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**DETOUR GOLD**

# Q3 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

FOR THE QUARTER ENDED SEPTEMBER 30, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") of Detour Gold Corporation ("Detour Gold", "we", "our" or the "Company") provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of the Company. This MD&A should be read in conjunction with Detour Gold's unaudited condensed consolidated interim financial statements and related notes for the nine months ended September 30, 2019 and 2018 which are prepared in accordance with International Accounting Standard Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). This MD&A should be read in conjunction with the Company's annual audited consolidated financial statements and annual MD&A for the year ended December 31, 2018. This MD&A contains certain forward-looking statements. Refer to the cautionary language at the end of this MD&A. All dollar figures stated herein are expressed in United States dollars, except for: (i) tabular amounts which are in millions of United States dollars; (ii) per share or per ounce amounts; or (iii) unless otherwise specified. This MD&A is dated November 14, 2019. Additional information relating to the Company, including the Company's 2018 Annual Information Form ("AIF") and other public filings, can be viewed on the SEDAR website ([www.sedar.com](http://www.sedar.com)) and on the Company's website ([www.detourgold.com](http://www.detourgold.com)).

Certain non-IFRS financial performance measures are included in this MD&A. Detour Gold believes that these measures, in addition to conventional measures prepared in accordance with International Financial Reporting Standards ("IFRS"), provide investors an improved ability to evaluate the underlying performance of the Company. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. The non-IFRS financial performance measures included in this document are: total cash costs, all-in sustaining costs ("AISC"), average realized price, average realized margin, free cash flow, net cash (debt), operating cash flow per share, adjusted net earnings, and adjusted basic net earnings per share. Refer to the "Non-IFRS Financial Performance Measures" section for a reconciliation of these measures.

In addition, included in this MD&A is the measure "Earnings from mine operations". Refer to section "Additional IFRS Financial Performance Measures" for additional information on this measure.

The following abbreviations are used throughout this document: USD or U.S. dollar (United States dollar), Cdn or CAD (Canadian dollar), Au (gold), oz (ounces), g/t (grams per tonne), Mt (million tonnes), km (kilometres), m (metres), TMA (tailings management area), tpd (tonnes per day), ROM (run-of-mine), LOM (life of mine), and TRIFR (total recordable injury frequency rate – based on total recordable injuries multiplied by 200,000 hours divided by total man-hours worked).

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## BUSINESS OVERVIEW

Detour Gold is incorporated under the laws of Canada and its common shares are listed on the Toronto Stock Exchange (TSX:DGC). Detour Gold is a mid-tier Canadian-based gold mining company with a 100% interest in the Detour Lake mine, a long-life, large-scale, open pit operation located in northeastern Ontario, approximately 300 km northeast of Timmins and 185 km by road northeast of Cochrane. The Company continues to focus on improving the performance of the Detour Lake mine and on organic growth by exploring and developing its large Detour Lake property, which consists of a contiguous block of mining claims and leases totaling approximately 646 km<sup>2</sup> in the District of Cochrane.

Positive block model reconciliation continued in Q3 2019 and the improved blasting practices, increased fragmentation and reduction in maintenance backlog at the mill are starting to pay dividends as we continue to have to scale back the mill throughput rate as we regularly reach the permit limit of 75k tpd. The mill capacity increase study has been initiated to revise the permit and reduce the bottleneck which will increase our throughput rate and the Company intends to apply to increase the limit to 90k tpd. During Q3 2019, there was a strong focus on contracts and contract renegotiation to position Detour Gold for lower costs and high cash flow generation.

As part of Detour Gold management's initiatives to seek operational savings through business improvements, including the renegotiation of large-value contracts, Detour Gold has been in discussions to identify opportunities for savings in relation to the Company's mobile equipment maintenance and repair contract ("MARC"). In November 2019, the Company signed a letter of intent to enact the risk sharing language imbedded in the MARC to reduce the rates for the maintenance of the equipment, realizing the benefits derived from effective fleet management and performance that have been achieved to date and are expected to continue over the remaining life of the contract. As a result of these initiatives, Detour Gold expects to realize cumulative cash savings of over \$25 million (Cdn\$33 million) through 2022. The parties expect to enter into a definitive agreement amending the MARC in Q4 2019.

## HIGHLIGHTS

- **Safety metrics improving** with a decline in the TRIFR for both employees and contractors with a 48% reduction from 2.27 in Q3 2018 to 1.17 in Q3 2019
- **Gold production** of 137,670 ounces compared to 151,402 ounces in Q3 2018
- **AISC<sup>(1)</sup>** of \$1,198 per ounce sold and total cash costs<sup>(1)</sup> of \$730 per ounce sold compared to \$1,377 and \$798 per ounce sold, respectively, in Q3 2018
- **Free cash flow<sup>(1)</sup>** of \$37.5 million in Q3 2019 compared to Q3 2018 free cash flow of \$7.3 million
- **Net cash balance** at the end of Q3 2019 of \$44.2 million
- **Operating cash flow per share** of \$0.50 in Q3 2019 compared to \$0.47 in Q3 2018
- **Increasing the lower end of 2019 gold production guidance range** to 590,000-605,000 ounces and expecting to be towards the upper end of that range
- **Reducing AISC guidance range** by \$75 per ounce to \$1,100-\$1,175 and expecting to be towards the bottom end of that range and reducing 2019 TCC guidance from \$790-\$840 to \$750-\$790
- **Mill throughput** of 61,348 tpd, an increase of 4% compared to Q3 2018
- **Block model** continues to show a strong positive reconciliation with ounces mined up 21.6% relative to mineral reserves
- **Revenues** of \$202.6 million on gold sales of 137,872 ounces at an average realized price<sup>(1)</sup> of \$1,436 per ounce compared to \$170.0 million on gold sales of 139,821 ounces at an average realized price of \$1,214 per ounce in Q3 2018
- **Adjusted net earnings<sup>(1)</sup>** of \$35.3 million (\$0.20 per basic share) compared to adjusted net loss<sup>1</sup> of \$1.5 million (\$0.01 per basic share) in Q3 2018
- **Net loss** of \$12.6 million (\$0.07 per basic share) compared to net earnings of \$12.7 million (\$0.07 per basic share) in Q3 2018, including the pre-tax impact of \$20.3 million (\$0.11 per basic share) of Impairment on long-term deposits (representing irrecoverability of estimated down payments on significant components of mobile

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<sup>1</sup> Refer to the "non-IFRS Financial Performance Measures" section for a reconciliation of this metric.

equipment) resulting in a deferred tax recovery of \$6.4 million, and the deferred tax impact associated with the amendment of the closure plan of \$16 million (\$0.09 per basic share)

- **Cash and cash equivalents** of \$144.2 million at September 30, 2019 compared to \$131.9 million at December 31, 2018 after repaying \$150.0 million of principal payments against the Credit Facility
- **Paid down** \$100 million in indebtedness under the new Credit Facility in September 2019 (included in \$150.0 million of principal payments above), reducing the outstanding principal balance to \$100.0 million
- **Closure plan amendment** for Detour Lake mine was accepted by the government in November 2019 following posting of increased financial assurance
- **Posted surety bonds** totaling Cdn \$93.7 million in order to comply with the financial assurance requirements under the Ontario Mining Act as a result of the Closure Plan amendment

## OUTLOOK

### 2019 Guidance

Based on the results from the first nine months of the year and the outlook for Q4 2019, we expect to meet the higher end of guidance for gold production and are raising the lower end of the range from 570,000 ounces to 590,000 ounces.

As previously indicated, we expect lower mined grades during Q3 2019 and stronger mined grades in Q4 and this is what we have seen. We also experienced a 5,000 ounce gold in-circuit inventory build in September that was unwound in October.

In October 2019, 60,000 ounces were poured, including the largest weekly gold pour in the history of the Company at 17,500 ounces at month end.

Our Q4 forecast production and costs are giving us the confidence to lower the AISC guidance range by \$75/oz and we expect to have costs towards the lower end of the new guidance range for AISC.

The Company has also evaluated capital expenditures and with the deferral and cancellation of fleet replacements to the order of Cdn \$10-\$15 million and deferral of major component replacements on the 795F truck fleet of Cdn \$2.5-\$5 million, the Company will revise total capital spend downwards from US\$190-\$210 million to US\$185-\$195 million.

The Company continues to focus on cost control, mining practices, contractor management and optimizing the short-term mine plan in light of the ongoing strong positive reserve reconciliation.

	<b>Revised Guidance</b>
Gold production (oz)	590,000-605,000
Total cash costs (\$/oz sold)	\$750-\$790
AISC (\$/oz sold)	\$1,100-\$1,175
Total capital expenditures (millions)	\$185-\$195

## CORPORATE DEVELOPMENTS

### Credit Facility Amendment

On September 25, 2019, the Company executed a third amendment and restatement of its existing credit agreement, to provide for a new \$400 million senior secured revolving credit facility (the “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 to a total amount of \$500 million (the “Credit Facility”). The reduction in the facility size is a direct result of the Company’s strong cash generation while the accordion maintains optionality to increase the facility size if necessary.

The new Credit Facility replaced the Company's previous \$500 million senior secured credit facility, which was comprised of a \$200 million term loan (maturing July 14, 2020) and a \$300 million revolving credit facility (maturing July 14, 2022). The new Credit Facility has a four-year term, maturing September 25, 2023.

The Company paid down \$100 million in indebtedness under the new Credit Facility in September 2019, and plans to fully pay down its indebtedness under the new Credit Facility in the coming months. This is expected to translate into estimated interest savings of approximately \$9 million per annum (relative to the amount payable under the previous \$200 million term loan). At September 30, 2019, the Company had available liquidity of approximately \$270 million under the new Credit Facility (taking into account issued and outstanding letters of credit under the new Credit Facility) and \$144.2 million in cash and cash equivalents, for a total of approximately \$414 million. In November 2019, the Company intends to rescind the initial letter of credit for \$21.3 million (Cdn\$28.3 million) under the Credit Facility, which will result in liquidity of approximately \$290 million under the new Credit Facility plus the cash and cash equivalents balance.

### **Closure Plan Amendment**

In June 2019, the Company submitted a second amendment of the closure plan to the Ontario Ministry of Energy, Northern Development and Mines ("MENDM") following the completion of technical studies and Indigenous consultation. During Q3 2019, the Company received comments from MENDM and adjusted the closure plan to reflect these comments. The revisions of the closure plan cover new rehabilitation and water treatment programs and post closure monitoring costs. As a result, at September 30, 2019, the Company recorded a net increase to decommissioning and restoration 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 the Income and mining tax sections in this document for the tax implications of this event.

The amended closure plan for Detour Lake mine was accepted by the MENDM in November 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 with two AA rated sureties. Accordingly, the Company intends to rescind the initial letter of credit for \$21.3 million (Cdn\$28.3 million) as noted above. 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.

