Company and PDX Resources Inc. (“PDX”) completed the merger of both companies. PDX’s principal asset was its ownership interest in the Company. The Company and PDX had two directors in common. This transaction was implemented through, among other things, an amalgamation under the Business Corporations Act (Alberta) (the “Amalgamation”) in which PDX amalgamated with a newly formed, wholly-owned subsidiary of the Company (the amalgamated company being referred to as “Amalco”). Pursuant to the Amalgamation, each PDX share was exchanged for 0.2571 of a common share of the Company. Pursuant to the Amalgamation, a total of approximately 19 million common shares of the Company were issued to PDX shareholders. Following the Amalgamation, the Company wound-up Amalco and the 19 million common shares of the Company held by Amalco were cancelled.

In addition, after completing the merger, the Company assumed the incentive stock option plan of PDX (the “PDX Option Plan”) and the outstanding obligations of PDX under the PDX Option Plan (see note 10). A PDX share receivable on the exercise of an option under the PDX Option Plan was converted at the effective time of the Amalgamation into an option to receive 0.2571 of a common share of the Company subject to rounding (such options, as converted, the “Converted Options”). The Company has also reserved 542,477 common shares in respect of the Converted Options. The Converted Options will continue to be governed by the PDX Option Plan. The Company’s shares reserved for issuance in respect of the Converted Options under the PDX Option Plan will not reduce the maximum aggregate number of the Company’s shares that may be reserved for issuance under the Company’s current option plan.

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

#### *Other Liabilities Assumed By 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 became effective on the date of amalgamation. 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**

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

### **Notes to the Interim Consolidated Financial Statements**

#### **September 30, 2009**

(In thousands of dollars except per security amounts)

(Unaudited)

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#### **8. MINERAL PROPERTY INTERESTS**

Detour Lake property

The Company completed the acquisition of the Detour Lake property on January 31, 2007 with a \$4,000 cash payment and the issuance of 20 million common shares to PDX, 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 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.

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.

Joint Venture Operations

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

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

The agreement provides that the Company can become the operator of the joint venture upon the completion of a feasibility study, provided the Company's interest is 50% or more. The Block A property is subject to a 1% net smelter royalty that the Company may acquire upon a payment of \$1,000, in which, Trade Winds may acquire a one-half interest pursuant to a contribution of \$500.

Since inception of the joint venture agreement in April 2009, to September 30, 2009, and for the third quarter of 2009, the Company incurred \$145 and \$68, respectively, of expenditures relating to this joint venture operation. These expenditures were charged to the statement of loss (note 3 of the Financial Statements). As at September 30, 2009, \$68 is included in accounts payable and accrued liabilities to Trade Winds.



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**9. ASSET RETIREMENT OBLIGATION**

	September 30, 2009	December 31, 2008
Balance, beginning of period	\$ 1,292	\$ -
Recognition of new obligation	-	1,292
Accretion	94	-
Balance, end of period	\$ 1,386	\$ 1,292

**10. SHARE PURCHASE OPTION PLAN**

The continuity of share purchase options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2008	3,363,700	\$ 8.60
Granted <sup>(1)</sup>	1,465,000	9.76
Issued on amalgamation <sup>(2)</sup>	542,477	7.31
Forfeited	(394,000)	15.71
Expired	(105,000)	16.39
Exercised	(815,046)	5.73
Balance, September 30, 2009	4,057,131	\$ 8.53

<sup>(1)</sup> The fair value of the 1,465,000 options granted has been estimated at the date of grant using the Black-Scholes option pricing model, using the following assumptions: a weighted average risk free interest rate of 1.78%; a weighted average expected volatility factor of 94%, an expected dividend yield of \$nil and a weighted average expected life of 3.5 years. The weighted average grant date fair value of the options granted was \$6.11 per option. 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 \$8,949 and will be recognized over the vesting periods.

<sup>(2)</sup> As a result of the amalgamation with PDX (see note 7), the Company granted 542,477 stock options as part of the amalgamation agreement. The stock options were valued at the historical carrying value in PDX, at the time of amalgamation, of \$2,851.



