



# 2011 Q3 REPORT

Management's Discussion & Analysis	1
Financial Statements	59



**MANAGEMENT’S DISCUSSION AND ANALYSIS  
OF FINANCIAL POSITION AND RESULTS OF OPERATIONS  
THIRD QUARTER ENDED SEPTEMBER 30, 2011**

**INDEX**

Forward-looking statements.....	2
Executive summary.....	3
Overview .....	5
Third quarter 2011 Highlights.....	6
2011 Outlook.....	10
Summarized financial results .....	12
Attributable gold production, cash cost per ounce and gold margin.....	15
Gold sales volume and realized gold price .....	16
Niobium production, sales and operating margin .....	16
Financial results .....	17
Quarterly financial review.....	21
Market trends .....	22
Results of operations .....	24
Development projects .....	31
Exploration .....	33
Financial position .....	39
Disclosure controls and procedures and internal controls over financial reporting .....	45
Changes in accounting policies and future accounting policies.....	46
Risks and uncertainties.....	47
Supplemental information to the management’s discussion and analysis .....	48
Mining operations production data .....	56
Consolidated interim financial statements.....	59

The following Management’s Discussion and Analysis (“MD&A”), dated November 8, 2011, should be read in conjunction with the Company’s annual consolidated financial statements for December 31, 2010 and related notes thereto which appear elsewhere in this report. Beginning January 1, 2011, IAMGOLD reports under International Financial Reporting Standards (“IFRS”). The unaudited consolidated interim financial statements for the third quarter of 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS (refer to note 28 in the unaudited consolidated interim financial statements for the third quarter of 2011 for reconciliations from Canadian generally accepted accounting principles (“GAAP”) to IFRS). All figures in this MD&A are in U.S. dollars, unless stated otherwise. Additional information on IAMGOLD Corporation can be found at [www.sedar.com](http://www.sedar.com) or [www.sec.gov](http://www.sec.gov). IAMGOLD’s securities trade on the Toronto and New York stock exchanges.

## **FORWARD-LOOKING STATEMENTS**

### **CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION**

Certain information included in this Management's Discussion and Analysis, including any information as to the Company's future financial or operating performance, and other statements that express management's expectations or estimates of future performance, other than statements of historical fact, constitute forward-looking statements. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Forward-looking statements are generally identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve risks, uncertainties and other factors that may cause the actual financial results, performance or achievements of IAMGOLD to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements, and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to, changes in the global prices for gold, niobium, copper, silver or certain other commodities (such as diesel, aluminum and electricity); changes in U.S. dollar and other currency exchange rates, interest rates or gold lease rates; risks arising from holding derivative instruments; the level of liquidity and capital resources; access to capital markets, financing and interest rates; mining tax regimes; ability to successfully integrate acquired assets; legislative, political or economic developments in the jurisdictions in which the Company carries on business; operating or technical difficulties in connect

ion with mining or development activities; laws and regulations governing the protection of the environment; employee relations; availability and increasing costs associated with mining inputs and labour; the speculative nature of exploration and development, including the risks of diminishing quantities or grades of reserves; adverse changes in the Company's credit rating; contests over title to properties, particularly title to undeveloped properties; and the risks involved in the exploration, development and mining business. With respect to development projects, IAMGOLD's ability to sustain or increase its present levels of gold production is dependent in part on the success of its projects. Risks and unknowns inherent in all projects include the inaccuracy of estimated reserves and resources, metallurgical recoveries, capital and operating costs of such projects, and the future prices for the relevant minerals. Development projects have no operating history upon which to base estimates of future cash flows. The capital expenditures and time required to develop new mines or other projects are considerable, and changes in costs or construction schedules can affect project economics. Actual costs and economic returns may differ materially from IAMGOLD's estimates or IAMGOLD could fail to obtain the governmental approvals necessary for the operation of a project; in either case, the project may not proceed, either on its original timing or at all.

For a more comprehensive discussion of the risks faced by the Company, refer to the Company's annual MD&A risks and uncertainties section, and the Company's 2010 Annual Information Form, filed with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com), and filed under Form 40-F with the United States Securities Exchange Commission at [www.sec.gov/edgar.html](http://www.sec.gov/edgar.html). The Annual Information Form and the risks described in the Annual Information Form (filed and viewable on [www.sedar.com](http://www.sedar.com) and [www.sec.gov/edgar.html](http://www.sec.gov/edgar.html), and available upon request from the Company) and hereby incorporated by reference into this MD&A.

The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise except as required by applicable law.

#### ***U.S. Investors Should Note***

The U.S. Securities and Exchange Commission ("SEC") permits mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. The Company may use certain terms in its publications such as "measured," "indicated" and "inferred" "resources" that are prescribed by Canadian regulatory policy and guidelines but are prohibited by the SEC from use by U.S. registered companies in their filings with the SEC as they may not be consistent with the reserve definitions established by the SEC. U.S. investors are urged to consider closely the disclosure in the IAMGOLD Annual Reports on Form 40-F. You can review and obtain copies of these filings from the SEC's website at <http://www.sec.gov/edgar.html> or by contacting the Investors Relations department.

## **EXECUTIVE SUMMARY**

---

IAMGOLD Corporation (“IAMGOLD,” “IMG,” or the “Company”) is committed to being a global leader in generating superior value for its stakeholders through responsible mining. With respect to corporate social responsibility, IAMGOLD’s commitment is to Zero Harm, in every aspect of its business.

