Detour Gold Reports Third Quarter 2017 Results

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TORONTO, Oct. 25, 2017 (GLOBE NEWSWIRE) -- Detour Gold Corp. (TSX:DGC) (“Detour Gold” or the “Company”) reports its operational and financial results for the third quarter of 2017. This release should be read in conjunction with the Company’s third quarter 2017 Financial Statements and MD&A on the Company’s website or on SEDAR. All amounts are in U.S. dollars unless otherwise indicated.

In this news release, the Company uses the following non-IFRS measures: total cash costs, all-in sustaining costs (“AISC”), realized gold price, average realized margin, adjusted earnings (loss), and adjusted earnings (loss) per basic share. Refer to the Company’s MD&A and at the end of this news release for an explanation and discussion of these non-IFRS measures.

Highlights

- Gold production of 139,861 ounces for the quarter and 421,417 ounces year to date
- Record mill throughput of 61,548 tpd and mining rate of 283,000 tpd
- Total cash costs of $668 per ounce sold and AISC of $1,032 per ounce sold
- Revenues of $164.0 million on gold sales of 128,498 ounces at an average realized price of $1,273 per ounce
- Earnings from mine operations of $46.7 million
- Net earnings of $41.1 million ($0.24 per basic share) and adjusted earnings of $37.4 million ($0.21 per basic share)
- Cash and cash equivalents of $113.7 million at September 30, 2017
- Closed $500 million bank debt facility; drew down $300 million from the facility and placed $329.3 million in escrow to repurchase convertible notes maturing in November 2017
- Signed amended Impact Benefit Agreement with Taykwa Tagamou Nation to include West Detour project

“Detour Lake operation continued to improve with record mining and milling rates, although gold production was at the lower end of our projections for the quarter. We expect a strong fourth quarter gold production to meet the mid-range of our annual guidance,” said Paul Martin, President and CEO. *“With a strong balance sheet and having generated approximately $60 million of free cash flow before financing activities in the first nine months of the year, the Company now has the flexibility of further reducing debt in the fourth quarter.”*

Q3 2017 Summary Operational Results

- Gold production totaled 139,861 ounces for the third quarter, mainly reflecting a lower than projected head grade.
- Mill throughput averaged a record 5.7 million tonnes (Mt) during the third quarter. Head grade was 0.86 grams per tonne (g/t), mainly impacted by unfavorable grade reconciliation in the central portion of the orebody and higher mining dilution. Mill recoveries averaged 90%.
- A total of 26.1 Mt (ore and waste) was mined in the third quarter (equivalent to mining rates of 283,000 tpd). Both Phase 1 (including the Campbell pit area) and Phase 2 mining are on track with the mine plan to achieve a total of 100 Mt this year.

Detour Lake Mine Statistics

	YTD 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016

Ore mined (Mt)	15.1	5.4	4.9	4.8	5.8	5.0
Waste mined (Mt)	58.0	20.6	20.4	17.0	15.0	18.5
Total mined (Mt)	73.1	26.1	25.2	21.8	20.9	23.5
Strip ratio (waste:ore)	3.9	3.8	4.2	3.6	2.6	3.7
Mining rate (k tpd)	268	283	277	242	227	256
Ore milled (Mt)	16.4	5.7	5.5	5.2	5.5	5.2
Head grade (g/t Au)	0.90	0.86	0.95	0.88	0.90	0.88
Recovery (%)	89	90	90	89	90	87
Mill throughput (tpd)	59,992	61,548	60,259	58,114	60,052	56,453
Mill operating time (%)	87	88	87	85	86	84
Ounces produced (oz)	421,417	139,861	150,138	131,418	143,512	127,758
Ounces sold (oz)	405,681	128,498	142,970	134,213	144,668	113,845
Average realized price ($/oz)	$1,248	$1,273	$1,257	$1,216	$1,210	$1,281
Total cash costs ($/oz sold)	$721	$668	$706	$788	$855	$802
AISC ($/oz sold)	$1,092	$1,032	$1,123	$1,118	$1,132	$1,042
Mining (Cdn$/t mined)	$2.86	$2.84	$2.83	$2.92	$3.25	$2.66
Milling (Cdn$/t milled)	$9.37	$8.29	$9.63	$10.26	$8.74	$11.74
G&A (Cdn$/t milled)	$3.36	$3.26	$3.35	$3.46	$3.46	$3.46

Note: Totals may not add up due to rounding. G&A includes costs related to agreements with Aboriginal communities.