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

As at September 30, 2009, 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	994,970	596,970	2.4
\$5.01 to \$10.00	1,336,452	407,452	3.7
\$10.01 to \$15.00	1,659,282	444,782	3.8
\$15.01 to \$20.00	66,427	31,427	3.1
	4,057,131	1,480,631	3.4

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:

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Exploration	\$ 468	\$ 345	\$ 1,248	\$ 1,147
Administration	1,379	1,236	3,948	3,440
Total expense recognized in loss and comprehensive loss and credited to contributed surplus	\$ 1,847	\$ 1,581	\$ 5,196	\$ 4,587

**11. SHARE CAPITAL**

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

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



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#### 11. SHARE CAPITAL (Continued)

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

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

#### 12. 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	September 30, 2009	December 31, 2008
Hunter Dickinson Inc.	\$ -	\$ 22
Former officer	\$ -	\$ 17

Reimbursement for expenses and payments for services rendered by related parties

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Hunter Dickinson Inc.				
Services rendered and expenses reimbursed	\$ -	\$ 1	\$ 8	\$ 17
Former officer	\$ -	\$ 44	\$ 386	\$ 161

#### *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. This contract was terminated on April 1, 2009.



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**12. RELATED PARTY TRANSACTIONS (Continued)**

*Former officer*

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

**13. 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.

**14. SUPPLEMENTAL INFORMATION**

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Value of warrants exercised	\$ -	\$ -	\$ -	\$ 25
Value of options exercised	\$ 582	\$ -	\$ 2,408	\$ 827
Future income tax assets arising from share issuance costs	\$ -	\$ -	\$ -	\$ 1,044
Change in deferred transaction costs	\$ (234)	\$ -	\$ (450)	\$ -

As at September 30, 2009, cash and cash equivalents consisted of cash of \$27,749 and cash equivalents of \$5,000. As of September 30, 2008, cash and cash equivalents consisted entirely of cash.

**15. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the presentation adopted as at September 30, 2009.



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**16. CHANGES IN NON-CASH WORKING CAPITAL ITEMS**

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Amounts receivable and prepaids	\$ (69)	\$ (372)	\$ 581	\$ (757)
Accounts payable and accrued liabilities	(751)	(535)	(3,556)	(308)
	<b>\$ (820)</b>	<b>\$ (907)</b>	<b>\$ (2,975)</b>	<b>\$ (1,065)</b>

**17. COMMITMENTS AND CONTINGENCIES**

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

	2009	2010	2011	2012	Total
Operating leases	\$ 120	\$ 459	\$ 412	\$ 99	\$ 1,090

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 \$2,536 for contract termination to \$3,008 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.

**18. SUBSEQUENT EVENT**

On October 22, 2009 the Company announced it had entered into an agreement with a syndicate of underwriters under which the underwriters agreed to buy 17,545,000 common shares at a price of \$14.25 per Common Share, representing aggregate gross proceeds of approximately \$250,000. In addition, the underwriters will also have an option exercisable at any time until 30 days following the closing of the offering to increase the size of this offering by up to an additional 1,754,500 Common Shares for additional gross proceeds of up to \$25,000. The Company intends to use the net proceeds of the offering to advance its Detour Lake gold project and for general corporate purposes. The financing is anticipated to close on November 12, 2009.



**DETOUR GOLD**

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*The following Management's Discussion and Analysis ("MD&A") of Detour Gold Corporation ("Detour Gold" or the "Company") is intended to supplement and complement the Company's unaudited interim consolidated financial statements. The MD&A should be read in conjunction with the audited financial statements and related notes and schedules for the year ended December 31, 2008, which have been prepared in accordance with Canadian generally accepted accounting principles. This report is dated November 11, 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").

On January 26, 2009, the Company and PDX announced they had entered into a combination agreement providing for, among other things, the merger of the Company and PDX (the "Combination Agreement"). 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. On March 26, 2009, the shareholders of both companies approved the Amalgamation and all regulatory approvals were subsequently received and PDX ceased trading as a public company.

Promptly following the Amalgamation, the Company wound-up Amalco and the 19 million common shares of the Company held by PDX were cancelled and replacement common shares totaling 18,999,696 were issued to the shareholders of PDX.

