
DETOUR GOLD

Q3 2019

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

FOR THE QUARTER ENDED SEPTEMBER 30, 2019



DETOUR GOLD CORPORATION
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in millions of U.S. dollars)

	Note	September 30 2019	December 31 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 144.2	\$ 131.9
Receivables and other assets	5	24.9	17.3
Prepaid expenses and deposits	5	9.9	7.5
Inventories	4	89.8	92.5
Derivative assets	15	0.4	0.8
Total current assets		<u>269.2</u>	<u>250.0</u>
Non-current assets			
Long-term inventories	4	13.3	16.1
Long-term deposits	5	2.1	36.8
Right-of-use assets	5	12.1	-
Property, plant and equipment	5	2,271.5	2,165.1
Total non-current assets		<u>2,299.0</u>	<u>2,218.0</u>
Total assets		\$ 2,568.2	\$ 2,468.0
LIABILITIES			
Current liabilities			
Trade and other payables	7	\$ 109.8	\$ 54.3
Derivative liabilities	15	18.8	9.4
Lease liabilities - current portion	6 (b)	1.9	-
Total current liabilities		<u>130.5</u>	<u>63.7</u>
Non-current liabilities			
Long-term debt	6 (a)	99.6	248.8
Decommissioning liabilities		114.8	31.1
Long-term derivative liabilities	15	3.4	-
Lease liabilities - non-current portion	6 (b)	10.2	-
Deferred tax liability		185.2	162.1
Total non-current liabilities		<u>413.2</u>	<u>442.0</u>
Total liabilities		543.7	505.7
EQUITY			
Shareholders' equity			
Issued capital	9	2,342.6	2,313.8
Accumulated deficit		(400.6)	(442.9)
Share-based payment reserve		82.5	91.4
Total shareholders' equity		<u>2,024.5</u>	<u>1,962.3</u>
Total liabilities and equity		\$ 2,568.2	\$ 2,468.0

Commitments and contingencies, subsequent events (note 13)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DETOUR GOLD CORPORATION**Condensed Consolidated Interim Statements of Comprehensive Earnings (Loss)**

(Unaudited)

(Expressed in millions of U.S. dollars, except per share amounts)

	Note	Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
Revenues					
Metal sales		\$ 202.6	\$ 170.0	\$ 610.7	\$ 563.2
Cost of sales					
Production costs	4	100.1	112.2	338.6	331.8
Price-linked Indigenous agreements expense	4	2.3	-	4.3	-
Depreciation and depletion		40.4	42.8	130.6	118.9
Earnings from mine operations		59.8	15.0	137.2	112.5
Corporate administration		5.6	6.6	23.0	19.5
Exploration and evaluation		0.8	1.8	2.8	4.4
Other losses		0.9	(0.2)	1.6	0.2
Impairment of long-term deposits	5	20.3	-	20.3	-
Earnings before finance items and taxes		32.2	6.8	89.5	88.4
Net finance cost	12	17.7	0.8	24.0	13.4
Earnings before taxes		14.5	6.0	65.5	75.0
Income and mining tax expense (recovery)	16	27.1	(6.7)	23.2	43.6
Net earnings (loss) and comprehensive earnings (loss)		\$ (12.6)	\$ 12.7	\$ 42.3	\$ 31.4
Earnings (loss) per share					
Basic	10	\$ (0.07)	\$ 0.07	\$ 0.24	\$ 0.18
Diluted		\$ (0.07)	\$ 0.07	\$ 0.24	\$ 0.18

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DETOUR GOLD CORPORATION
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in millions of U.S. dollars)

	Note	Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
Operating activities					
Net earnings (loss)		\$ (12.6)	\$ 12.7	\$ 42.3	\$ 31.4
Adjustments for:					
Depreciation and depletion		40.8	42.9	131.4	119.1
Impairment of long-term deposits	5	20.3	-	20.3	-
Other losses		-	-	0.7	0.4
Share-based payments		1.8	2.1	5.6	0.3
Net finance cost	12	14.5	1.1	22.5	14.5
Income and mining tax expense (recovery)	16	27.1	(6.7)	23.2	43.6
		<u>91.9</u>	<u>52.1</u>	<u>246.0</u>	<u>209.3</u>
Changes in non-cash working capital items:					
Receivable and other assets and prepaid expenses		0.6	4.1	8.5	(2.0)
Accounts payable and accrued liabilities		4.6	14.3	37.7	20.4
Inventories		(8.7)	11.3	0.2	(12.2)
Net cash generated by operating activities		<u>88.4</u>	<u>81.8</u>	<u>292.4</u>	<u>215.5</u>
Investing activities					
Purchase of property, plant and equipment		(52.9)	(75.1)	(138.2)	(167.3)
Other proceeds		0.9	-	0.9	0.9
Interest received		1.1	0.6	2.9	1.5
Net cash used in investing activities		<u>(50.9)</u>	<u>(74.5)</u>	<u>(134.4)</u>	<u>(164.9)</u>
Financing activities					
Net credit facility repayments	6	(100.0)	-	(150.0)	(20.0)
Payment of lease liabilities		(0.6)	-	(1.6)	-
Financing fees and transaction costs	6	(0.7)	(0.4)	(0.7)	(0.4)
Issuance of common shares on exercise of options	9	11.1	1.7	19.4	3.4
Interest paid		(4.7)	(3.0)	(11.5)	(8.7)
Net cash used in financing activities		<u>(94.9)</u>	<u>(1.7)</u>	<u>(144.4)</u>	<u>(25.7)</u>
Effect of exchange rates on cash and cash equivalents		(1.8)	0.4	(1.3)	(2.7)
Increase (decrease) in cash and cash equivalents		(59.2)	6.0	12.3	22.2
Cash and cash equivalents, beginning of period		203.4	150.3	131.9	134.1
Cash and cash equivalents, end of period		<u>\$ 144.2</u>	<u>\$ 156.3</u>	<u>\$ 144.2</u>	<u>\$ 156.3</u>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