- Total cash costs of $668 per ounce sold in the third quarter. The decrease from the prior quarter reflects lower milling costs, partially offset by a less favorable exchange rate.
- AISC improved to $1,032 per ounce sold in the third quarter and reflected sustaining capital expenditures of $39.3 million and deferred stripping costs of $6.3 million.
- Sustaining expenditures included $14.8 million for mining (mainly relating to the purchase of one haul truck and significant components to the mobile fleet), $14.4 million for the construction of the tailings facility, $2.2 million for processing, and $7.9 million for site infrastructure (mainly for the new camp).

Q3 2017 Financial Review

- Revenues for the third quarter were $164.0 million. The Company sold 128,498 ounces of gold at an average realized price of $1,273 per ounce.
- Gold sales lagged gold production during the third quarter due to the timing of gold pours and shipments. The gold in-circuit inventory rose significantly at the end of the quarter as a result of operational difficulties in stripping the gold. The circuit is expected to return to normal levels in the fourth quarter at approximately 25,000 ounces of gold.
- Cost of sales for the third quarter totaled $117.3 million, including $30.5 million of depreciation (or $237 per ounce sold).
- Earnings from mine operations for the third quarter totaled $46.7 million.
- Net earnings for the third quarter were $41.1 million ($0.24 per basic share). Adjusted earnings in the third quarter amounted to $37.4 million ($0.21 per basic share) as a result of record earnings from operations.

Liquidity and Capital Resources

- Cash and cash equivalents totaled $113.7 million at September 30, 2017.
- Funds of $329.3 million ($300 million drawn from credit facility plus $29.3 million from cash balance) were placed on deposit with the convertible note trustee in July. The holders of the convertible notes will be paid at the maturity date of November 30, 2017.
- Company’s liquidity strengthened in the third quarter with cash and undrawn credit facility amounting to $280 million.

Summary Financial Data						
(in $ millions unless specified)	Q3 2017	YTD 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Metal sales	164.0	507.8	180.1	163.7	176.6	152.0
Production costs	86.9	295.1	101.8	106.4	123.9	91.3
Depreciation	30.5	101.2	35.6	35.1	47.8	35.5
Cost of sales	117.3	396.3	137.5	141.5	171.7	126.8
Earnings from mine operations	46.7	111.5	42.6	22.2	4.8	25.2
Net income (loss)	41.1	71.5	24.4	6.0	(13.5)	9.7
Net income (loss) per basic share	0.24	0.41	0.14	0.03	(0.08)	0.06
Adjusted earnings (loss)	37.4	74.4	26.4	10.5	(6.0)	1.3
Adjusted earnings (loss) per basic share	0.21	0.43	0.15	0.06	(0.03)	0.01

Note: Totals may not add up due to rounding.

Financial Risk Management

- As at September 30, 2017, the Company had $52.0 million of zero-cost collars to hedge its Canadian dollar costs whereby it can sell U.S. dollars at an average rate of 1.30 and can participate up to an average rate of 1.40.
- As at September 30, 2017, the Company had 45,000 ounces of zero-cost collars to protect its gold sales from October to December 2017. The collars have an average range of $1,208 to $1,342 per ounce.
- As at September 30, 2017, the Company had a total of 6.8 million litres of outstanding diesel contracts at an average rate of $0.41 per litre, which will settle on a net basis.

Exploration Update

- The Company has completed the summer drilling program with 10,789 metres in 27 holes at Zone 58N targeting mainly the eastern end of the deposit between vertical depths of 250 and 450 metres at an approximate spacing of 35 metres.
- Approximately 4,000 metres of additional drilling at a closer spacing is underway to better define the tonnage and grade estimation of Zone 58N due to the high nuggety and coarse nature of the gold. Evaluation of these results will assist in the completion of the block model and subsequent mineral resource estimate.
- A 6,000 metre drilling program east of the current tailings facility (TMA area) has been re-scheduled to 2018, targeting IP anomalies and following up on the 2016 drilling results.
- An airborne geophysical survey totaling 5,570 line kilometres was completed over the entire Burntbush grassroot property located 70 kilometres south of the Detour Lake mine. Preliminary review of the results has identified 16 significant untested geophysical anomalies. A prospecting and sampling program was completed to follow up on the airborne EM (electromagnetic) anomalies, historical mineral occurrences and areas of exposed bedrock.

2017 Outlook

- Detour Gold is expected to attain the mid-range of its annual guidance for production, total cash costs, and AISC.

Gold production (oz)	550,000-600,000
Total cash costs ($/oz sold)	$690-$750
All-in sustaining costs ($/oz sold)	$1,025-$1,125

- Mine plan is on target for approximately 100 Mt to be mined from the Detour Lake pit in 2017 with the current available fleet of six shovels and 32 haul trucks supported by the addition of a ROM fleet.