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

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Detour Lake Property

In the third quarter of 2009, Detour Gold completed 94 holes for a total of 42,323 metres of drilling to continue its infill drilling program (40 metres by 40 metres grid) on the Detour Lake project. Since the acquisition of the property in January 2007 to September 30, 2009, the Company has completed a total of 314,156 metres in 820 holes on the deposit. During the third quarter of 2009, the Company released drill results from 71 holes totalling 28,750 metres.

On September 9, 2009, the Company reported positive results from the pre-feasibility study for a proposed open pit mine at Detour Lake. The pre-feasibility study was compiled by Met-Chem Canada ("Met-Chem") with the participation and contribution of prominent industry consultants. The NI 43-101 compliant Technical Report was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on October 23 and is available on the Company's website.

The main highlights of the pre-feasibility study results are shown below. Refer to the press release dated September 9, 2009 or NI 43-101 Technical Report for more details.

- Proven and probable open pit reserves of 8.81 million ounces contained gold with a waste to ore ratio of 3.8 to 1
- 14.5 years life of mine (LOM) at mill throughput of 45,000 tonnes per day (tpd)
- Average annual gold production of approximately 560,000 ounces
- Average LOM cash operating costs of US\$404/oz
- At US\$775/oz, pre-tax Net Present Value (NPV) of US\$621 million at a 5% discount rate generating an Internal Rate of Return (IRR) of 13.5%
- At US\$900/oz, pre-tax NPV of US\$1.19 billion at a 5% discount rate generating an IRR of 20.1%
- Estimated start up capital costs of US\$844 million

Block A

On the Block A property, no material exploration work took place in the third quarter of 2009.

On July 13, 2009, Detour Gold filed a NI 43-101 Technical Report on SEDAR for informational purposes only, following the mineral resource estimate announcement of May 26, 2009.

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**Summary of Quarterly Results**

	<b>Third Quarter 2009</b>	<b>Second Quarter 2009</b>	<b>First Quarter 2009</b>	<b>Fourth Quarter 2008</b>
Interest income	160	311	396	307
Loss	8,103	6,421	7,164	9,011
Loss per share <sup>(1)</sup>	0.17	0.14	0.16	0.20
	<b>Third Quarter 2008</b>	<b>Second Quarter 2008</b>	<b>First Quarter 2008</b>	<b>Fourth Quarter 2007</b>
Interest income	684	553	412	281
Loss (Earnings)	5,731	7,544	7,525	(2,182)
Loss (Earnings) per share <sup>(1)</sup>	0.13	0.17	0.19	(0.07)
<sup>(1)</sup> Loss per share is anti-dilutive				

**Results of Operations**

The loss from operations for the three month period ended September 30, 2009 was \$8,103, \$2,372 higher than the comparable period in 2008. The increase in the loss from operations reflected higher exploration expenses of \$1,147 to \$7,680, due to increased drilling activity by \$1,001 to \$4,777 and expenditures on environmental matters which increased by \$416 to \$576. These increases were augmented by higher administration and travel costs related to the Detour Lake project, which reflected increased personnel and activity at the site. These increases were partially offset by decreased expenditures on studies and engineering totaling \$603 due to timing as the majority of activity in this category in 2009 took place during the first six months of the year.

The increase in exploration expenses was augmented by an increase of \$266 in stock-based compensation expense to \$1,847 for the three month period ended September 30, 2009 as compared to \$1,581 for the three month period ended September 30, 2008, which reflected new option grants partially offset by an increase in the number of fully vested options. Salaries and management fees expense of \$627 for the third quarter of 2009, increased by \$377 from the third quarter of 2008 due to increases in the number of personnel employed by the Company to support the increased level of activity in the development of the Detour Lake Project. Higher office and administration expenses of \$108 as well as investor relations and promotion expenditures of \$92 reflected expanded support costs of the growing company and an increase in promotional activity respectively.

Lower interest income resulted from lower yields on higher balances in cash, cash equivalents and short-term investments, as a result of current conditions in the financial markets.