DETOUR GOLD CORPORATION
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)
(Expressed in millions of U.S. dollars)

	Note	Nine months ended September 30	
		2019	2018
Issued capital			
Balance, beginning of year		\$ 2,313.8	\$ 2,308.5
Issued on exercise of options		28.8	4.6
Balance, end of period	9	2,342.6	2,313.1
Accumulated deficit			
Balance, beginning of year		(442.9)	(441.9)
Net earnings for the period		42.3	31.4
Balance, end of period		(400.6)	(410.5)
Share-based payment reserve			
Balance, beginning of year		91.4	90.5
Share-based payment expense		0.5	1.2
Exercise of options	11	(9.4)	(1.2)
Balance, end of period		82.5	90.5
Total shareholders' equity		\$ 2,024.5	\$ 1,993.1

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. CORPORATE INFORMATION

Detour Gold Corporation (“Detour Gold” or the “Company”) is a company incorporated under the Canada Business Corporations Act with its common shares listed on the Toronto Stock Exchange (TSX: DGC). The Company’s head office is located at Commerce Court West, 199 Bay Street, Suite 4100, Toronto, Ontario, M5L 1E2.

The Company is a Canadian gold producer engaged in the acquisition, exploration, development and operation of mineral property interests. The Company’s primary asset is its wholly-owned Detour Lake mine located in northeastern Ontario.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed consolidated interim financial statements (the “financial statements”) have been prepared in accordance with IAS 34 *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the IFRS Interpretations Committee. They do not include all information required for annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended December 31, 2018. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company’s financial position and performance since the last audited annual consolidated financial statements.

These financial statements were authorized for issuance by the Company’s Board of Directors on November 14, 2019.

(b) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ materially from these estimates.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended December 31, 2018 except as related to the adoption of IFRS 16 *Leases* and *IFRIC 23 Uncertainty over Tax Treatments*, as described below.

New standards adopted by the Company

The following accounting standards were effective and implemented as of January 1, 2019.

IFRS 16 - Leases

The Company has adopted IFRS 16 using the modified retrospective approach with an initial application date of January 1, 2019. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to asset and liability accounts and applies the standard prospectively.

On adoption of IFRS 16, the Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments. The associated right-of-use assets were measured at the amount equal to the lease liability on January 1, 2019, adjusted by the amount of any prepaid or accrued lease payments relating to that lease.

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At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset ("ROU") and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company has elected to apply the exemptions not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

The impacts of the adoption of IFRS 16 as at January 1, 2019 are as follows:

Office lease commitment at December 31, 2018 as disclosed in the Company's consolidated financial statements	\$	1.3
Office lease commitment discounted using the incremental borrowing rate at January 1, 2019	\$	1.2
Variable lease payments		(0.6)
Additional lease liabilities		11.6
Lease liabilities recognized at January 1, 2019	\$	12.2

The Company has recognized lease liabilities in relation to all lease arrangements measured at the present value of the remaining lease payments from commitments disclosed as at September 30, 2019 at the weighted average incremental borrowing rate of 3.4%.

IFRIC 23 – Uncertainty over Tax Treatments

The Company has adopted IFRIC 23 *Uncertainty over Income Tax Treatments* with an initial application date of January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Company assessed the implication of IFRIC 23 on current and deferred taxes and concluded that there was no impact on the financial statements as the Company had already complied with this guidance.

4. INVENTORIES

	September 30	December 31
	2019	2018
Ore stockpiles	\$ 30.0	\$ 25.5
In-circuit	29.4	24.0
Finished metal	0.1	20.4
Materials and supplies	43.6	38.7
	103.1	108.6
Less: Long-term ore stockpiles	(8.3)	(7.7)
Less: Long-term materials and supplies	(5.0)	(8.4)
Inventories	\$ 89.8	\$ 92.5

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Production costs include costs associated with mining, processing, refining, site administration, and agreements with Indigenous communities, which include gold price-linked expenses.