## KEY OPERATING AND FINANCIAL STATISTICS

The key operating and financial data for the periods are as follows:

In millions of U.S. dollars, except where noted		Three months ended		Nine months ended	
		September 30		September 30	
		2019	2018	2019	2018
<b>Operating data</b>					
Ore mined	Mt	5.2	4.3	15.6	15.0
Waste mined	Mt	21.1	23.7	64.2	61.8
Total mined	Mt	26.3	28.0	79.8	76.8
Strip ratio	waste:ore	4.1	5.6	4.1	4.1
Mining rate	'000s tpd	286	304	292	281
Ore milled	Mt	5.6	5.4	16.2	15.1
Head grade	g/t Au	0.83	0.97	0.92	1.06
Recovery	%	91.2	89.3	92.1	89.8
Mill throughput	tpd	61,348	59,219	59,547	55,332
Gold ounces produced	oz	137,670	151,402	442,457	462,928
Gold ounces sold <sup>1</sup>	oz	137,872	139,821	449,343	437,737
<b>Financial data</b>					
Metal sales	\$	202.6	170.0	610.7	563.2
Earnings from mine operations	\$	59.8	15.0	137.2	112.5
Net earnings (loss)	\$	(12.6)	12.7	42.3	31.4
Per share - basic	\$/share	(0.07)	0.07	0.24	0.18
- diluted	\$/share	(0.07)	0.07	0.24	0.18
Adjusted net earnings <sup>2,4</sup>	\$	35.3	(1.5)	65.1	51.9
Per share – basic <sup>2,4</sup>	\$/share	0.20	(0.01)	0.37	0.30
Total assets	\$	2,568.2	2,498.7	2,568.2	2,498.7
Debt <sup>3</sup>	\$	99.6	248.8	99.6	248.8
Average realized gold price <sup>2</sup>	\$/oz	1,436	1,214	1,346	1,285
Total cash costs <sup>2</sup>	\$/oz	730	798	755	754
Average realized margin <sup>2</sup>	\$/oz	706	416	591	531
AISC <sup>2,4</sup>	\$/oz	1,198	1,377	1,125	1,181

<sup>1</sup> Gold ounces sold are net of 2% royalty ounces payable in-kind.

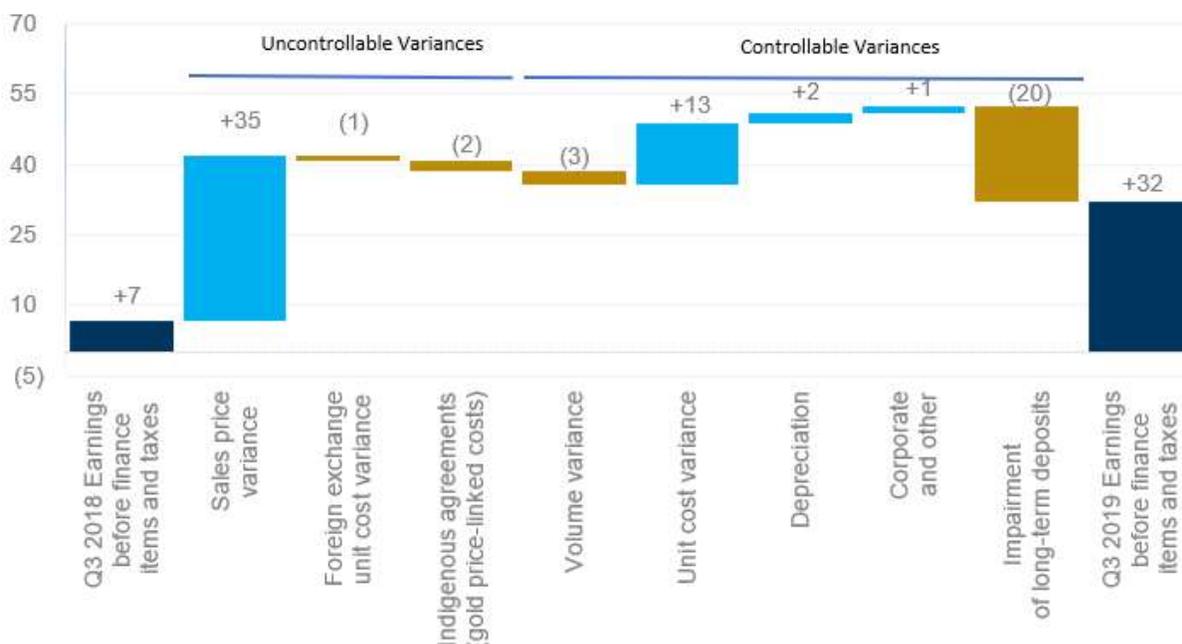
<sup>2</sup> Refer to the “non-IFRS Financial Performance Measures” section for a reconciliation of these amounts.

<sup>3</sup> Debt at September 30, 2019 represents the Credit Facility face value of \$100.0 million.

<sup>4</sup> In the second quarter of 2019, the Company updated adjusted net earnings and AISC to adjust for the impact of certain non-recurring items, which impacts the nine months ended September 30, 2019. Comparatives have been restated. Refer to “Non-IFRS Financial Performance Measures” for further information.

## THIRD QUARTER 2019 FINANCIAL RESULTS

### Factors Affecting Third Quarter Net Earnings Millions of U.S. dollars



#### Metal sales

Metal sales for the third quarter of 2019 were \$202.6 million compared to \$170.0 million in the prior year period, reflecting a higher average realized price, offset by a slightly lower volume of gold sales.

The average realized price for the third quarter of 2019 was \$1,436 per ounce, an increase of \$222 per ounce relative to the prior year period, reflecting a higher average market price for gold.

Gold sales during the third quarter of 2019 amounted to 137,872 ounces, a slight decrease of 1% compared to 139,821 ounces in the third quarter of 2018, despite producing 9% less ounces over the same period. In 2019 we focused on reducing the working capital cycle by optimizing deliveries between refineries, reducing inventory on hand and increasing cash flow.

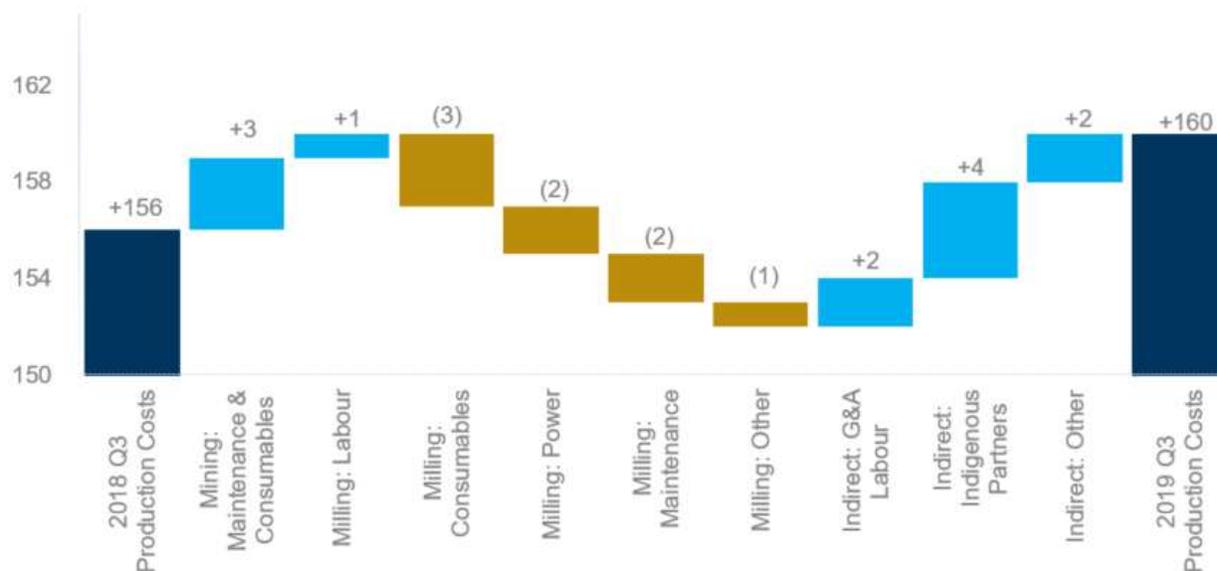
#### Cost of sales

Cost of sales for the third quarter of 2019 was \$142.8 million and 7.9% lower than the \$155.0 million in the third quarter of 2018 for virtually the same volume of ounces sold. This balance is comprised of production costs, price-linked Indigenous agreements expense, and depreciation.

Production costs include costs associated with mining, processing, refining, site administration, and agreements with Indigenous communities. Production costs during the third quarter of 2019 were \$100.1 million compared to \$112.2 million in the prior year period. Starting in 2019, costs relating to Indigenous communities are predominantly gold price linked in contrast to 2018 where costs were a fixed charge. These costs are expected to increase as the gold price increases and are disclosed separately from production costs.

Production costs on a per ounce basis in the third quarter of 2019 compared to the third quarter of 2018 reflected lower milling costs partially offset by higher mining costs as explained below.

Factors Affecting Controllable Production Costs  
Millions of Cdn dollars



Mining costs increased quarter over quarter by net Cdn \$3.2 million. Explosive costs increased with the planned increase in the powder factor accounting for Cdn \$1.4 million of the variance. The increased powder factor results in higher fragmentation in the pit causing less damage to shovels, lower consumption of reagents at the mill and higher recovery. The higher fragmentation and strategic parking of a hydraulic shovel in Q2 2019 reduced maintenance costs by Cdn \$2.2 million. Tire consumption increased quarter over quarter by Cdn \$1.1 million as tire life was reduced due to a batch of substandard tires. Subsequent to the end of the quarter, the supplier has agreed to provide a make whole supply of tires free of charge, the benefit of which will be realized over the next two quarters. Truck maintenance costs increased by Cdn \$4.2 million due to longer cycle times related to TMA hauling and a deeper pit. Fuel consumption also increased but was more than offset by lower fuel costs for a net benefit of Cdn \$1.7 million.

Milling costs decreased by Cdn \$6.7 million compared to the prior year period with a decrease in cyanide consumption of Cdn \$2.5 million as a direct result of better fragmentation. Milling power costs decreased Cdn \$1.8 million from a favourable electricity price in the quarter. The Company had a strong focus on planned shutdowns in 2019 to reduce backlog maintenance hours, create defined scopes of work for all contractors, reduce unplanned downtime and improve plant availability. Although milling labour cost marginally increased from Q3 2018, mill maintenance parts consumption was lower by Cdn \$2.3 million due to improved management of planned shutdowns and better-defined scopes of work for all contractors. The net benefit of Cdn \$2.3 million is after taking into account incremental spend of Cdn \$1.9 million on reducing maintenance backlog hours from 46,000 to approximately 40,000. The aim is to reduce the backlog hours to a steady state number of approximately 12,000 which will enable higher operating times and hourly throughput rates.

Site G&A costs increase of Cdn \$1.1 million from the prior year period is mainly related to additional IT spend to create redundancy at a remote site and mitigate risks associated with the potential failure of IT infrastructure.

Depreciation during the third quarter of 2019 was \$40.4 million compared to \$42.8 million in the third quarter of 2018. The lower depreciation charge is due to a revision of the estimated useful life of the Company's assets as reflected in 2018 LOM plan.

Sustaining capital expenditures in the third quarter of 2019 amounted to \$52.7 million or \$382 per ounce sold (including \$9.6 million of deferred stripping) compared to \$74.8 million or \$535 per ounce sold (including \$21.8 million of deferred stripping) in the prior year period. The decrease in deferred stripping reflects the lower strip ratio in Q3 2019 (4.1) compared to Q3 2018 (5.6), which is consistent with the Company's renewed focus on lower waste mining. Sustaining capital expenditures in the third quarter of 2019 included \$11.6 million for mining (mainly for major component

replacements for the mobile fleet and other mining equipment) (\$16.5 million in the third quarter of 2018), \$2.5 million for the processing plant (\$5.1 million in the third quarter of 2018), \$27.2 million for the ongoing construction of the TMA (\$26.9 million in the third quarter of 2018), and \$1.8 million for site infrastructure, mainly payments for various projects (\$4.5 million in the third quarter of 2018). TMA Cell 2 rock placement for 2019 was 89% compliance to plan that sets us up to meet our planned completion date in 2020 as we enter the winter with limited to no construction.