The loss from operations for the nine month period ended September 30, 2009 was \$21,688, \$888 higher than the comparable period in 2008. The increase in the loss from operations

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reflected higher salaries and management fees for the nine months ended September 30, 2009, which increased by \$1,455 from the comparative period in 2008 to \$2,291 due to increases in the number of personnel employed by the Company, as well as a contractual payment to a company owned by a former officer of the Company. In addition, an increase of \$609 in stock-based compensation expense to \$5,196 for the nine month period ended September 30, 2009 as compared to \$4,587 for the nine month period ended September 30, 2008, primarily reflected an increase in new option grants (1,465,000 options granted in the nine months ended September 30, 2009 compared to 830,000 options granted in the equivalent period in 2008), partially offset by the forfeiture of options, a decrease in the weighted average grant date fair value, and an increase in the number of fully vested options. An increase in office and administration expenses of \$242 for the year to date September 30, 2009 to \$460, resulted from higher support costs to advance the Detour Lake project.

The increases in expenditures outlined above were partially offset by lower exploration expenses of \$2,490 to \$19,802, primarily as a result of decreased drilling activity of \$2,936 to \$11,096 related to less drilling in the nine months ended September 30, 2009 compared to the equivalent period in 2008, as the drilling campaign to support the pre-feasibility study neared completion during the second quarter of 2009. In addition, the Company did not conduct any regional exploration drilling for the nine months ended September 30, 2009 as compared to \$1,528 for the nine months ended September 30, 2008. As a result of lower drilling activity, expenditures on assay and analysis activities decreased by \$983 to \$1,665. The Company also experienced a decrease in expenditures on site activities due to maintenance costs incurred in 2008, which did not recur in 2009. These decreases were partially offset by higher studies and engineering costs of \$369 to \$4,542 for the nine months ended September 30, 2009 in support of the pre-feasibility and feasibility studies. Administration and travel costs related to the Detour Lake project increased by \$880 to \$1,279 for the nine months ended September 30, 2009, reflected increased personnel and activity associated at the site.

Lower interest income resulted from lower yields on balances in cash, cash equivalents and short-term investments.

### **Changes in Financial Position**

The increase in cash, cash equivalents and short-term investments for the three months ended September 30, 2009 of \$36,826 was \$44,236 higher than the comparable period in the prior year, primarily due to net proceeds of \$45,705 on the 4 million share bought-deal financing in July of 2009 partially offset by higher cash used in operations before working capital changes of \$2,186 resulting from a higher loss from operations as described above. In addition, higher cash inflows from stock option exercises of \$877 for the three months ended September 30, 2009 as compared to the three months ended September 30, 2008 also contributed to the reduction in the usage of cash, cash equivalents and short-term investments. This was partially offset by payments of \$194, accrued in the first three months of 2009, in relation to the amalgamation with PDX.

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The increase in cash, cash equivalents and short-term investments for the nine months ended September 30, 2009 was \$19,665 to \$63,324. For the comparative period in 2008, cash, cash equivalents and short term investments increased by \$39,159 to \$58,078. The variance of \$19,494 between the amount generated in the first nine months of 2009 and the first nine months of 2008, can be attributed to lower net proceeds of \$15,928 associated with the securities offering in the third quarter of 2009 as compared to the first quarter of 2008. In addition, cash expenditures, net of cash acquired, of \$4,561 in the first nine months of 2009 in relation to the amalgamation with PDX, along with a \$2,099 payment, accrued in 2008, associated with the termination in January 2009 of a Letter of Award for the order of grinding mills also contributed to the increased use of cash in the first nine months of 2009. These amounts were partially offset by an increase in the amount of stock option exercises of \$3,068 to \$4,673 for the year to date September 30, 2009. Cash used in operations before working capital changes for the nine months ended September 30, 2009 of \$22,942 was marginally lower than the comparative period in 2008.

### **Financial Position**

As at September 30, 2009, total assets of \$181,216 increased by approximately \$18,845 from December 31, 2008. The increase was primarily attributed to the successful completion of the bought-deal financing in the third quarter of 2009, partially offset by the redemption of short-term investments used to finance exploration activities, effect the amalgamation with PDX, and satisfy the termination payment accrued in 2008 (see Share Issuance).