- The Company has secured delivery of additional mining equipment as it continues to position itself for higher tonnages in 2018 and beyond. The Company has ordered its seventh shovel (CAT6060) and two additional haul trucks (#33 and #34 CAT795), which are scheduled to arrive at site at year-end.
- Projected capital expenditures for 2017 remain as previously stated at approximately $160 to $180 million with higher capitalized stripping costs.
- Provincial approval for the West Detour project is targeted for mid-2018 (current life of mine plan requires approval by end of 2018).

Technical Information

The scientific and technical content of this news release was reviewed, verified and approved by Drew Anwyll, P.Eng., Senior Vice President, Technical Services and Guy MacGillivray, P.Geo., Exploration Manager, Qualified Persons as defined by Canadian Securities Administrators National Instrument 43-101 “Standards of Disclosure for Mineral Projects.”

Conference Call

The Company will host a conference call on Thursday, October 26, 2017 at 10:00 AM E.T. where senior management will discuss the third quarter operational and financial results. Access the conference call as follows:

- Via webcast, go to www.detourgold.com and click on the “Q3 2017 Results Conference Call and Webcast” link on home page
- By phone toll free in Canada and the United States 1-800-319-4610
- By phone internationally 416-915-3239

A playback will be available until November 26, 2017 by dialing 604-674-8052 or 1-855-669-9658 within Canada and the United States, using pass code 1729. The webcast and presentation slides will be archived on the Company’s website.

About Detour Gold

Detour Gold is an intermediate gold producer in Canada that holds a 100% interest in the Detour Lake mine, a long life large-scale open pit operation.

For further information, please contact:

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Non-IFRS Financial Performance Measures
The Company has included certain non-IFRS measures in this news release. 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.

The non-IFRS measures are defined below and are reconciled with the reported IFRS measures. Refer to the Company’s Third Quarter 2017 MD&A for full details. For other periods, refer to the corresponding MD&A for details. The tables below are in thousands of dollars, except where noted.

Total cash costs

Detour Gold reports total cash costs on a sales basis. Total cash costs include production costs such as mining, processing, refining and site administration, agreements with Aboriginal communities, less non-cash 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.

All-in sustaining costs

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

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

	Three months ended September 30		Nine months ended September 30	
In thousands of dollars, except where noted	2017	2016	2017	2016
Gold ounces sold	128 498	113 845	405 681	383 059
Total Cash Costs Reconciliation				
Production costs	$ 86 799	$ 91 348	295 049	$ 274 151
Less: Share-based compensation	(558)	172	(1 303)	(3 196)
Less: Silver sales	(378)	(248)	(1 239)	(1 053)
Total cash costs	$ 85 863	$ 91 272	$ 292 507	$ 269 902
Total cash costs per ounce sold	$ 668	$ 802	$ 721	$ 705
All-in Sustaining Costs Reconciliation				
Total cash costs	$ 85 863	$ 91 272	$ 292 507	$ 269 902
Sustaining capital expenditures[1]	45 568	21 385	134 235	64 899
Accretion on decommissioning and restoration provision	51	31	150	124
Share-based compensation	558	(172)	1 303	3 196
Realized (gain) loss on operating hedges[2]	(5 145)	69	(4 437)	1 725
Corporate administration expense[3]	5 288	5 146	17 755	25 600
Sustaining exploration expenditures[4]	461	931	1 646	2 259
Total all-in sustaining costs	$ 132 644	$ 118 662	$ 443 159	$ 367 705
All-in sustaining costs per ounce sold	$ 1 032	$ 1 042	$ 1 092	$ 960

[1] 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 includes the value of fully commissioned assets with deferred payment terms. Non-sustaining capital expenditures primarily relate to West Detour.

[2]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”.

3 Includes the sum of corporate administration expense, which includes share-based compensation, per the statement of comprehensive earnings (loss), excluding depreciation within those figures.

4 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.

Average realized price and Average realized margin

Average realized price and average realized margin per ounce sold are used by management and investors use these measures 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 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.

	Three months ended September 30		Nine months ended September 30	
In thousands of dollars, except where noted	2017	2016	2017	2016
Metal sales	$ 163 987	$ 152 046	$ 507 766	$ 481 716
Realized loss on gold contracts	(76)	(5 988)	(70)	(11 651)
Silver sales	(378)	(248)	(1 239)	(1 053)
Revenues from gold sales	$ 163 533	$ 145 810	$ 506 457	$ 469 012
Gold ounces sold	128 498	113 845	405 681	383 059
Average realized price	$ 1 273	$ 1 281	$ 1 248	$ 1 224
Less: Total cash costs per gold ounce sold	(668)	(802)	(721)	(705)
Average realized margin per gold ounce sold	$ 605	$ 479	$ 527	$ 519

Adjusted earnings and Adjusted basic earnings per share

Adjusted earnings and adjusted basic 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 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: fair value change of the convertible notes, the impact of foreign exchange gains and losses, deferred income and mining taxes, non-cash unrealized gains and losses on derivative instruments, accretion on convertible notes, and decommissioning and restoration provisions, impairment provisions and reversals thereof, and other non-recurring items. Adjusted basic earnings per share is calculated using the weighted average number of shares outstanding under the basic method of loss per share as determined under IFRS.