The amount of depreciation included in inventories at September 30, 2019 was \$13.3 million (December 31, 2018 - \$18.6 million).

Long-term ore stockpiles represent ore that is expected to be processed beyond the next 12 months. Long-term materials and supplies represent materials and supplies that are expected to be used beyond the next 12 months.

5. PROPERTY, PLANT AND EQUIPMENT, LONG-TERM DEPOSITS, AND RIGHT-OF-USE ASSETS

	Land	Mining properties (i)	Plant & equipment	Capital work-in-progress	Sub-total	ROU assets - facilities and vehicles (ii)	Total
Cost							
As at January 1, 2018	\$ 1.4	\$ 262.7	\$ 2,438.4	\$ 32.4	\$ 2,734.9	\$ -	\$ 2,734.9
Additions	-	59.7	101.0	70.1	230.8	-	230.8
Disposals	-	-	(42.0)	-	(42.0)	-	(42.0)
Transfers in (out)	-	-	53.5	(53.5)	-	-	-
Decommissioning and restoration	-	-	(3.8)	-	(3.8)	-	(3.8)
As at December 31, 2018	\$ 1.4	\$ 322.4	\$ 2,547.1	\$ 49.0	\$ 2,919.9	\$ -	\$ 2,919.9
Additions	-	38.7	24.1	91.6	154.4	13.6	168.0
Disposals	-	-	(23.5)	-	(23.5)	-	(23.5)
Transfers in (out)	-	-	21.7	(21.7)	-	-	0
Decommissioning and restoration (Note 8)	-	83.9	-	-	83.9	-	83.9
As at September 30, 2019	\$ 1.4	\$ 445.0	\$ 2,569.4	\$ 118.9	\$ 3,134.7	\$ 13.6	\$ 3,148.3
Accumulated depreciation							
As at January 1, 2018	-	\$ 20.0	\$ 592.3	\$ -	\$ 612.3	\$ -	\$ 612.3
Depreciation	-	7.9	176.1	-	184.0	-	184.0
Disposals	-	-	(41.5)	-	(41.5)	-	(41.5)
As at December 31, 2018	-	\$ 27.9	\$ 726.9	\$ -	\$ 754.8	\$ -	\$ 754.8
Depreciation	-	8.1	122.3	-	130.4	1.5	131.9
Disposals	-	-	(22.0)	-	(22.0)	-	(22.0)
As at September 30, 2019	\$ -	\$ 36.0	\$ 827.2	\$ -	\$ 863.2	\$ 1.5	\$ 864.7
Net book value							
As at December 31, 2018	\$ 1.4	\$ 294.5	\$ 1,820.2	\$ 49.0	\$ 2,165.1	\$ -	\$ 2,165.1
As at September 30, 2019	\$ 1.4	\$ 409.0	\$ 1,742.2	\$ 118.9	\$ 2,271.5	\$ 12.1	\$ 2,283.6

- i. The Company incurred deferred stripping costs of \$38.8 million during the nine months ended September 30, 2019 (year ended December 31, 2018 - \$59.7 million), which are included in mining properties.
- ii. At September 30, 2019, the Company's ROU assets relating to producing facilities, a drill and vehicles had a net book value of \$11.7 million. The Company's ROU assets relating to other facilities had a net book value of \$0.4 million. See Note 3 for impact of the IFRS 16 adoption at January 1, 2019.

Impairment of long-term deposits

The Company's long-term deposits balance largely represented estimated down payments on significant components of mobile equipment with such amounts being transferred to property, plant and equipment when the components have been fully paid and the related equipment is available for use. During September 2019, the Company completed a review of the estimated recoverable value of the down payments and recorded an impairment expense of \$20.3 million to reduce their carrying value to their recoverable value at September 30, 2019. This amount was recognized as *Impairment of long-term deposits* in the condensed consolidated interim statements of comprehensive earnings (loss). Of the long-term deposits balance deemed recoverable, \$11.9 million was transferred to receivables and other assets.

At September 30, 2019, the long-term deposit valuation was \$2.1 (December 31, 2018 - \$36.8 million) on the condensed consolidated interim statements of financial position.