### **Liquidity**

Historically, the Company's sole source of funding has been the issuance of equity securities for cash. On February 21, 2008, the Company 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 along with \$320 in financing expenses. Following the final receipt for the Short Form Prospectus, the exercise of the Special Warrants was completed on April 30, 2008 and 4 million shares of the Company were issued. On July 14, 2009, the Company completed a bought deal offering with a syndicate of underwriters of 4 million common shares. The common shares were issued to the underwriters at a price of \$12.10 per common share, representing aggregate gross proceeds of \$48,400. A 5% cash commission was paid in relation to the placement along with \$288 in financing costs.

Also, the Company realized \$877 and \$4,673 in proceeds on the exercise of stock options for the three and nine month periods ended September 30, 2009, respectively, as compared to \$nil and \$1,605 in the comparative periods in 2008.

Based on the successful completion of the prefeasibility study the Company has determined in the third quarter of 2009 that its property contains economically recoverable reserves. However

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the property is not in the production stage. 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.

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 potentially lock in items such as equipment with long lead times and commence detailed engineering. Commitments for these items will require that the Company source additional financing in the near term. In the event that the capital markets for debt and equity are not available, or the cost of capital is excessive, the Company may have to delay the start of construction of the Detour Lake project, as determined by the Board of Directors, following the completion of the feasibility studies in 2010.

The Company maintains its surplus funds in cash, government of Canada treasury bills and guaranteed investment certificates with Canadian banks.

### **Commitments and Contingencies**

As at September 30, 2009, the Company had operating lease obligations terminating in 2012 as follows: 2009 - \$120, 2010 - \$459, 2011 - \$412 and 2012 - \$99.

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 \$2,536 for contract termination to \$3,008 as a result of a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in the financial statements as at September 30, 2009.

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

The Company has no off-balance sheet arrangements.

### **Transactions with Related Parties**

The Company had the following transactions with related parties during the nine month period ended September 30, 2009.

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

The Company continued with the HDI services contract in 2008 despite minimal use of the services. Under the agreement, the Company reimburses HDI on a full cost-recovery basis. HDI currently has one director who serves on the board of the Company.

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Costs for services rendered by HDI to the Company during the three and nine months ended September 30, 2009 totaled \$nil and \$8, respectively (three and nine months ended September 30, 2008 - \$1 and \$17, respectively) and decreased as a result of the Company establishing its own office with its own staffing in late 2007.

Effective April 1, 2009, the HDI services contract was terminated. In addition and in advance of terminating the contract, stock option holders associated with HDI had their 391,000 options fully vested (for the majority of the holders' two-thirds had already vested) on March 27, 2009. On July 24, 2009, the expiry date for the options, 24,000 options expired unexercised.

#### Former Officer

During the three and nine months ended September 30, 2009, the Company paid \$nil and \$386, respectively (2008 - \$44 and \$161) in management fees and consulting services to a company owned by a former officer of the Company.

#### PDX Amalgamation

The Company and PDX had two directors in common prior to the amalgamation.

#### **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.

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

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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 September 30, 2009, the Company's net value of its mineral property interests was \$109,486 (2008 - \$109,486). The acquisition costs of mineral property interests are deferred until the properties are placed into production, sold or abandoned. These costs will be amortized on a unit-of-production basis over the estimated useful life of the related property following the commencement of production, or written off if the properties are sold, allowed to lapse or abandoned, or when impairment has been determined to have occurred. If the deferred mineral property costs are determined not to be recoverable over the estimated useful life of the property or are greater than the estimated fair market value of the property, the unrecoverable portion is charged to operations in that period.

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. Subsequently, the development costs are capitalized.

*Future Income Tax Asset and Liability*

At the time of closing the acquisition of the Detour Lake Property 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 September 30, 2009, the future income tax liability amount was \$1,953 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.

*Stock-based Compensation*

The Company recorded stock-based compensation expense of \$1,847 and \$5,196 (2008 - \$1,581 and \$4,587) for the three and nine months ended September 30, 2009, respectively. The stock-

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based compensation expense is based on an estimate of the fair value on the grant date of stock options issued. This accounting requires 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.