Total cash costs for the third quarter of 2019 were \$730 per ounce of gold sold compared to \$798 in the third quarter of 2018. This 8.5% decrease was a direct result of the focus to reduce costs and improve productivity. AISC for the third quarter of 2019 totaled \$1,198 per ounce sold compared to \$1,377 per ounce sold in the third quarter of 2018. The decrease of \$207 per ounce sold is attributable to the lower cash costs and lower sustaining capital expenditures in the third quarter of 2019 compared to the prior year period and also indicative of Q3 2020 as the construction cost on TMA Cell 2 starts to decrease as the starter dam project nears completion.

### **Corporate administration expense**

Corporate administration expense was \$5.6 million in the third quarter of 2019 compared to \$6.6 million in the prior year period. Included in this amount is \$2.1 million of share-based compensation expense, compared to \$1.9 million in the prior year period. The decrease reflects the shareholder activism costs that were not incurred in the third quarter of 2019 compared to the prior year period.

### **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 estimated down payments as part of its MARC review 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 interim statements of comprehensive earnings (loss). Of the long-term deposits balance deemed recoverable, \$11.9 million was transferred to receivables and other assets.

### **Net finance cost**

#### *Interest expense and other bank charges*

During the third quarter of 2019, the Company recorded interest expense and other bank charges of \$2.7 million compared to \$3.3 million in the prior year period. During the third quarter of 2019, the Company had drawn an average of \$200.0 million on its Credit Facility compared to \$250.0 million in the prior year period, which resulted in lower interest expense.

#### *Changes in unrealized and realized gain/loss on derivative instruments*

During the third quarter of 2019, the Company realized a loss of \$4.2 million on its financial risk management program (third quarter 2018 – no gain or loss) and recorded changes in unrealized loss of \$10.9 million on its derivative positions at September 30, 2019 (third quarter 2018 - \$1.1 million gain). The increase in realized and unrealized net loss during the third quarter of 2019 reflects the additional gold hedge positions added in 2019 as well as the effect of the recent rally in gold prices beyond the upper end of the sold call options. More comprehensive details on the Company's derivative positions at September 30, 2019 are included in the "Liquidity and Capital Resources – Derivative Instruments" section.

The current deep in-the-money call options sold as part of a costless collar were put in place in early Q1 2019 when gold prices were around \$1,250 and to protect the Company's cash flow against any adverse movements in the gold price given the large capital commitments on the construction of TMA Cell 2 over 2019 and 2020.

The Financial Risk Management plan is therefore tied to capital commitments and the Company has protected cash flow over these periods. At the end of Q3 2019, the Company didn't see any need to add additional protection in 2020 or beyond given its lower cost profile and liquidity position.

### Income and mining tax

During the third quarter of 2019, an income and mining tax expense of \$27.1 million was recognized (third quarter of 2018 - \$6.7 million). The non-cash deferred tax expense is primarily due to 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 de-recognition of 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.

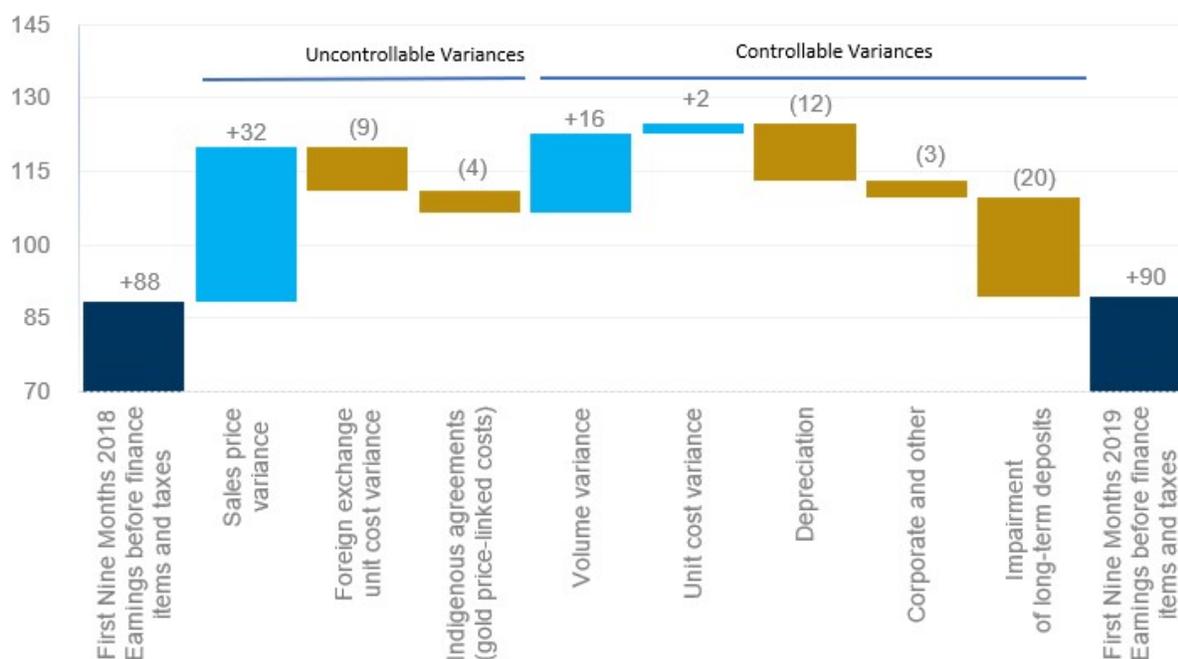
### Net earnings (loss)

Net loss for the third quarter of 2019 was \$12.6 million, or \$0.07 per basic share, compared to net earnings of \$12.7 million, or \$0.07 per basic share, in the third quarter of 2018. The decrease primarily reflects the pre-tax \$20.3 million impairment expense recognized in the third quarter of 2019 and increase in deferred tax expense.

## YEAR TO DATE 2019 FINANCIAL RESULTS

### Factors Affecting Year to Date Net Earnings

Millions of U.S. dollars



## Metal sales

Metal sales for the first nine months of 2019 were \$610.7 million compared to \$563.2 million in the prior year period, reflecting higher gold sales volumes and a higher average realized gold price.

Gold sales during the first nine months of 2019 amounted to 449,343 ounces, an increase of 3% compared to 437,737 ounces in the prior year period despite producing 4% less ounces. The increase in sales volume relative to the first nine months of 2018 is a direct result of a reduction of the working capital cycle through optimizing deliveries to refineries and receiving final settlements from the banks.

The average realized price for the first nine months of 2019 was \$1,346 per ounce, an increase of \$61 per ounce relative to the prior year period, reflecting a higher average market price for gold.

## Cost of sales

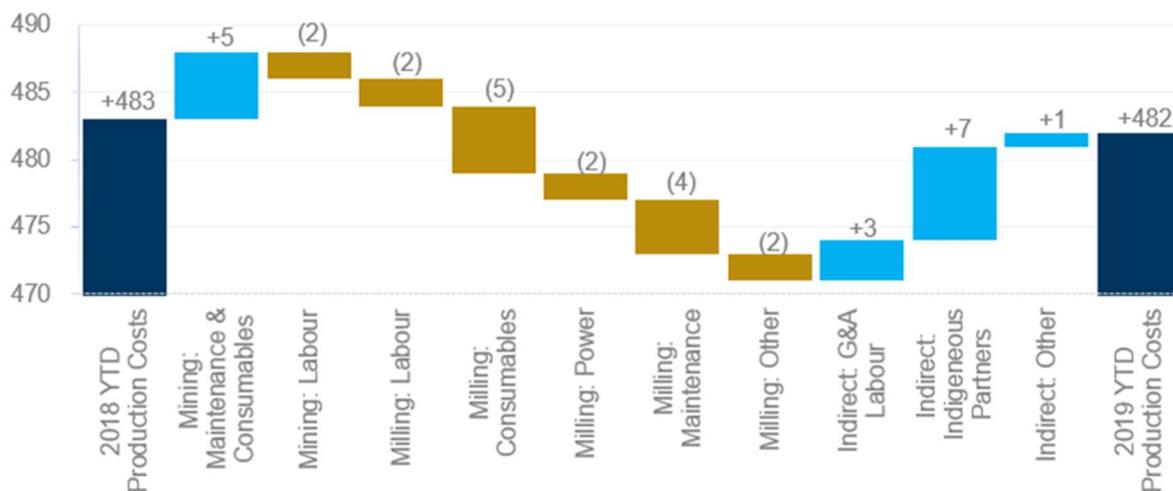
Cost of sales for the first nine months of 2019 was \$473.5 million compared to \$450.7 million in the first nine months of 2018. This balance is comprised of production costs, price-linked Indigenous agreements expense, and depreciation.

Production costs include costs associated with mining, processing, refining, site administration, and agreements with Indigenous communities. Starting in 2019, costs relating to Indigenous communities are predominantly gold price linked in contrast to 2018 where costs were a fixed charge. These costs are expected to increase as the gold price increases.

Production costs during the first nine months of 2019 were \$338.6 million compared to \$331.8 million in the first nine months of 2018 despite selling 3% more ounces compared to the first nine months of 2018. Production costs takes into account changes in final product inventory balances. Improved inventory days resulted in an increase in cost of sales as final product inventory is reduced and cash flow improves from higher sales volumes. The increase in production costs in the first nine months of 2019 relates to the improvement in trading days in contrast to the first nine months of 2018 when an inventory build reduced cost of sales and decreased cash flow. Production costs on a per ounce basis in the first nine months of 2019 compared to the first nine months of 2018 reflected higher mining costs partially offset by lower milling costs. Adjusting for price-linked Indigenous agreements expense, production costs YTD 2019 would be Cdn\$4 million less than the comparable period in 2018.

### Factors Affecting Controllable Production Costs

Millions of Cdn dollars



The net unfavorable variance of Cdn \$5.5 million is largely explained by the planned increase of explosives of Cdn \$4.7 million which resulted in better fragmentation, lower consumption of reagents at the mill and higher recovery. Tire consumption increased Cdn \$2.6 million and 795 truck fleet maintenance costs increased Cdn \$3.2 million due to longer cycles times related to TMA hauling and a deeper pit. The introduction of Carbon Tax obligation of Cdn \$1.6 million in 2019 was offset by lower fuel costs of Cdn \$2.7 million due to price. Deferred stripping reduced in 2019 as we prioritize cash flow that resulted in a lower requirement for contractor labour to the amount of Cdn \$2.4 million as well as lower equipment rental of Cdn \$1.7 million.

The favorable variances of Cdn \$15.3 million in milling costs from the prior year period reflected a decrease in milling consumables of Cdn \$4.2 million as a direct result of better fragmentation. Milling power costs decreased Cdn \$2.1 million due to a favourable electricity prices. Total labour costs decreased Cdn \$2.2 million as the improved management of planned shutdowns with strict management of scopes of work reduced contractor costs. As a result, this also reduced maintenance parts consumption by Cdn \$4.1 million and fuel & lube costs by Cdn \$1.0 million. Refining charges were reduced by Cdn \$1.0 million due to successful transition to local fine carbon refining facility. Equipment rentals were reduced by Cdn \$0.8 million through fleet rationalization.