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6. LONG-TERM DEBT

Contractual undiscounted debt and lease repayments

	2019	2020	2021	2022	Thereafter
Repayment of revolving credit facility	\$ -	\$ -	\$ -	\$ -	\$ 100.0
Interest on the credit facility	1.8	5.9	5.8	5.8	4.3
Lease payments	0.5	2.1	1.4	1.4	7.7
Total	\$ 2.3	\$ 8.0	\$ 7.2	\$ 7.2	\$ 112.0

(a) Credit Facility

	September 30 2019	December 31 2018
Term loan	\$ -	\$ 199.5
Revolving credit facility	99.6	49.3
Long-term debt	\$ 99.6	\$ 248.8

In September 2019, the Company executed a third amendment and restatement of the Senior Secured Credit Facility (the "Amended Credit Facility") with its existing syndicate lenders, resulting in a new \$400 million senior secured Revolving Credit Facility ("Revolver"), with an accordion option allowing the Company to increase the size of the facility, subject to customary terms and conditions, by another \$100 million. The Company paid \$0.7 million in transaction fees in the period. The \$200 million Term Loan balance was refinanced as a \$200 million drawn Revolver as part of the Amended Credit Facility. The Company's Amended Credit Facility matures on September 25, 2023.

Depending on the Company's leverage ratio, the Amended Credit Facility bears an interest rate of Libor plus 2.000% to 3.125% on drawn amounts and 0.45% to 0.70% on undrawn amounts, as detailed in the agreement governing the Amended Credit Facility.

In September 2019, the Company repaid \$100 million of principal on the Revolver, resulting in a drawn balance of \$100 million at period end. As at September 30, 2019, the Company has issued \$29.6 million (Cdn\$39.1 million) (December 31, 2018 - \$28.7 million (Cdn\$39.1million)) of letters of credit under the Revolver. The Company had \$270.4 million of undrawn liquidity on the Revolver as at September 30, 2019 (December 31, 2018 - \$221.3 million). Refer to Note 13(c) for a discussion of the mine site closure surety bond and letter of credit obligation.

The Amended Credit Facility is secured against all assets of the Company and contains covenants customary for a loan facility of this nature, including limits on indebtedness, asset sales and liens. It contains financial covenant tests that include: (a) a minimum interest coverage ratio of 3.0:1.0; and (b) a maximum leverage ratio of 3.5:1.0, each as defined in the Amended Credit Facility agreement. The Company is in compliance with all covenants as at September 30, 2019.

The changes in obligations related to the Credit Facility are summarized below:

	Term Loan	Revolver	Total Credit Facility
Balance, January 1, 2018	\$ 199.3	\$ 68.4	\$ 267.7
Principal repayments	-	(20.0)	(20.0)
Accretion	0.2	1.1	1.3
Extension adjustment	-	(0.2)	(0.2)
Balance, December 31, 2018	\$ 199.5	\$ 49.3	\$ 248.8
Principal repayments	-	(150.0)	(150.0)
Capitalized transaction fee	-	(0.5)	(0.5)
Accretion	0.5	0.8	1.3
Refinanced as Amended Credit Facility	(200.0)	200.0	-
Balance, September 30, 2019	\$ -	\$ 99.6	\$ 99.6

The Company recorded interest expense of \$2.7 million and \$9.4 million and paid interest of \$4.7 million and \$11.5 million on the Credit Facility for the three and nine months ended September 30, 2019.

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In the prior year period, the Company recorded interest expense of \$3.3 million and \$9.3 million and paid interest of \$3.0 million and \$8.7 million on the Credit Facility for the three and nine months ended September 30, 2018.

(b) Lease Liabilities

Balance, January 1, 2019 (Note 3)	\$	12.2
Additions		1.3
Interest expense		0.3
Lease payments		(1.7)
Balance, September 30, 2019		12.1
Less: current portion		(1.9)
Balance, September 30, 2019 - non-current portion	\$	10.2

The Company's recognized lease liabilities relate to its head office facilities, consumable-producing facilities, a drill, and vehicles. The head office lease contains variable payments that are expected to amount to \$0.5 million over the remaining term. There are no extension or termination options related to these leases, nor are there residual value guarantees.

7. TRADE AND OTHER PAYABLES

	Note	September 30 2019	December 31 2018
Trade payables		\$ 60.0	\$ 18.7
Accruals		40.9	29.9
Cash settled share-based payments	11	8.6	3.5
Interest payable		0.3	2.2
Trade and other payables		\$ 109.8	\$ 54.3

8. DECOMMISSIONING LIABILITIES

Decommissioning and restoration provisions represent the estimated costs, which have been adjusted to reflect risk, required to provide adequate restoration and rehabilitation upon the completion of mining activities. The Company measures decommissioning and restoration costs at its best estimate of amounts to be incurred, which is based on the net present value of future cash expenditures upon reclamation and closure. Decommissioning and restoration costs are capitalized into property and equipment depending on the nature of the asset related to the obligation and are amortized over the life of the related asset.

In June 2019, the Company submitted a second amendment of the closure plan for its Detour Lake mine to the Ontario Ministry of Energy, Northern Development and Mines ("MENDM"). During Q3 2019, the Company received comments from MENDM and adjusted the closure plan to reflect these comments. The revisions of the closure plan, which included consultation with Indigenous communities, cover new rehabilitation and water treatment programs for the Detour Lake mine site and post closure monitoring costs. As a result, the Company recorded a net increase to our decommissioning obligations of \$80.1 million. This also resulted in an increase to the recorded asset retirement cost of \$80.1 million, including progressive reclamation. Refer to Note 16 for the tax implications of these events. The amended closure plan was accepted by the MENDM in November 2019.