**PDX Resources Inc. Amalgamation**

On March 27, 2009, the Company and PDX Resources Inc. (formerly Pelangio Mines Inc.) ("PDX") completed the merger of both companies. PDX's principal asset was its ownership interest in the Company. The Company and PDX had two directors in common. This transaction was implemented through, among other things, an amalgamation under the Business Corporations Act (Alberta) (the "Amalgamation") in which PDX amalgamated with a newly formed, wholly-owned subsidiary of the Company (the amalgamated company being referred to as "Amalco"). Pursuant to the Amalgamation, each PDX share was exchanged for 0.2571 of a common share of the Company. Pursuant to the Amalgamation, a total of approximately 19 million common shares of the Company were issued to PDX shareholders. Following the Amalgamation, the Company wound-up Amalco and the 19 million common shares of the Company held by Amalco were cancelled.

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

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

*Other Liabilities Assumed By 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

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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 became effective on the date of amalgamation. 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.

### **Joint Venture Agreement**

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

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

The agreement provides that the Company can become the operator of the joint venture upon the completion of a feasibility study, provided the Company's interest is 50% or more. The Block A property is subject to a 1% net smelter royalty that the Company may acquire upon a payment of \$1,000, in which, Trade Winds may acquire a one-half interest pursuant to a contribution of \$500.

Since inception of the joint venture agreement in April 2009 to September 30, 2009, and for the third quarter of 2009, the Company incurred \$145 and \$68, respectively, of expenditures relating to this joint venture operation. These expenditures were charged to the statement of loss (Note 3 of the Financial Statements). As at September 30, 2009 \$68 is included in accounts payable and accrued liabilities to Trade Winds.

### **Shareholder Rights Plan**

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

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

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

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

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

### **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.

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

The preliminary conversion plan consists of four stages:

#### **Stage 1: Scoping and Planning**

- Determine the scope and complexity of the conversion and prepare a plan to outline the nature and timing of the conversion activities.

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The target date for this stage is the middle of the fourth quarter of 2009.

**Stage 2: IFRS Diagnostic Assessment**

- Review current accounting policies and compare to IFRS to identify potential differences.
- Analyze the potential impact on processes and systems, including the accounting, reporting and reconciliation processes.

The target date for this stage is the end of the fourth quarter of 2009.

**Stage 3: Evaluation**

- Evaluate accounting policy and disclosure choices available under IFRS, including their impacts on the Company.
- Resolve first-time application issues, by reviewing the requirements of IFRS 1 regarding the initial adoption of IFRS and deciding which of the available elections should be selected and whether new accounting policies should be adopted on either a retrospective or prospective basis (where choice exists).
- Identify and manage any required system impacts as a result of the above analyses.
- Provide ongoing training to project team members.

The target date for this stage is the end of the first quarter of 2010.

**Stage 4: Implementation**

- Develop a complete set of IFRS accounting policies for Detour Gold Corporation.
- Prepare draft financial statements, including notes, with preliminary figures and/or opening balance sheets under IFRS in advance of the transition date to become comfortable with financial results and their presentation.
- Continually monitor changes in IFRS standards.
- Provide end-user training as needed.
- Finalize revised internal control policies and procedures.
- Prepare final IFRS-compliant financial statements.

The target date for this stage is the end of the second quarter of 2010.

At this point in the Company's IFRS diagnostic assessment, the following accounting standards have been identified as being most likely to have a significant financial statement and/or business impact. This list should not be regarded as a complete list of impacts that will result from the implementation of IFRS as the diagnostic phase is ongoing and decisions regarding choice of accounting policies, where available, have not been made.

IFRS 1 First-time adoption of International Financial Report Standards

IFRS 2 Share based payments

IAS 16 Property, plant and equipment

IFRS 6 Exploration and evaluation

IAS 12 Income taxes

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For each of the standards listed above, the quantitative impacts to the financial statements, disclosure requirements, information technology requirements, accounting policy decisions and changes to internal controls, including internal controls over financial reporting, and business policies and processes has yet to be determined.

*Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.

*Mining Exploration Costs*

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The adoption of this abstract had no impact on the Company's presentation of its financial position or results of operations as at September 30, 2009.

**New accounting policies adopted**

*Leasehold improvements*

Leasehold improvements are recorded at cost. Amortization is calculated using the straight-line method over the remaining term of the lease.