Site G&A costs increased Cdn \$2.0 million largely due to additional IT spend to create redundancies at a remote site and mitigate risks associated with the potential failure of IT infrastructure.

Depreciation during the first nine months of 2019 was \$130.6 million, or \$291 per ounce sold, compared to \$118.9 million, or \$272 per ounce sold in the first nine months of 2018. The higher depreciation charge is due to a revision of the estimated useful life of the Company's assets as reflected in 2018 LOM plan and the reduction in inventories.

Total cash costs for the first nine months of 2019 were \$755 per ounce sold compared to \$754 per ounce in the first nine months of 2018. Total cash costs for the first nine months of 2019 were impacted by higher production costs over the prior year period, which were allocated over a larger volume of gold ounces sold.

AISC for the first nine months of 2019 totaled \$1,125 per ounce sold compared to \$1,181 per ounce sold in the first nine months of 2018. The decrease of \$56 per ounce sold is primarily attributable lower sustaining capital expenditures per ounce sold in the first nine months of 2019.

Sustaining capital expenditures in the first nine months of 2019 amounted to \$137.8 million or \$307 per ounce sold (including \$31.6 million of deferred stripping) compared to \$166.3 million, or \$380 per ounce sold (including \$36.5 million of deferred stripping) in the prior year period. The similar deferred stripping amounts reflects similar strip ratios of 4.1 for the first nine months ended 2019 and 2018. Sustaining capital expenditures in the first nine months of 2019 included \$35.6 million for mining (mainly for payments for maintenance and significant component replacements for the mobile fleet) (\$61.6 million for the first nine months of 2018), \$11.8 million for processing plant (\$9.5 million for the first nine months of 2018), \$50.7 million for the ongoing construction of the tailings facility (\$47.1 million for the first nine months of 2018), and \$8.1 million for site infrastructure, mainly payments for various projects (\$11.6 million for the first nine months of 2018).

### **Corporate administration expense**

Corporate administration expense was \$23.0 million in the first nine months of 2019 compared to \$19.5 million in the prior year period. Included in this amount is \$6.9 million of share-based compensation expense compared to \$2.3 million in the first nine months of 2018. The increase primarily reflects the impact of the Company's higher share price affecting the valuation of the outstanding units under the restricted, performance and deferred share unit in the first nine months of 2019 compared to the prior year period.

In addition, the Company incurred costs associated with resignations of senior management of \$3.5 million (Cdn \$4.5 million) in the first nine months of 2019. Similar costs were incurred in the first nine months of 2018 which included the retirement of the President and CEO.

### Exploration and evaluation expense

Exploration and evaluation expense was \$2.8 million in the first nine months of 2019 compared to \$4.4 million for the prior year period, mainly reflecting drilling activities on the Detour Lake property. Refer to section “Exploration Activities” for additional details.

### Net finance cost

#### *Interest expense and other bank charges*

During the first nine months of 2019, the Company recorded interest expense and bank charges of \$9.4 million compared to \$9.3 million in the prior year period. The slight increase is due to lower average drawn balance at a higher interest rate. During the first nine months of 2019, the Company had drawn an average of \$228.7 million on its Credit Facility compared to \$259.0 million in the prior year period.

#### *Unrealized and realized gain/loss on derivative instruments*

During the first nine months of 2019, the Company recorded a realized loss of \$4.4 million on its financial risk management program (first nine months 2018 - \$0.1 million loss) and recorded an unrealized loss of \$13.2 million on its derivative positions at September 30, 2019 (first nine months 2018 - \$1.7 million loss). Details on the Company’s derivative positions at September 30, 2019 are included in the “Liquidity and Capital Resources – Derivative Instruments” section.

### Income and mining tax

During the first nine months of 2019, a deferred tax expense of \$23.2 million was recognized (first nine months of 2018 - \$43.6 million expense). The non-cash deferred tax expense is primarily due to de-recognition of a deferred tax asset as a result of the decommissioning and restoration provision for the amended closure plan. 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 is not expected to be realized. Thus, the de-recognition of 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 and the impairment of long-term deposits.

### Net earnings

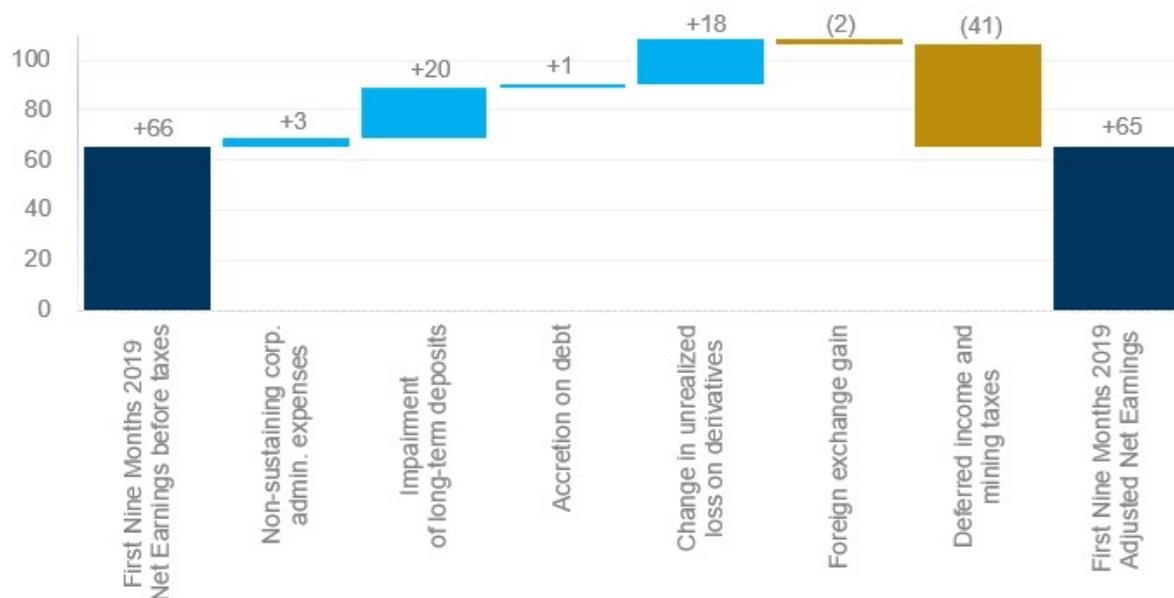
Net earnings for the first nine months of 2019 were \$42.3 million, or \$0.24 per basic share, compared to net earnings of \$31.4 million, or \$0.18 per basic share in the first nine months of 2018. The increase primarily reflects higher gold sales and a decrease in deferred taxes, partially offset by a pre-tax \$20.3 million impairment expense resulting in a \$6.4 million deferred tax recovery.

### Adjusted net earnings

Adjusted net earnings for the first nine months of 2019 amounted to \$65.1 million, or \$0.37 per basic share, an increase from adjusted net earnings of \$51.9 million, or \$0.30 per basic share, from the prior year period, primarily due to the increase in gold sales revenue.

## Reconciliation of first nine months 2019 Adjusted Net Earnings

Millions of U.S. dollars



Net earnings were adjusted to exclude specific items that are significant, and not reflective of the underlying operations of the Company, including: the impact of foreign exchange gains and losses, changes in unrealized and non-cash fair value gains and losses of financial instruments, accretion on long-term debt, impairment provisions and reversals thereof, and other non-recurring items. The tax effect of adjustments, as well as the deferred tax impact of foreign exchange translation on non-monetary assets and de-recognition of the deferred tax asset in respect of the amended closure plan for decommissioning and restoration, are presented in the income and mining tax adjustments line. Adjusting for these items provides an additional measure to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented. The Company revised this measure and included a reconciliation of the current and comparative periods in the section “Non-IFRS Financial Performance Measures”.

## OPERATING RESULTS

		Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Ore mined	Mt	5.2	5.1	5.3	5.3	4.3
Waste mined	Mt	21.1	21.8	21.3	22.7	23.7
Total mined	Mt	26.3	26.9	26.6	28.0	28.0
Strip ratio	waste:ore	4.1	4.3	4.1	4.3	5.6
Mining rate	'000s tpd	286	296	296	305	304
Ore milled	Mt	5.6	5.4	5.2	5.6	5.4
Head grade	g/t Au	0.83	0.93	1.00	0.98	0.97
Recovery	%	91.2	92.8	92.2	90.9	89.3
Mill throughput	tpd	61,348	59,376	57,880	60,300	59,219
Ounces produced	oz	137,670	150,079	154,709	158,200	151,402
Ounces sold	oz	137,872	153,748	157,723	172,935	139,821

### Safety

The Company continually monitors its health and safety statistics, which for the third quarter of 2019 indicated a decline in the TRIFR for both employees and contractors compared to the third quarter of 2018. The Company believes that

the improvement is mainly due to the launching of a Learning Management system to support the operating departments and re-deployment of key support personnel to improve the training and safety in the field.

### Gold production

The Detour Lake mine produced 137,670 ounces of gold in the third quarter of 2019, a decrease of 9% compared to 151,402 ounces of gold produced in same period last year. The decrease in gold production reflected lower head grade partially offset by higher mill throughput and higher recovery. There was also an approximate 5,000 ounce gold in-circuit inventory build during Q3 2019 that was unwound in October. The lower grade seen in Q3 2019 was as per the mine plan, which also forecasts a strong Q4 2019.

For the first nine months of 2019, the Company produced 442,457 ounces of gold, 4% lower than the same period in 2018.

### Mining

Mining operations improved compared to the third quarter of 2018. The Company mined a total of 26.3 Mt of ore and waste (equivalent to approximately 286,000 tpd) in the third quarter of 2019, a 6% decrease from the same period last year. The mine's improving performance focused on improved fragmentation, haul road improvements, and equipment reliability and utilization. The Company continued its work on improving the block model through reverse circulation drilling and optimizing open pit production (refer to graph below).



The above table shows the positive reconciliation from ore mined to mineral reserves, which has resulted in 21.6% more ounces from 2014 to September 30, 2019. Of note is the continuing trend into the first nine months of 2019 with approximately 25.7% more ore tonnes at slightly lower grade mined than the mineral reserves.

Stockpiles decreased from 5.2 Mt at June 30, 2019 to 4.8 Mt at September 30, 2019.

### Milling

In the third quarter of 2019, the mill processed 5.6 Mt of ore (equivalent to 61,348 tpd), an increase of 4% compared to the third quarter of 2018 (5.4 Mt of ore processed or 59,219 tpd). Fragmentation improvements at the mine are making a positive impact at the mill (i.e., better crushing and grinding performance, and higher recovery). Head grade averaged 0.83 g/t for the third quarter of 2019 compared to 0.97 g/t in the third quarter of 2018.

Mill recoveries improved to 91.2% in the third quarter of 2019 compared to 89.3% in the third quarter of 2018. This improvement in recovery is the result of the mill capital projects, combined with better operating practices and a more uniform feed from fragmentation work in the pit.

### **Environment**

Refer to 'Corporate Developments' section of this MD&A for a discussion on the Closure Plan Amendment.

### **Indigenous communities**

The Detour Lake mine is located within the overlapping traditional territories of the Moose Cree First Nation (MCFN), Taykwa Tagamou Nation (TTN) and Wahgoshig First Nation (WFN) and is also within the traditional lands of the Métis Nation of Ontario (MNO). The Company has signed agreements with each one of the communities to provide a framework for the relationship between the Company and the Indigenous communities.