Provisions of \$114.8 million (December 31, 2018 - \$35.0 million) for decommissioning and restoration cost obligations have been recorded. Estimated costs have been discounted to their present value at a rate of 0.30% (December 31, 2018 - 0.52%), which is the Bank of Canada long-term real government bond rate at September 30, 2019. In the third quarter of 2019, the Company revised its decommissioning liability model to include an estimated future cost and comments from MENDM as mentioned above. The Company also incurred reclamation activity expenses in this period.

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	Decommissioning and restoration
Balance, January 1, 2018	\$ 35.0
Accretion	0.2
Revisions to discount rate	(1.3)
Foreign exchange movement	(2.8)
Balance, December 31, 2018	31.1
Accretion	0.1
Revisions to discount rate	2.2
Foreign exchange movement	1.3
Reclamation activities	(0.5)
Additions, changes in estimates	80.6
Balance, September 30, 2019	\$ 114.8

9. ISSUED CAPITAL

Authorized share capital of the Company is comprised of an unlimited number of voting and participating common shares, without par value. All issued shares are fully paid.

	Note	Millions of shares	Amount
Balance, January 1, 2018		174.9	\$ 2,308.5
Shares issued under the share option plan	11(a)	0.5	5.3
Balance, December 31, 2018		175.4	2,313.8
Shares issued under the share option plan	11(a)	2.0	28.8
Balance, September 30, 2019		177.4	\$ 2,342.6

10. BASIC AND DILUTED EARNINGS PER SHARE

<i>Number of shares in millions</i>	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net earnings (loss) for the period	\$ (12.6)	\$ 12.7	\$ 42.3	\$ 31.4
Weighted average basic number of shares outstanding	177.0	175.2	176.2	175.1
Weighted average shares dilution adjustments:				
Share options	0.2	0.1	0.1	0.1
Share units	-	0.7	-	0.7
Weighted average diluted number of shares outstanding	177.2	176.0	176.3	175.9
Earnings (loss) per share				
Basic	\$ (0.07)	\$ 0.07	\$ 0.24	\$ 0.18
Diluted	\$ (0.07)	\$ 0.07	\$ 0.24	\$ 0.18

Excluded from the computation of diluted earnings per share is nil and 0.3 million share options for the three and nine months ended September 30, 2019 (three and nine months ended September 30, 2018 – 2.7 million and 2.4 million) as the exercise price of these share options exceeded the weighted average market price of the Company's common shares.

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11. SHARE-BASED PAYMENTS

The share-based payment expense (recovery) recognized in these financial statements are as follows:

	Equity-settled plans		Cash settled awards			Total
	Share option plan (a)	DSU plan (b)	RSU plan (b)	PSU plan (b)		
Production costs	i \$	- \$	- \$	1.7 \$	0.1 \$	1.8
Corporate administration	ii	0.5	3.9	1.8	0.7	6.9
Nine months ended September 30, 2019	\$	0.5 \$	3.9 \$	3.5 \$	0.8 \$	8.7
Production costs	i \$	0.4 \$	- \$	0.3 \$	- \$	0.7
Corporate administration	ii	0.8	0.4	0.7	0.4	2.3
Nine months ended September 30, 2018	\$	1.2 \$	0.4 \$	1.0 \$	0.4 \$	3.0

- i. Total share-based payment expense for the three months ended September 30, 2019 was \$1.1 million (2018 - \$0.4 million).
- ii. Total share-based payment expense for the three months ended September 30, 2019 was \$2.1 million (2018 - \$1.9 million).

(a) Share option plan

The Company's Share Option Plan was amended and restated on March 18, 2019 and May 2, 2019 and approved by Detour Gold's shareholders on June 5, 2019. The share options are settled in the Company's common shares. Movements in the share options are summarized below:

	Number of options (millions)	Weighted average exercise price (i)	Weighted average exercise price (Cdn\$)
Balance, January 1, 2018	4.2	\$ 13.45	\$ 16.92
Granted	0.3	8.91	12.12
Exercised	(0.5)	6.94	9.44
Forfeited	(0.1)	11.43	15.54
Expired	(0.9)	20.26	27.55
Balance, December 31, 2018	3.0	11.31	14.81
Granted	0.3	9.76	12.88
Exercised	(2.0)	9.67	12.77
Expired	(0.4)	17.95	23.69
Balance, September 30, 2019	0.9	\$ 11.39	\$ 15.03

- i. At September 30, 2019, the U.S. dollar weighted average exercise price was calculated using the period end U.S. to Canadian dollar exchange rate of 1.32 (December 31, 2018 – 1.36).