*Joint Ventures*

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

**Internal Controls**

In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Based on management's assessment of the Company's internal control systems for financial reporting, 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

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commitments being entered into by the Company and ensure that these commitments are contractually appropriate and within the approval limits of these Senior Officers. Although the Company believes that the addition of this control to remediate the control weaknesses identified during the December 31, 2008 assessment of the Company's internal control over financial reporting is sufficient, the Company must still test the operating effectiveness of this additional control as of December 31, 2009. Although the Company believes its financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

### **Subsequent Event**

On October 22, 2009 the Company announced it had entered into an agreement with a syndicate of underwriters under which the underwriters agreed to buy 17,545,000 common shares at a price of \$14.25 per Common Share, representing aggregate gross proceeds of approximately C\$250,000. In addition, the underwriters will also have an option exercisable at any time until 30 days following the closing of the offering to increase the size of this offering by up to an additional 1,754,500 Common Shares for additional gross proceeds of up to \$25,000. The Company intends to use the net proceeds of the offering to advance its Detour Lake gold project and for general corporate purposes. The financing is anticipated to close on November 12, 2009.

### **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 and the completion of a pre-feasibility study in September 2009 and a feasibility study in early 2010, applying for and completing the remaining permits necessary to allow development, completing First Nations negotiations and sourcing the capital and/or debt to finance its ongoing operations. Based upon the Company's current budget, the Company has sufficient funds to complete its 2009 and 2010 planned expenditures.

The pre-feasibility and feasibility studies will quantify the capital costs necessary to bring the future mine into production. The significant difference between a pre-feasibility and feasibility study is that the capital cost accuracy will be higher in the latter due to a more rigorous bidding process for major components of equipment including the mills and mining fleet. In addition, the feasibility study will be optimized based upon the recommendations of the pre-feasibility study, plus incorporate additional drill results from the drilling 2009 campaign.

Following completion of the feasibility study, management in conjunction with the Board of Directors, will be in the position to assess whether to proceed with the development of the Detour Lake project. If it is decided to proceed, this decision will be dependent on the ability of the Company to source the additional financing required, which likely will include debt and equity. The amount and timing of these raisings may be materially impacted by the economic climate in the capital markets. As a result, the cost and availability of both equity and debt may be restricted. Efforts made by central banks and governments around the world to inject capital

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into the banking system have been aimed at reinvigorating bank lending, however at this time, these markets continue to remain relatively illiquid from the levels experienced in early 2008. However, the price of gold has remained relatively strong and significantly large gold equity raisings have occurred within the recent past for both producing and development stage companies. There can be no assurance that the gold price or the demand for precious metal equity offerings will continue, and therefore the Company may not be able to raise sufficient funds for a large-scale open-pit operation of the magnitude of the Detour Lake project.

### **Outstanding Share Data**

As at November 11, 2009, the date of this MD&A, the Company had outstanding the following securities:

	Number
Common shares	49,828,144
Share purchase options	3,428,900
Share purchase options – PDX amalgamation	478,631

### **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;*
- *the use of the net proceeds of the November Financing;*
- *the results and projections contained in the pre-feasibility study of the Detour Lake project, including the expected mine life, recovery, capital costs, and anticipated production of the open pit mine, and the projected internal rate of return;*
- *the Company’s planned feasibility study work and the timing for completion of the feasibility study;*
- *the Company’s estimate of the quantity and quality of its mineral resources and reserves;*
- *the acquisition of additional mineral properties by the Company;*
- *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 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.*

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*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, general economic conditions and other risks involved in the gold exploration and development industry, as well as those risk factors discussed in the section entitled "Description of Business - Risk Factors" in Detour Gold's 2008 annual information form. 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 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 and reserves estimates and the geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral resources and reserves) 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.*

*In addition, the pre-feasibility study uses an estimate of gold price based on an approximate three-year average. The operating and capital costs in the pre-feasibility study were developed to be reasonable estimates within industry benchmarks. There is no certainty that the results of the pre-feasibility study will ever be realized. Should one or more of the risks or uncertainties involved in forward-looking statements relating to the pre-feasibility study materialize, or should the assumptions underlying the pre-feasibility study prove incorrect, actual results of the pre-feasibility study may vary materially from those anticipated, believed, estimated or expected.*

*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**

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