The Company meets with the communities on a routine basis to discuss key issues such as employment and training, business development and contracting, environmental management, permitting and exploration activities.

Starting in 2019, payments to certain Indigenous communities have increased in accordance with existing agreements and have changed from fixed payments to a mix of fixed and variable payments based on the weighted average annual USD gold price.

### **TMA construction progress**

The construction of TMA Cell 2 had some delays in 2018 mainly due to the quality of filter material and challenges related to controlling water during foundation stripping and construction. These issues were resolved in 2019 with required quality of filter material being produced by the mobile crushing plant and water management controls installed at the start of the construction season. As of the end of September 2019, the TMA Cell 2 project has progressed in accordance to plan. With the higher haulage costs associated with this project, the Company anticipates to be at the higher end of the guidance for TMA capital costs.

As of September 30, 2019, the Company has incurred \$65.8 million on the TMA. Completion of Cell 2 is scheduled for 2020.

### **West Detour project**

The Company submitted the final draft Environmental Study Report for the West Detour project in the third quarter of 2019 to the Ontario Ministry of Natural Resources and Forestry.

## **EXPLORATION ACTIVITIES**

In the third quarter of 2019, the Exploration department continued a large 120,000 metres core resampling program of the Detour Lake deposit, as part of the block model work underway.

## **KEY PERFORMANCE DRIVERS**

The Company's key internal performance drivers are production volumes, gold feed grade and recovery and costs, which are disclosed in the sections "Operating Results", "Third Quarter 2019 Financial Results" and "First nine months 2019 Financial Results". The key external performance drivers are the price of gold, foreign exchange rates (US to CDN dollar) and fuel price.

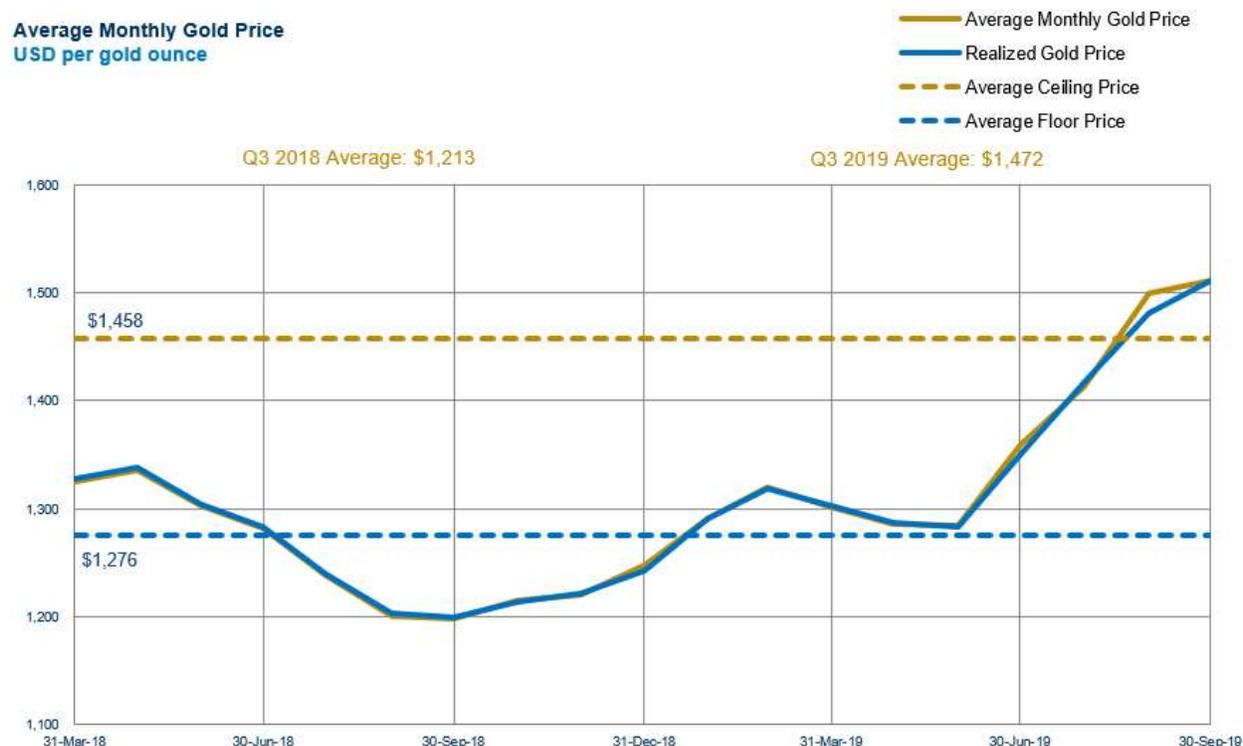
## Gold price

The price of gold is the most significant external financial factor affecting the Company's profitability and cash flow from operations. Therefore, the financial performance of the Company is expected to be closely linked to the price of gold. The price of gold is subject to volatile fluctuations over short periods of time and is affected by numerous industry and macroeconomic factors.

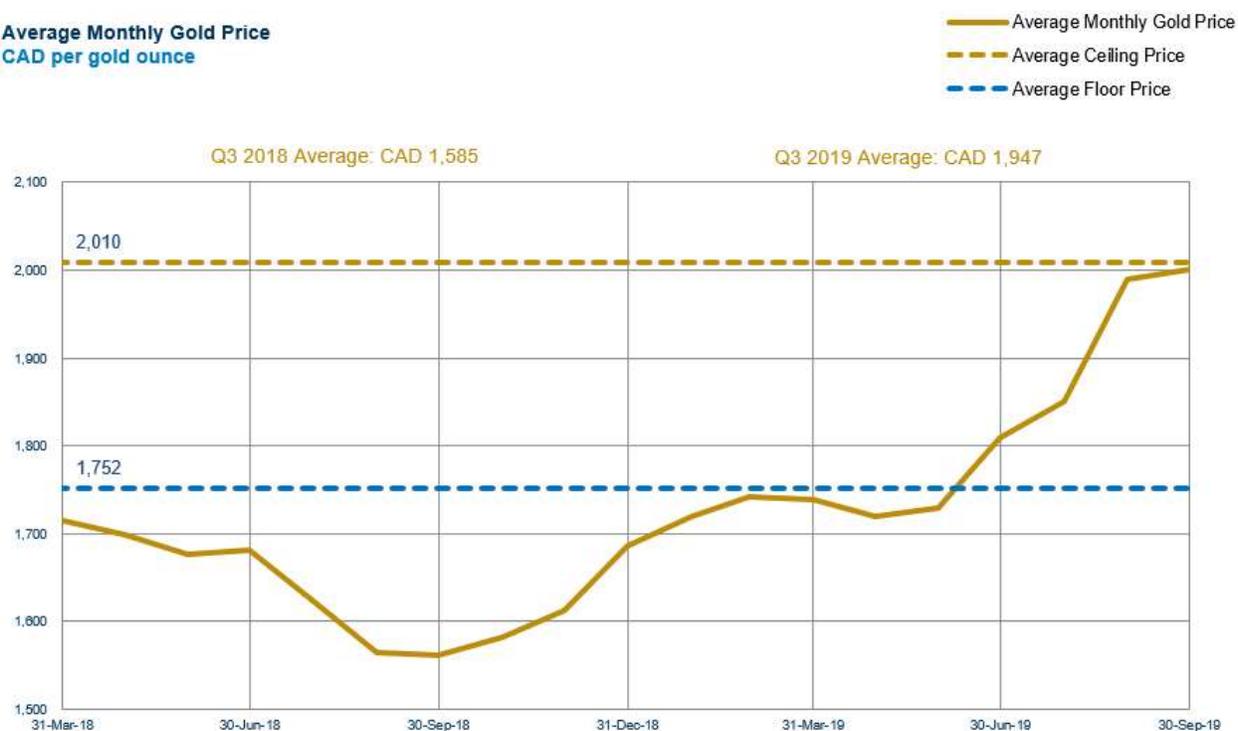
During the third quarter of 2019, gold price traded in a range of \$1,389 to \$1,546 per ounce (based on the London Bullion Market Association ("LBMA") PM Auction). The average market price for the third quarter of 2019 was \$1,472 per ounce, a 21.4% increase compared to the average market price of \$1,213 per ounce for the third quarter of 2018.

Gold price continued its upward trend throughout the third quarter of 2019 in response to the expected 25-basis point Fed rate cut in July and the US-China trade war tensions. Other catalysts, including the growing fears of a global recession, the jump in negative interest rates globally, the intensifying geopolitical risks in Iran, and the lingering uncertainty surrounding the Brexit, continue to support gold's safe haven appeal in the fourth quarter of 2019.

The Company mainly uses gold collars as part of its financial risk management program.



**Average Monthly Gold Price**  
CAD per gold ounce



By hedging the USD gold exposure and CAD/USD foreign exchange exposure independently, the Company is exposed to the correlation between the move in the USD gold price and the associated move in the CAD/USD exchange rate. Canadian dollar denominated gold collars do not only hedge the underlying gold price movements, but also lock in the correlation between the USD gold price and the CAD/USD exchange rate.

As at September 30, 2019, the Company had 345,000 ounces of zero-cost Asian gold collars 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 Asian gold collars protect an average floor price of Cdn\$1,752 per ounce with participation up to an average ceiling price of Cdn\$2,010 per ounce. The Canadian dollar denominated gold collars furthermore lock in the correlation between U.S. dollar denominated gold prices and the U.S./Canadian dollar exchange rate. The Asian gold collars mature monthly throughout each quarter over 2019 and 2020. Asian collars are low-volatility and are only exercised when the strike price is above or below the average LBMA PM fix for the month of maturity. The impact of daily spikes or declines in prices is therefore muted through averaging. The hedges are settled net in cash.

During the third quarter of 2019, the Company realized a hedge loss of \$4.2 million on its gold sales risk management program.

The table below highlights the average floor or minimum price the Company will receive as well as the average ceiling or maximum price the Company will achieve.

<b>At September 30, 2019</b> <b>in thousands of ounces</b>	<b>2019</b>		<b>2020</b>				
	<b>Q4</b>	<b>FY 2019</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>FY 2020</b>
Total Gold ounces hedged	69	<b>69</b>	72	72	72	60	<b>276</b>
Ounces hedged in USD gold collars	69	<b>69</b>	60	60	30	-	<b>150</b>
\$1,250 / \$1,400	54	<b>54</b>	-	-	-	-	-
\$1,250 / \$1,520	-	-	-	-	-	-	-
\$1,275 / \$1,480	15	<b>15</b>	45	45	-	-	<b>90</b>
\$1,300 / \$1,468	-	-	15	15	15	-	<b>45</b>
\$1,300 / \$1,480	-	-	-	-	15	-	<b>15</b>
Ounces hedged in CAD gold collars	-	-	12	12	42	60	<b>126</b>
C\$1,710 / C\$1,980	-	-	12	-	42	-	<b>54</b>
C\$1,730 / C\$2,040	-	-	-	12	-	-	<b>12</b>
C\$1,755 / C\$2,046	-	-	-	-	-	15	<b>15</b>
C\$1,800 / C\$2,027	-	-	-	-	-	15	<b>15</b>
C\$1,800 / C\$2,032	-	-	-	-	-	15	<b>15</b>
C\$1,825 / C\$2,016	-	-	-	-	-	15	<b>15</b>

### Foreign exchange rates

The Company's functional and reporting currency is the U.S. dollar. A significant portion of the operating and capital costs at the Detour Lake mine, as well as the corporate administration, taxes, and exploration and evaluation costs, are denominated in Canadian dollars. Consequently, the Company's operating results and cash flows are influenced by changes in the Canadian dollar against the U.S. dollar exchange rate.