The weighted average share price on the date of exercise of share options for the nine months ended September 30, 2019 was Cdn\$17.78 (year ended December 31, 2018 - Cdn\$12.38).

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The options granted were valued using the following inputs in the Black-Scholes option pricing model:

	Nine months ended September 30	
	2019	2018
Number of stock options granted in millions	0.3	0.3
Grant price (Cdn\$)	\$ 12.88	\$ 12.12
Expected volatility	53%	53%
Risk free interest rate	1.62%	1.88%
Expected dividend yield	\$nil	\$nil
Expected life in years	4.8	3.5
Fair value (weighted average)	Cdn \$ 5.92	\$ 4.84
	U.S. (i) \$ 4.48	\$ 3.74

- i. The U.S. dollar weighted average Black-Scholes value was calculated using the spot Canadian to U.S. dollar exchange rate on the date of grant.

Share options outstanding and exercisable at September 30, 2019 are:

Exercise price (Cdn\$)	Options Outstanding				Options Exercisable			
	Number of options (millions)	Weighted average exercise price (i)	Weighted average exercise price (Cdn\$)	Weighted average remaining contractual life (years)	Number of options (millions)	Weighted average exercise price (i)	Weighted average exercise price (Cdn\$)	Weighted average remaining contractual life (years)
\$10.01 - \$15.00	0.4	\$ 9.56	\$ 12.62	4.24	0.2	\$ 9.42	\$ 12.43	2.06
\$15.01 - \$20.00	0.4	\$ 12.23	\$ 16.14	1.92	0.4	\$ 12.23	\$ 16.14	1.92
\$20.01 - \$29.00	0.1	\$ 19.89	\$ 26.26	1.60	0.1	\$ 19.89	\$ 26.26	1.60
	0.9	\$ 11.39	\$ 15.03	2.54	0.7	\$ 11.89	\$ 15.69	1.94

- i. The U.S. dollar weighted average exercise price was calculated using the period end U.S. to Canadian dollar exchange rate of 1.32.

(b) Share unit plans

Share unit plan liabilities are:

	September 30 2019	December 31 2018
Deferred share units ("DSU")	\$ 5.1	\$ 3.5
Restricted share units ("RSU")	2.9	-
Performance restricted share units ("PSU")	0.6	-
Total	\$ 8.6	\$ 3.5

The Company's PSU/RSU plan was amended and restated March 18, 2019 and May 2, 2019 and approved by Detour Gold's shareholders on June 5, 2019. RSU and PSU grants in 2019 are under the amended and restated plan.

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Changes to the number of share units are:

	DSU (000s)	RSU (000s)	PSU (000s)
Balance, January 1, 2018	292	622	387
Granted	208	792	223
Forfeited	-	(85)	(59)
Company's performance factor	-	-	(39)
Released	(97)	(1,329)	(512)
Balance, December 31, 2018	403	-	-
Granted	121	557	314
Forfeited	-	(47)	(35)
Released	(197)	(15)	(55)
Balance, September 30, 2019	327	495	224

During the nine months ended September 30, 2019, share units settled in cash were \$3.1 million. During the year ended December 31, 2018, share units settled in cash were \$15.2 million, with \$12.3 million settled in December 2018 after the deemed change of control of the Company (described below).

On December 13, 2018, a change of control was deemed to have occurred when a majority of the Board whom management of the Company had not nominated for election were elected to the Board at a Special Meeting of Shareholders. The Company's Share Option Plan and Restricted Share Unit Plan in place at this date provided that, upon a change of control, all Options, RSUs and PSUs previously granted that have not yet vested "will be deemed to have immediately vested and become exercisable immediately before the occurrence of the change of control". The Company will not incur any future expenses related to Share Option, RSU and PSU grants issued prior to the deemed change of control.

12. NET FINANCE COSTS

	Note	Three months ended September 30		Nine months ended September 30	
		2019	2018	2019	2018
Finance income					
Interest income		\$ (1.1)	\$ (0.6)	\$ (2.9)	\$ (1.5)
Finance costs					
Interest expenses and other bank charges		2.7	3.3	9.4	9.3
Accretion on debt		0.4	0.2	1.3	1.2
Accretion on decommissioning and restoration provisions		-	-	0.1	0.1
Foreign exchange loss (gain)		0.4	(1.3)	(1.7)	2.1
Unrealized and realized loss (gain) on derivative instruments	15	15.1	(1.1)	17.6	1.8
Unrealized and realized loss on investments		-	-	-	0.1
Credit facility amendment (gain) loss		0.2	0.3	0.2	0.3
		18.8	1.4	26.9	14.9
Net finance costs		\$ 17.7	\$ 0.8	\$ 24.0	\$ 13.4

13. COMMITMENTS AND CONTINGENCIES

(a) Purchase commitments

As at September 30, 2019, total purchase commitments for capital expenditures amounted to \$28.3 million (December 31, 2018 - \$17.5 million).