	Three months ended September 30		Nine months ended	
In thousands of dollars, except where noted	2017	2016	2017	20
Basic weighted average shares outstanding	174 735 263	174 487 277	174 652 096	17
Adjusted earnings and Adjusted basic earnings per share reconciliation				
Net earnings	$ 41 105	$ 9 679	$ 71 531	$ 6
Adjusted for:				
Fair value (gain) loss of the convertible notes[1]	(10)	(16 787)	(862)	17
Accretion on long-term debt[1]	7 731	7 913	23 081	24
Accretion on decommissioning and restoration provision[1]	51	31	150	12
Non-cash unrealized (gain) loss on derivative instruments[2]	330	(6 220)	(1 505)	2

Foreign exchange (gain) loss[1]	(3 194)	214	(5 872)	(5
Deferred income and mining taxes	(8 586)	6 491	(12 150)	(3
Adjusted earnings	$ 37 427	$ 1 321	$ 74 373	$ 16
Adjusted basic earnings per share	$ 0,21	$ 0,01	$ 0,43	$ 0,

[1] 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”.
[2] 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).

The Company has included the additional IFRS measure:

Earnings (loss) from mine operations

Earnings (loss) from mine operations 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, loss on disposal of assets, finance cost, and taxation.

Free cash flow before financing activities

Free cash flow before financing activities 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.

Forward-Looking Information
This press release contains certain forward-looking information as defined in applicable securities laws (referred to herein as “forward-looking statements”). Forward-looking statements relate to future events or future performance and reflect current expectations or beliefs regarding future events and include, but are not limited to, statements with respect to: (i) the amount of mineral resources and mineral reserves and exploration targets; (ii) the amount of future production over any period; (iii) assumptions relating to recovered grade, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the technical reports, studies and disclosure of the Company; (iv) assumptions relating to revenues, operating cash flow and other revenue metrics set out in the Company's disclosure materials (v) mine expansion potential and expected mine life; (vi) expected time frames for completion of permitting and regulatory approvals; (vii) future capital and operating expenditures; (viii) future exploration plans; (ix) future gold prices; and (x) sources of and anticipated financing requirements. 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.

Specifically, this press release contains forward-looking statements regarding the Company’s expectation of a strong fourth quarter gold production to meet the mid-range of annual guidance; having flexibility of further reducing debt in the fourth quarter; circuit to return to normal levels in the fourth quarter at approximately 25,000 ounces of gold; holders of the convertible notes being paid on November 30, 2017; attaining the mid-range of its annual guidance for production, total cash costs, and AISC; achieving 100 Mt mined from the Detour Lake pit in 2017; Company’s seventh shovel and two haul trucks arriving at site at year-end; capital expenditures of approximately $160 to $180 million; and provincial approval for the West Detour project targeted for mid-2018.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which are beyond Detour Gold's ability to predict or control and may cause Detour Gold's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, gold price volatility, changes in debt and equity markets, a reduction in the Company’s available cash resources, the uncertainties involved in interpreting geological data, risks relating to variations in recovered grades and mining dilution, variations in rates of recovery, changes or delays in mining development and exploration plans, the success of mining, development and exploration plans, changes in project parameters, risks related to the receipt of regulatory approvals, increases in costs, environmental compliance and changes in environmental legislation and regulation, delays in the consultation and permitting process for West Detour, interest rate and exchange rate fluctuations, general economic conditions and other risks involved in the gold exploration and development industry, as well as those risk factors discussed in the section entitled "Description of Business - Risk Factors" in Detour Gold's 2016 AIF and in the continuous disclosure documents filed by Detour Gold on and available on SEDAR at www.sedar.com.

Forward-looking statements in this press release are also based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about the following: a constant gold price of $1,200/oz in 2017, a constant diesel fuel price of C$0.70 per litre in 2017, a constant US/CAD exchange rate of 1.30 in 2017 and a constant power cost of C$0.03 per kilowatt hour in 2017; the availability of financing for exploration and development activities; operating and capital costs; the Company’s available cash resources in 2017; the Company's ability to attract and retain skilled staff; 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 Aboriginal 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 reserve and 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. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements contained herein are made as of the date hereof, or such other date or dates specified in such statements. Detour Gold undertakes no obligation to update publicly or otherwise revise any forward-looking statements contained herein 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.