During the third quarter of 2019, the U.S. dollar traded against the Canadian dollar in a range of 1.30 to 1.33. The average Canadian dollar exchange rate weakened by 1.0% during the third quarter of 2019 compared to the third quarter of 2018 when the Canadian dollar averaged 1.30, but still outperformed the other commodity currencies during the period. The negative spillover from the weaker growth abroad on export, and the deceleration of the Canadian GDP growth in Q3 2019 from Q2 2019, offset by the positive impact of easier financial conditions for consumers and businesses contributed to a relatively weak but stable range-bounded Canadian dollar in the third quarter of 2019.

### Average Monthly Exchange Rate USD to CDN



The Company's financial risk management program extends to hedging a portion of its Canadian dollar exposure to impacts of adverse movements in the Canadian dollar against the U.S. dollar exchange rate. As at September 30, 2019, the Company had \$150.0 million of zero-cost European collars to partially hedge its 2019 and first half of 2020 Canadian denominated exposure, whereby the Company 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 and are settled in cash. The 126,000 ounces of Canadian dollar denominated Asian gold collars 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.

At September 30, 2019 in millions of dollars	2019		2020		
	Q4	FY 2019	Q1	Q2	FY 2020
Notional amount of USD to CAD collars	70	70	50	30	80
1.2700 / 1.3447	30	30	-	-	-
1.2700 / 1.3610	30	30	-	-	-
1.3000 / 1.3700	10	10	20	-	20
1.3000 / 1.3750	-	-	30	30	60

### Fuel price

The Company consumes approximately 7 million litres of dyed diesel per month and fuel and lubricants represent about 12% of the annual input costs. As part of its financial risk management strategy, the Company will enter into heating oil SWAPS from time to time to protect against fluctuations in the diesel price. The Company paid an average price of Cdn\$0.85 per litre for the third quarter of 2019, a 13% decrease from the third quarter 2018. Although geopolitical risks are still sufficient to provide a floor for oil prices with September seeing a spike after the attack on Saudi production, the uncertainties over China-US trade conflicts, weakening global demand outlook, and the new record levels of US crude oil production have moved oil price back to a downward course in the third quarter of 2019.

**Average Monthly Fuel Price**  
C\$ per litre



As at September 30, 2019, the Company had entered into 27.5 million litres of heating oil hedges with an average contract price per litre as summarized in the table below. This translates to 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.

At September 30, 2019	2019		2020				
	Q4	FY 2019	Q1	Q2	Q3	Q4	FY 2020
Millions of litres hedged swap contracts	9.9	9.9	6.0	4.0	4.0	4.0	18.0
Millions of litres hedged in USD-denominated diesel swap contracts	9.9	9.9	4.0	2.0	2.0	2.0	10.0
\$0.55/litre	5.0	5.0	-	-	-	-	-
\$0.49/litre	-	-	2.0	2.0	-	-	4.0
\$0.48/litre	4.9	4.9	2.0	-	2.0	2.0	6.0
Millions of litres hedged in CAD-denominated diesel swap contracts	-	-	2.0	2.0	2.0	2.0	8.0
C\$0.65/litre	-	-	2.0	2.0	2.0	2.0	8.0

Refer to section "Liquidity and Capital Resources – Derivative Instruments" for details on the derivatives settled during the third quarter of 2019 and those outstanding at September 30, 2019.

## FINANCIAL CONDITION REVIEW

In millions of dollars	September 30 2019	December 31 2018
Cash and cash equivalents	\$ 144.2	\$ 131.9
Receivables and other assets	24.9	17.3
Current and long-term inventories	103.1	108.6
Other	12.4	45.1
Property, plant and equipment	2,283.6	2,165.1
<b>Total assets</b>	<b>\$ 2,568.2</b>	<b>\$ 2,468.0</b>
Trade and other payables	109.8	\$ 54.3
Long-term debt	99.6	248.8
Other liabilities	137.0	40.5
Lease liabilities	12.1	-
Deferred tax liability	185.2	162.1
<b>Total liabilities</b>	<b>\$ 543.7</b>	<b>\$ 505.7</b>
<b>Total equity</b>	<b>\$ 2,024.5</b>	<b>\$ 1,962.3</b>

Total assets were \$2.6 billion at September 30, 2019, an increase of \$100.2 million compared to December 31, 2018. The Company's asset base is primarily comprised of property, plant and equipment, reflecting the capital-intensive nature of mining. The net increase in total assets primarily reflects the reporting of right-of-use assets in accordance with the new IFRS 16 Leases standard. Refer to section "Significant Accounting Policies".

At September 30, 2019, inventories included \$30.0 million of stockpiled ore (December 31, 2018 - \$25.5 million), \$29.4 million of gold in-circuit (December 31, 2018 - \$24.0 million), \$0.1 million of finished metal inventory (December 31, 2018 - \$20.4 million), and \$43.6 million of materials and supplies (December 31, 2018 - \$38.7 million). The decrease during the first nine months of 2019 is a direct result of reducing the finished metal inventory thereby increasing gold sales.

Receivables and other assets were primarily related to Harmonized Sales Tax ("HST") refunds. At any period end, the Company expects to have one or two months of HST refunds outstanding. The Company does not carry any trade receivables.

Property, plant and equipment increased by net \$118.5 million during the first nine months of 2019. Additions to property, plant and equipment, including deferred stripping, amounted to \$154.4 million, mainly attributable to major component replacements for the mobile fleet and construction costs associated with the TMA. This balance was partially offset by \$130.4 million of depreciation.

The Company's primary contractual obligations consist of debt and trade and other payables.

The Company's debt at September 30, 2019 consisted of its Credit Facility, of which \$100.0 million was drawn at September 30, 2019. In addition, the Company has used the Credit Facility to issue \$29.6 million of letters of credit. Refer to section "Liquidity and Capital Resources" for additional details.

Trade and other payables increased to \$109.8 million at September 30, 2019 from \$54.3 million at December 31, 2018, primarily due to the timing of trade payables payments.

The Company's decommissioning and restoration provisions are included within Other liabilities in the table above. Significant restoration and rehabilitation activities include land rehabilitation, demolition of buildings and mine facilities, ongoing care and maintenance and other costs. At September 30, 2019, the provision was \$114.8 million compared to \$31.1 million at December 31, 2018. The increase was primarily related to revision of the reclamation cost model in the third quarter.

The Company's derivatives are included in Other assets and Other liabilities in the table above. The movement in these balances is due to the change in value of open contracts and market rates at period end. A summary of the derivative positions and settlements during the quarter are included in section "Liquidity and Capital Resources – Derivative Instruments" for details on the Company's derivative activities.

The Company recognized deferred tax liabilities of \$185.2 million in respect of income and mining taxes, an increase of \$23.1 million from December 31, 2018. The increase in deferred tax liabilities is primarily due to the de-recognition of a deferred tax asset in respect of the decommissioning and restoration provision in the amended closure plan. The Company now 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 increase in deferred tax liabilities 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.

Total shareholders' equity was \$2.0 billion at September 30, 2019, an increase of \$62.2 million compared to December 31, 2018. This increase is due to the net income in the period and increase in issued capital.

## LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risk by monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. Cash flow forecasting is performed regularly. The Company monitors forecasts of the Company's liquidity in the form of cash and cash equivalents and requirements to ensure it has sufficient cash to meet operational needs while maintaining additional liquidity on its Credit Facility. Forecasting takes into consideration the Company's debt servicing requirements, covenant compliance and internal liquidity targets. In addition, factors that can impact the Company's liquidity are monitored regularly and include assumptions of gold market prices, foreign exchange rates, fuel prices, production levels, operating costs and capital costs. Contractual obligations and other commitments that could impact the Company's liquidity are detailed in the "Commitments" section of this document.

### Liquidity and capital resources

The Company uses a mix of cash, debt and shareholders' equity to maintain an efficient capital structure and ensure adequate liquidity exists to meet the needs of the operations and the Company.

As at September 30, 2019, the Company had cash and cash equivalents of \$144.2 million compared to \$131.9 million at December 31, 2018. The funds are maintained in interest-bearing accounts at select Canadian chartered banks.

On September 25, 2019, the Company executed the Amended Credit Facility. 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 has a four-year term, maturing 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 under the Amended Credit Facility, resulting in a drawn balance of \$100 million at period end. As at September 30, 2019, the Company had issued \$29.6 million (Cdn\$39.1 million) (December 31, 2018 - \$28.7 million (Cdn\$39.1million)) of letters of credit under the Credit Facility. The Company had \$270.4 million of undrawn liquidity on the Revolver as at September 30, 2019 (December 31, 2018 - \$221.3 million) and \$144.2 million in cash and cash equivalents, totaling \$414.6 million. Refer to 'Commitments' section of this MD&A 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 long-term debt and lease repayment profile at September 30, 2019 is as follows:

In millions of dollars	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
<b>Total</b>	<b>\$ 2.3</b>	<b>\$ 8.0</b>	<b>\$ 7.2</b>	<b>\$ 7.2</b>	<b>\$ 112.0</b>

In the current gold price environment, the Company considers its liquidity and capital resources together with the expected cash flows from operations, as projected in the 2018 LOM plan, to be sufficient to support the Company's normal operating requirements for the foreseeable future.

### Cash flows

In millions of dollars	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Cash flow from operating activities	\$ 88.4	\$ 81.8	\$ 292.4	\$ 215.5
Cash flow used in investing activities	(50.9)	(74.5)	(134.4)	(164.9)
Cash flow used in financing activities	(94.9)	(1.7)	(144.4)	(25.7)
Effect of foreign exchange rates on cash	(1.8)	0.4	(1.3)	(2.7)
Net increase (decrease) in cash	(59.2)	6.0	12.3	22.2
Cash and cash equivalents, beginning of period	203.4	150.3	131.9	134.1
<b>Cash and cash equivalents, end of period</b>	<b>\$ 144.2</b>	<b>\$ 156.3</b>	<b>\$ 144.2</b>	<b>\$ 156.3</b>

#### *Cash flow from operating activities*

The Company generated \$88.4 million and \$292.4 million of operating cash flow during three and nine months ended September 30, 2019 compared to \$81.8 million and 215.5 million in the prior year periods. Although net earnings were lower in the third quarter of 2019 compared to the prior year period, the adjustments for net finance cost and income and mining tax recovery resulted in a positive variance.

#### *Cash flow used in investing activities*

Cash used in investing activities amounted to \$50.9 million and \$134.4 million for the three and nine months ended September 30, 2019 compared to \$74.5 million and \$164.9 million in the prior year period due to lower capital expenditure in 2019 primarily on mining fleet equipment, as well as lower deferred stripping.

#### *Cash flow used in financing activities*

Net cash used in financing activities during three and nine months of 2019 amounted to \$94.9 million and \$144.4 million compared to \$1.7 million and \$25.7 million used in financing activities in the prior year period. The increased level of cash outflow related to discretionary voluntary debt repayments of \$100.0 million in the third quarter of 2019 compared to no debt repayments in the prior year period.