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(b) Detour Lake mine royalty

Production from the Detour Lake mine is subject to a 2% net smelter royalty payable to Franco-Nevada Canada Holdings Corp. ("FN"). FN has the right to elect, on a yearly basis, to have the royalty paid in cash or in-kind. FN has elected to receive the royalty paid in-kind in 2019 and 2018. For the three and nine months ended September 30, 2019, the Company accrued or paid in-kind 2,699 and 8,627 ounces of gold (three and nine months ended September 30, 2018 – 2,887 and 8,743 ounces of gold).

(c) Mine site closure surety bond and letter of credit obligation

The Company had issued \$15.2 million (Cdn\$20.1 million) of surety bonds, and a letter of credit for \$21.3 million (Cdn\$28.3 million) under the Credit Facility (note 6) in favor of the MENDM in support of the closure plan of the Detour Lake mine as at September 30, 2019.

In November 2019, in connection with the amendment of the closure plan, the Company's financial assurance obligations in favour of the MENDM increased from \$36.5 million (Cdn \$48.4 million) to \$70.7 million (Cdn \$93.7 million). These final assurance obligations have been fully secured by surety bonds. Accordingly, the Company intends to rescind the initial letter of credit for \$21.3 million (Cdn\$28.3 million) under the Credit Facility. The Company's financial assurance obligations in favour of the MENDM are expected to further increase in phases that reflect the development of the mine.

(d) Claims

In the ordinary course of business, the Company is involved in and potentially subject to legal actions and proceedings. The Company records provisions for such claims when considered material and an outflow of resources is considered probable. No such provisions have been recorded by the Company.

Prism Resources

In April 2019, Prism Resources Inc. ("Prism") filed a Statement of Claim against the Company in the Ontario Superior Court of Justice seeking: (i) a declaration that Prism is entitled to 7.5% net profit interest on the Company's Aurora (Zone 58N is located on this property) and Sunday Lake properties, and (ii) \$7.6 million (Cdn\$10.0 million) in damages for interference in their economic interests. Detour Gold believes that Prism's claims are without merit and is vigorously defending the claim. No amounts have been recorded for any potential liability under this matter.

Tax Claims

The Company is subject to tax audits from various tax authorities on an ongoing basis. As a result, from time to time, tax authorities may disagree with the positions and conclusions taken by the Company in its tax filings or legislation could be amended or interpretations of current legislation could change, any of these events could lead to reassessments. The Company records provisions for such claims when considered material and an outflow of resources is considered probable. No such provisions have been recorded by the Company.

14. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an arm's length transaction between market participants at the measurement date. When appropriate, the Company adjusts the valuation models to incorporate a measure of credit risk.

The carrying values of cash and cash equivalents, receivables and other assets, and trade and other payables approximate their fair values due to the short-term maturity of these financial instruments.

Cash settled share units represents DSUs, RSUs and PSUs. These liabilities are included in trade and other payables on the condensed consolidated interim statements of financial position.

The fair value of derivative assets and liabilities are based on independently provided inputs and determined using standard valuation techniques. The following table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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There were no transfers among levels during the nine months ended September 30, 2019 and year ended December 31, 2018. The Company does not have any financial assets or liabilities measured at fair value based on unobservable inputs (level 3).

	Carrying value			Fair value	
	Fair value through profit or loss	Amortized cost	Fair value through OCI	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
September 30, 2019					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	\$ 144.2	\$ -	\$ -	-
Receivables and other assets	-	0.1	-	-	-
Derivative assets	0.4	-	-	-	0.4
Total financial assets	\$ 0.4	\$ 144.3	\$ -	\$ -	0.4
<i>Financial liabilities</i>					
Trade and other payables	\$ -	\$ 101.2	\$ -	\$ -	-
Cash settled share units	8.6	-	-	-	8.6
Long-term debt	-	99.6	-	-	100.0
Derivative liabilities	22.2	-	-	-	22.2
Total financial liabilities	\$ 30.8	\$ 200.8	\$ -	\$ -	130.8

	Carrying value			Fair value	
	Fair value through profit or loss	Amortized cost	Fair value through OCI	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
December 31, 2018					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	\$ 131.9	\$ -	\$ -	-
Receivables and other assets	-	2.6	-	-	-
Derivative assets	0.8	-	-	-	0.8
Total financial assets	\$ 0.8	\$ 134.5	\$ -	\$ -	0.8
<i>Financial liabilities</i>					
Trade and other payables	\$ -	\$ 50.8	\$ -	\$ -	-
Cash settled share units	3.5	-	-	-	3.5
Long-term debt	-	248.8	-	-	250.0
Derivative liabilities	9.4	-	-	-	9.4
Total financial liabilities	\$ 12.9	\$ 299.6	\$ -	\$ -	262.9