## Derivative instruments

### Fair values of derivative instruments

In millions of dollars	Balance sheet classification	September 30 2019		December 31 2018
<b>Current:</b>				
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)
<b>Current derivative assets</b>		\$	<b>0.4</b>	\$ 0.8
<b>Current derivative liabilities</b>		\$	<b>(18.8)</b>	\$ (9.4)
<b>Long-term:</b>				
Gold contracts	Derivative liabilities	\$	(3.4)	-
<b>Long-term derivative liabilities</b>		\$	<b>(3.4)</b>	\$ -
<b>Total derivative assets</b>		\$	<b>0.4</b>	\$ 0.8
<b>Total derivative liabilities</b>		\$	<b>(22.2)</b>	\$ (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.

### (Gains) losses on derivative instruments

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

## 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.

<b>At September 30, 2019</b> <b>In millions of dollars</b>	<b>Change in Fair Value</b>
Gold contracts	+\$14.2 / -\$30.2
Currency contracts	+\$11.9 / -\$9.6
Diesel contracts	+/- \$1.3

## COMMITMENTS

### Purchase commitments

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

### 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. 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).

### Mine site closure surety bond and letter of credit obligation

The Company had issued \$15.2 million (Cdn\$20.1 million) in surety bond, and a letter of credit for \$21.3 million (Cdn\$28.3 million) under the Credit Facility in favour 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 additional 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.

### 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.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## SUMMARY OF QUARTERLY FINANCIAL RESULTS

In millions of dollars, except per share and ounce amounts								
	2019				2018			2017
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gold ounces produced	<b>137,670</b>	150,079	154,709	158,200	151,402	154,385	157,141	150,046
Gold ounces sold <sup>1</sup>	<b>137,872</b>	153,748	157,723	172,935	139,821	146,856	151,060	156,293
Metal sales <sup>1</sup>	<b>\$ 202.6</b>	\$ 202.0	\$ 206.1	\$ 212.8	\$ 170.0	\$ 191.8	\$ 201.4	\$ 200.0
Cost of sales								
Production costs	<b>100.1</b>	121.4	117.1	125.9	112.2	106.7	112.9	110.9
Price-linked Indigenous expense	<b>2.3</b>	2.0	-	-	-	-	-	-
Depreciation and depletion	<b>40.4</b>	45.0	45.2	53.7	42.8	38.6	37.5	39.1
Total cost of sales	<b>142.8</b>	168.4	162.3	179.6	155.0	145.3	150.4	150.0
Earnings from mine operations	<b>59.8</b>	33.6	43.8	33.2	15.0	46.5	51.0	50.0
Expenses <sup>2</sup>	<b>(27.6)<sup>5</sup></b>	(12.0)	(8.1)	(19.0) <sup>3</sup>	(8.2)	(10.2)	(5.7)	(6.5)
Net finance income (cost) <sup>4</sup>	<b>(17.7)</b>	(11.0)	4.7	(14.4)	(0.8)	(5.9)	(6.7)	(11.0)
Income tax recovery (expense)	<b>(27.1)</b>	5.4	(1.5)	(32.2)	6.7	(21.6)	(28.7)	(15.8)
Net earnings (loss)	<b>\$ (12.6)</b>	\$ 16.0	\$ 38.9	\$ (32.4)	\$ 12.7	\$ 8.8	\$ 9.9	\$ 16.7
Earnings (loss) per share								
Basic	<b>\$ (0.07)</b>	\$ 0.09	\$ 0.22	\$ (0.19)	\$ 0.07	\$ 0.05	\$ 0.06	\$ 0.10
Diluted	<b>\$ (0.07)</b>	\$ 0.09	\$ 0.22	\$ (0.19)	\$ 0.07	\$ 0.05	\$ 0.06	\$ 0.10

<sup>1</sup> Gold ounces sold are net of 2% royalty in kind ounces. Refer to section "Commitments – Detour Lake mine royalty".

<sup>2</sup> Includes corporate administration, exploration and evaluation expenses and other operating (income) expenses.

<sup>3</sup> Expenses in the fourth quarter of 2018 were higher as a result of the costs incurred in relation to the contested special meeting of shareholders held on December 13, 2018 (the "proxy contest costs"), as well as the related deemed change of control.

<sup>4</sup> Includes realized and unrealized gains (losses) on derivatives instruments, the fair value of derivative assets and liabilities are based on independently provided inputs and determined using standard valuation techniques. In the third quarter of 2019, reflects a \$10.9 million unrealized loss on derivative instruments.

<sup>5</sup> During September 2019, the Company completed a review of the recoverable value of long-term deposits and recorded an impairment expense of \$20.3 million to reduce its carrying value to its recoverable value.

## NON-IFRS FINANCIAL PERFORMANCE MEASURES

The Company has included certain non-IFRS measures in this document. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

### Total cash costs

Total cash costs is a common financial performance measure in the gold mining industry but with no standard meaning under IFRS. Detour Gold reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. Management uses this metric as an important tool to monitor operating cost performance.

Total cash costs include production costs such as mining, processing, refining and site administration, agreements with Indigenous communities, less share-based compensation and net of silver sales divided by gold ounces sold to arrive at total cash costs per gold ounce sold. The measure also includes other mine related costs incurred such as mine standby costs and current inventory write downs. Production costs are exclusive of depreciation. Production costs include the costs associated with providing the royalty in-kind ounces. Other companies may calculate this measure differently.

### All-in sustaining costs

The Company believes that AISC more fully defines the total costs associated with producing gold. The Company calculates AISC as the sum of total cash costs (as described above), share-based compensation, corporate general and administrative expense net of corporate depreciation and other non-sustaining costs, exploration and evaluation expenditures that are sustaining in nature, reclamation cost accretion, sustaining capital including deferred stripping, realized gains and losses on hedges due to operating and capital costs, all divided by the gold ounces sold to arrive at a per ounce figure.

Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital.

## Total cash costs and AISC reconciliation

The following table reconciles these non-IFRS measures to the most directly comparable IFRS measures.

In millions of dollars, except where noted	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Gold ounces sold	137,872	139,821	449,343	437,737
<b>Total Cash Costs Reconciliation</b>				
Production costs	\$ 100.1	\$ 112.2	\$ 338.6	\$ 331.8
Price-linked Indigenous expense	2.3	-	4.3	-
Less: Share-based compensation	(1.1)	(0.4)	(1.8)	(0.7)
Less: Silver sales	(0.6)	(0.2)	(1.9)	(0.9)
Total cash costs	\$ 100.7	\$ 111.6	\$ 339.2	\$ 330.2
Total cash costs per ounce sold	\$ 730	\$ 798	\$ 755	\$ 754
<b>All-in Sustaining Costs Reconciliation</b>				
Total cash costs	\$ 100.7	\$ 111.6	\$ 339.2	\$ 330.2
Sustaining capital expenditures <sup>1</sup>	52.7	74.8	137.8	166.3
Sustaining leases <sup>5</sup>	0.6	-	1.8	-
Accretion on decommissioning and restoration provision	-	-	0.1	0.1
Share-based compensation	1.1	0.4	1.8	0.7
Realized loss on operating hedges <sup>2</sup>	4.2	-	4.4	0.1
Net corporate administration expense <sup>3</sup>	5.6	5.5	19.5	18.4
Sustaining exploration expenditures <sup>4</sup>	0.3	0.3	1.1	1.0
Total all-in sustaining costs	\$ 165.2	\$ 192.6	\$ 505.7	\$ 516.8
All-in sustaining costs per ounce sold	\$ 1,198	\$ 1,377	\$ 1,125	\$ 1,181

<sup>1</sup>Based on property, plant and equipment additions per the cash flow statement, which includes deferred stripping. Non-sustaining capital expenditures included in the cash flow statement have been excluded. Sustaining capital expenditures include the value of commissioned assets with deferred payments – major components are included when the replacement of a component occurs. Non-sustaining capital expenditures primarily relate to the West Detour project.

<sup>2</sup>Includes realized gains and losses on derivative instruments related to operating hedges (foreign exchange and diesel hedges only) as disclosed in the “Derivative instruments” section of this document. These balances are included in the statement of comprehensive earnings (loss), within caption “net finance cost”.

<sup>3</sup>Includes the sum of corporate administration expense, which includes share-based compensation, per the statement of comprehensive earnings (loss), net of depreciation and contractual severance/retirement payments for changes in senior management.

<sup>4</sup>Includes the sum of sustaining exploration and evaluation expense, which includes share-based compensation, per the statement of comprehensive earnings (loss), excluding depreciation within those figures. Non-sustaining exploration and evaluation expense primarily relates to costs associated with Zone 58N, regional exploration, and Burntbush property.

<sup>5</sup>Includes the sum of principal and interest charges on Right-of-Use Assets identified during IFRS 16 adoption. These principal charges were previously treated as production costs and corporate administration expenses before the adoption of IFRS 16 on January 1, 2019.

### Average realized price and Average realized margin

Average realized price and average realized margin per ounce sold are used by management and investors to better understand the gold price and margin realized throughout a period.

Average realized price is calculated as metal sales per the statement of comprehensive earnings (loss) and includes realized gains and losses on gold derivatives, less silver sales. Average realized margin represents average realized price per gold ounce sold less total cash costs per ounce sold.

In millions of dollars, except where noted	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
Metal sales	\$ 202.6	\$ 170.0	\$ 610.7	\$ 563.2
Realized gain (loss) on gold contracts	(4.0)	-	(4.0)	-
Silver sales	(0.6)	(0.2)	(1.9)	(0.9)
Revenues from gold sales	\$ 198.0	\$ 169.8	\$ 604.8	\$ 562.3
Gold ounces sold	137,872	139,821	449,343	437,737
Average realized price per gold ounce sold	\$ 1,436	\$ 1,214	\$ 1,346	\$ 1,285
Less: Total cash costs per gold ounce sold	(730)	(798)	(755)	(754)
Average realized margin per gold ounce sold	\$ 706	\$ 416	\$ 591	\$ 531

### Adjusted net earnings and Adjusted basic net earnings per share

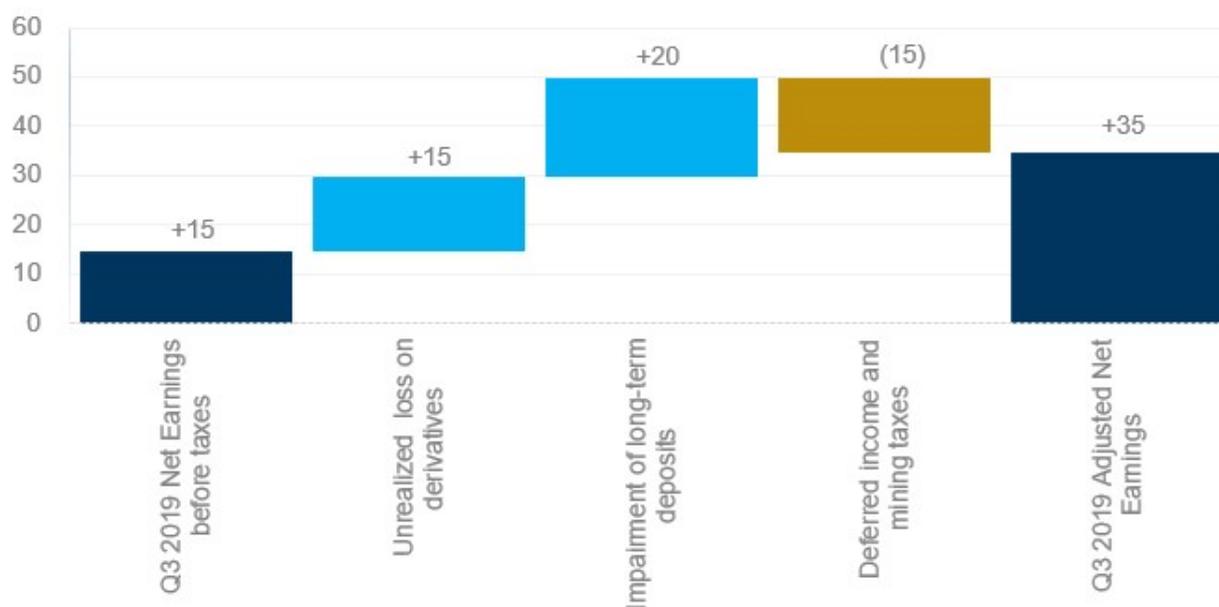
Adjusted net earnings and adjusted basic net earnings per share are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net earnings is defined as net earnings adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including: the impact of foreign exchange gains and losses, unrealized and non-cash fair value gains and losses of financial instruments, accretion on long-term debt, impairment provisions and reversals thereof, the impact of foreign exchange translation on non-monetary assets, non-sustaining corporate administration expense such as contractual severance/retirement payments for changes in senior management and proxy contest costs, and other unusual or non-recurring items. The tax effect of adjustments, as well as the deferred tax impact of foreign exchange translation on non-monetary assets and de-recognition of the deferred tax asset in respect of the decommissioning and restoration liabilities for the Detour Lake mine closure plan, are presented in the income and mining tax adjustments line.

Adjusted basic net earnings per share is calculated using the weighted average number of shares outstanding under the basic method of earnings per share as determined under IFRS.

## Reconciliation of Third Quarter 2019 Adjusted Net Earnings

Millions of U.S. dollars



Net earnings were adjusted to exclude specific items that are significant, and not reflective of the underlying operations of the Company, including: the impact of foreign exchange gains and losses, unrealized and non-cash fair value gains and losses of financial instruments, non-sustaining corporate administration expense such as contractual severance/retirement payments for changes in senior management and proxy contest costs, and other unusual or non-recurring items. The tax effect of adjustments, as well as the deferred tax impact of foreign exchange translation on non-monetary assets and de-recognition of the deferred tax asset in respect of the decommissioning and restoration liabilities for the Detour Lake mine closure plan, is presented in the income and mining tax adjustments line. Adjusting for these items provides an additional measure to evaluate the underlying operating performance of the Company as a whole for the reporting periods presented.

Adjusted net earnings for the third quarter of 2019 amounted to \$35.3 million, or \$0.20 per basic share, an increase from adjusted net loss of \$1.5 million or \$0.01 per basic share from the prior year period, primarily due to the increase in earnings before taxes and the adjustment arising from the unrealized loss on derivative instruments.

In millions of dollars and shares, except where noted	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Basic weighted average shares outstanding	177.0	175.2	176.2	175.1
<b>Adjusted net earnings and Adjusted basic net earnings per share reconciliation</b>				
Earnings before taxes	\$ 14.5	\$ 6.0	\$ 65.5	\$ 75.0
Adjusted for:				
Non-sustaining corporate administrative expense <sup>3</sup>	-	-	3.5	3.8
Impairment of Long-Term Deposits <sup>4</sup>	20.3	-	20.3	-
Accretion on debt <sup>1</sup>	0.4	0.2	1.3	1.2
Non-cash unrealized loss on derivative instruments <sup>2</sup>	15.1	(1.1)	17.6	1.8
Foreign exchange (gain) loss <sup>1</sup>	0.4	(1.3)	(1.7)	2.1
<b>Adjusted earnings before taxes</b>	<b>\$ 50.7</b>	<b>\$ 3.8</b>	<b>\$ 106.5</b>	<b>\$ 83.9</b>
Income and mining taxes (expense) recovery	(27.1)	6.7	(23.2)	(43.6)
Income and mining tax adjustments	11.7	(12.0)	(18.2)	11.6
<b>Adjusted income and mining tax expense</b>	<b>\$ (15.4)</b>	<b>\$ (5.3)</b>	<b>\$ (41.4)</b>	<b>\$ (32.0)</b>
<b>Adjusted net earnings (loss)</b>	<b>\$ 35.3</b>	<b>\$ (1.5)</b>	<b>\$ 65.1</b>	<b>\$ 51.9</b>
<b>Adjusted basic net earnings (loss) per share</b>	<b>\$ 0.20</b>	<b>\$ (0.01)</b>	<b>\$ 0.37</b>	<b>\$ 0.30</b>

<sup>1</sup>Balance included in the statement of comprehensive earnings (loss) caption "Net finance cost". The related financial statements include a detailed breakdown of "Net finance cost".

<sup>2</sup>Includes unrealized gains and losses on derivative instruments as disclosed in the "Derivative Instruments" note in the related financial statements. The balance is grouped with "Net finance cost" on the statement of comprehensive earnings (loss).

<sup>3</sup>In the second quarter of 2019, the Company also incurred costs associated with contractual payments to senior management upon resignation of \$3.5 million (Cdn \$4.5 million). During the second quarter of 2018, the Company incurred in a similar amount related to changes in senior management, including the retirement of the President and CEO.

<sup>4</sup>During September 2019, the Company completed a review of the recoverable value of long-term deposits and recorded an impairment expense of \$20.3 million to reduce its carrying value to its recoverable value.

### Free cash flow

Free cash flow is calculated as cash flow from operations less cash flow from investing activities. It provides useful information to management and investors as an indicator of the cash generated from the Company's operations before consideration of how those activities are financed.

In millions of dollars	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net cash generated by operating activities	\$ 88.4	\$ 81.8	\$ 292.4	\$ 215.5
Net cash used in investing activities	(50.9)	(74.5)	(134.4)	(164.9)
Free cash flow	\$ 37.5	\$ 7.3	\$ 158.0	\$ 50.6

### Net cash (debt)

Net cash (debt) is a liquidity metric used to determine how well a company can pay all of its debts if they were due immediately. It is calculated by subtracting short-term and long-term debt from the Company's cash balance.

In millions of dollars	September 30		December 31	
	2019	2018	2019	2018
Cash and cash equivalents	\$ 144.2	\$ 131.9	\$ 144.2	\$ 131.9
Less: Long-term debt face value	(100.0)	(250.0)	(100.0)	(250.0)
<b>Net Cash (Debt)</b>	<b>\$ 44.2</b>	<b>\$ (118.1)</b>	<b>\$ 44.2</b>	<b>\$ (118.1)</b>

## Operating cash flow per share

Operating cash flows generated from operations is intended to provide additional information only and does not have any standardized meaning under IFRS.

In millions of dollars	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Net cash generated by operating activities	\$ 88.4	\$ 81.8	\$ 292.4	\$ 215.5
Weighted average basic number of shares outstanding	177.0	175.2	176.2	175.1
Operating cash flow per basic share	\$ 0.50	\$ 0.47	\$ 1.66	\$ 1.23

## ADDITIONAL IFRS FINANCIAL PERFORMANCE MEASURES

The Company has included the additional IFRS measure “Earnings from mine operations” in this document. The Company believes that this measure provides useful information to investors as an indication of the Company’s principal business activities before consideration of how those activities are financed, sustaining capital expenditures, corporate administration expense, exploration and evaluation expenses, other operating (income) expenses, finance cost, and taxation.

## CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

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.

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company 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*, as described below.

### New standards adopted 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.

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 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 is 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 (In millions of dollars)	\$	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	\$	<b>12.2</b>

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 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.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework that has been used is the COSO (2013) framework.

There was no material change in the Company's internal controls over financial reporting that occurred during the third quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

## Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information required to be disclosed by the Company is accumulated and communicated to senior management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the design of the disclosure controls and procedures as of September 30, 2019, that the Company's disclosure controls and procedures provide reasonable assurance that material information that is made known to them by others within the Company are appropriately designed.

Since the December 31, 2018 evaluation, there have been no material changes to the Company's disclosure controls and procedures.

## Limitations of controls and procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any internal controls over financial reporting and disclosure controls and procedures, no matter how well designed, can have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance that the objectives of the control system are met.

## OUTSTANDING SHARES

### Outstanding Share Data at November 14, 2019

	Number in millions
Common shares	177.4
Share purchase options	0.9

## RISKS AND UNCERTAINTIES

The Company's major risk factors are disclosed in the Annual Information Form (AIF) for the year ended December 31, 2018 filed with the Canadian provincial securities regulatory authorities. The risk factors disclosed should be given special consideration when evaluating trends, risks and uncertainties relating to the Company's business. Any of the risk factors could cause circumstances to differ materially from those described in forward-looking statements relating to the Company and could have a material adverse effect upon the Company, its business, operations, results of operations, financial condition and future prospects. Although the risk factors disclosed in the AIF are the major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company. In addition, other risks and uncertainties not presently known by management could impair the Company and its business, operations, results of operations, financial condition and future prospects in the future.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements").

Forward-looking statements reflect current expectations or beliefs regarding 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", "targets", 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 the Company's actual results, performance or achievements to differ materially from those expressed or implied by 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 or dates specified in such statements.

Forward-looking statements reflect current expectations or beliefs regarding future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements.

Specifically, this MD&A contains forward-looking statements including, but not limited to, 2019 gold production of between 590,000 and 605,000 ounces; 2019 total cash costs of between \$750 and \$790 per ounce sold; 2019 AISC of between \$1,100 and \$1,175 per ounce sold; 2019 total capital expenditures of between \$185 to \$195 million; the expected date of completion of the construction of TMA Cell 2 construction; and current mine closure plan amendments with financial assurance to be reviewed and adjusted, as required, to meet the requirements of the Ontario Mining Act.

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, the results of the life of mine plan released in June 2018 ("2018 LOM Plan"), gold price volatility, changes in debt and equity markets, the uncertainties involved in interpreting geological data, increases in costs, environmental compliance and changes in environmental legislation and regulation, support of the Company's Indigenous communities, interest rate and exchange rate fluctuations, general economic conditions and other risks involved in the gold exploration, development and production industry, as well as those risk factors listed in the section entitled "Description of Business - Risk Factors" in Detour Gold's 2018 AIF and in the continuous disclosure documents filed by Detour Gold on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect forward-looking statements. Actual results and developments and the results of the 2018 LOM Plan are likely to differ, and may differ materially or materially and adversely, from those expressed or implied by forward-looking statements, including those 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 exploration and development activities; operating and capital costs; results of operations; the Company's available cash resources; the Company's ability to attract, hire and retain qualified personnel; the mine development and production schedule and related costs; dilution control; sensitivity to metal prices and other sensitivities; the supply and demand for, and the level and volatility of the price of, gold; timing of the receipt of regulatory and governmental approvals for development projects and other operations; the timing and results of consultations with the Company's Indigenous partners; the supply and availability of consumables and services; the exchange rates of the Canadian dollar to the U.S. dollar; energy and fuel costs; required capital investments; estimates of net present value and internal rate of returns; the accuracy of mineral reserve and mineral resource estimates, production estimates and capital and operating cost estimates and the assumptions on which such estimates are based; market competition; ongoing relations with employees and impacted communities and general business and economic conditions.

The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

## TECHNICAL INFORMATION

The scientific and technical content included in this MD&A was reviewed, verified and approved by David Londono, Mine General Manager, a Qualified Person as defined by NI 43-101.