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15. DERIVATIVE INSTRUMENTS

Fair values of derivative instruments

	Balance sheet classification	September 30 2019	December 31 2018
Current:			
Gold contracts	Derivative liabilities	(18.3)	-
Currency contracts	Derivative assets	\$ 0.3	\$ 0.8
Currency contracts	Derivative liabilities	(0.1)	(6.7)
Diesel contracts	Derivative assets	0.1	-
Diesel contracts	Derivative liabilities	(0.4)	(2.7)
Current derivative assets		\$ 0.4	\$ 0.8
Current derivative liabilities		\$ (18.8)	\$ (9.4)
Long-term:			
Gold contracts	Derivative liabilities	(3.4)	-
Long-term derivative liabilities		\$ (3.4)	\$ -
Total derivative assets		\$ 0.4	\$ 0.8
Total derivative liabilities		\$ (22.2)	\$ (9.4)

As at September 30, 2019, the Company had \$150.0 million of zero-cost European foreign exchange collars to hedge its Canadian dollar denominated costs whereby it can sell U.S. dollars at an average rate of 1.29 and can participate up to an average rate of 1.37. These zero-cost European collars expire throughout the remainder of 2019 and first half of 2020. The Canadian dollar denominated Asian gold collars noted below provide protection against margin fluctuations over the second half of 2020 and therefore the Company did not take out any additional foreign exchange hedges. The coverage ratio is approximately 45% of the Company's remaining 2019 Canadian dollar exposure and 30% for 2020.

As at September 30, 2019, the Company had 345,000 ounces of gold collars outstanding on 45% of the Company's remaining 2019 and 2020 gold sales. This includes 219,000 ounces of US dollar denominated gold collars that protect an average gold price of \$1,276 per ounce and allow participation up to an average gold price of \$1,458 per ounce. The remaining 126,000 ounces of Canadian dollar denominated gold collars protect an average gold price of Cdn\$1,752 per ounce and allow participation up to an average gold price of Cdn\$2,010 per ounce.

As at September 30, 2019, the Company had a total of 27.5 million litres of heating oil SWAP contracts at an implied average dyed diesel price of Cdn\$0.85 per litre for 2019 and Cdn\$0.80 per litre for 2020 to hedge against dyed diesel exposure. The SWAP contracts mature monthly and represent approximately 50% and 20% of the Company's dyed diesel consumption for the remainder of 2019 and 2020 respectively. The SWAP contracts settle net in cash.

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(Gains) losses on derivative instruments

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Changes in unrealized (gain) loss				
Gold contracts	\$ 9.1	\$ -	\$ 21.7	\$ -
Currency contracts	1.3	(1.1)	(6.1)	1.7
Diesel contracts	0.5	-	(2.4)	-
Total	\$ 10.9	\$ (1.1)	\$ 13.2	\$ 1.7
Realized (gain) loss				
Gold contracts	\$ 4.0	\$ -	\$ 4.0	\$ -
Currency contracts	(0.1)	-	(0.1)	0.1
Diesel contracts	0.3	-	0.5	-
Total	\$ 4.2	\$ -	\$ 4.4	\$ 0.1
Total unrealized and realized (gain) loss on derivative instruments	\$ 15.1	\$ (1.1)	\$ 17.6	\$ 1.8

Sensitivities

The following table sets forth the impact on the Company's net income for the third quarter of 2019 of a 10% increase or decrease in rates/prices used in the fair value calculation of the derivative instruments with all other variables remaining constant.

At September 30, 2019	Change in Fair Value
Gold contracts	+\$14.2 / -\$30.2
Currency contracts	+\$11.9 / -\$9.6
Diesel contracts	+/- \$1.3

16. CURRENT AND DEFERRED TAXES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Deferred tax expense (recovery)				
Ontario mining tax	5.2	0.1	7.6	9.9
Income tax	12.4	(6.8)	6.1	33.7
Write-down of deferred tax asset related to decommissioning liabilities	15.9	-	15.9	-
Deferred tax recovery related to Impairment of long-term deposits	(6.4)	-	(6.4)	-
Total current and deferred tax expense (recovery)	\$ 27.1	\$ (6.7)	\$ 23.2	\$ 43.6

The deferred tax expense is related primarily to the de-recognition of a deferred tax asset in respect of the amended closure plan for the Detour Lake mine. The Company expects a large portion of the decommissioning and restoration spend to occur after the mine life, when the tax benefits associated with the expenses incurred are not expected to be realized. Thus, the reduction in the Company's deferred tax asset associated with the decommissioning and restoration liability resulted in an increase to deferred tax expense in the third quarter of 2019. The remaining deferred tax expense arose as a result of the utilization of accelerated discretionary tax deductions, offset by the foreign exchange translation of non-monetary assets resulting from a strengthened Canadian dollar since year-end and the impairment of long-term deposits.