### Focus on increasing value for its stakeholders

IAMGOLD remains focused on growth and increasing value for its stakeholders. The Company will continue its strategy of expanding existing operations as the most cost effective way to grow while aggressively looking for accretive new opportunities. In addition, IAMGOLD will pursue strategic relationships to unlock value within its existing portfolio of assets and to target new opportunities.

- IAMGOLD remains focused on expanding its existing base of core assets. Expansion reviews continue at all sites with conclusions on feasibility plans and construction decisions expected by year-end at Essakane and Sadiola. The Company continues to make progress in unlocking the value in Niobec, including establishing a financing framework to fund expansion without reliance on cash flow from the gold business.
- The Company continues to invest in opportunistic junior mining firms as an avenue for growth. As of September 30, 2011, these investments totaled \$100.4 million at market value. In November 2011, IAMGOLD announced that it had acquired an interest in two companies with exploration projects in Colombia. An equity interest with a third company is expected to close in the near future. The combined investment of all three is approximately \$20 million.
- On August 31, 2011, the Company completed the disposition of its Mupane gold mine for \$34.2 million. The divestiture is in line with IAMGOLD’s strategy to focus its resources on expanding its core properties.
- In June 2011, the Company increased its annual dividend payment to \$0.20 per share, effectively a 200% increase in annual dividend payment over 2010. A dividend of \$37.5 million was paid in July 2011.
- In June 2011, the Company completed the sale of its 18.9% interest in the Tarkwa and Damang gold mines in Ghana, West Africa to Gold Fields Limited for \$667.0 million, resulting in a gain of \$402.8 million. In addition to increasing the Company’s liquidity position to \$1.2 billion, the transaction enables the Company to increase its focus, time and resources on IAMGOLD operated and joint venture operations.
- In February 2011, the Company disposed of the La Arena project, a non-strategic asset, for \$48.8 million resulting in a gain of \$10.5 million (before income tax impact).

### Results

During the third quarter of 2011, the Company generated \$431.9 million in revenues from continuing operations supported by an average realized gold price of \$1,675 per ounce. Adjusted net earnings<sup>1</sup> from continuing operations attributable to equity shareholders of \$112.5 million (\$0.30 per share<sup>1</sup>) increased by 182% compared to the third quarter of 2010. The adjusted operating cash flow<sup>1</sup> of \$211.0 million (\$0.56 per share) during the third quarter of 2011 compared to \$97.6 million (\$0.26 per share) during the third quarter of 2010, continues to fund the expansion plans at IAMGOLD’s existing operations and fund exploration initiatives.

---

<sup>1</sup> Adjusted net earnings attributable to equity shareholders of the Company, adjusted net earnings attributable to equity shareholders per share, cash cost per ounce, adjusted operating cash flow and adjusted operating cash flow per share are non-GAAP financial measures. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

For the third quarter of 2011, IAMGOLD reported 222,000 ounces of attributable gold produced from continuing operations representing a 27,000-ounce or 14% increase compared to the same period last year. Cash costs for continuing operations for the third quarter of 2011 were \$674 per ounce<sup>1</sup>. Average cash costs at IAMGOLD's operated sites were \$602 per ounce during the third quarter of 2011, an increase of 27% compared to \$475 per ounce during the third quarter of 2010.

The consolidated cash cost<sup>1</sup> from continuing operations increased by \$135 from \$539 per ounce in the third quarter of 2010 to \$674 per ounce in the third quarter of 2011. The Company faced cost pressures from higher labour costs, higher energy costs, and higher costs of consumables. Despite the recent decline from high prices, the worldwide price for crude oil continues to be higher than the prior year. This increase in energy prices led to higher haulage and power generation costs. Royalties increased by \$38 per ounce due to higher gold prices. In addition, lower grades and hard rock contributed to increasing costs per ounce. Notwithstanding these cost increases, gold margins per ounce of gold<sup>1</sup> increased by 42% as a result of the increased gold price.

Niobium revenues were \$42.4 million in the third quarter of 2011 compared to \$40.4 million in the same period in 2010, due to a higher realized niobium price during the quarter. The operating margin per kilogram of niobium<sup>1</sup> decreased by \$5 per kilogram during the third quarter of 2011 compared to the same period in the prior year. Notwithstanding the higher average price sold, the lower than expected operating margin was due to lower grades and costs resulting from mine re-sequencing to align to future plan changes in mining approach, higher prices of consumables and a stronger Canadian dollar.

#### Outlook

Attributable gold production guidance from continuing operations in 2011 remains between 870,000 and 930,000 ounces and cash costs of between \$620 and \$650 per ounce. These guidance figures exclude the discontinued operations of Mupane, Tarkwa and Damang results from production and cash costs.

#### Focus on growth and strategy of expanding existing operations

The Company demonstrated its focus on profitable growth with the following initiatives in 2011:

- Progress with the feasibility study to review the expansion of the Essakane mine to capitalize on near-mine exploration results.
- Reviewing steps to expand the capacity at the Rosebel mine.
- Feasibility study completed during the first quarter of 2011 on the Sadiola sulphide initiative and continuing progress towards a construction decision expected by the end of 2011.
- Independent technical report confirming IAMGOLD's niobium mine potential with a near 700% increase in measured and indicated mineral resources to over 1.9 billion kilograms of contained niobium pentoxide and an estimated after-tax net asset value of up to \$2.0 billion.
- Exploration and development continues at the Westwood project with spending of \$2.2 million and \$30.6 million, respectively, in the third quarter of 2011. The shaft achieved a depth of 1,400 metres. The project continues within plan for production in early 2013.
- Numerous projects underway and pursuing additional advance exploration opportunities to continue to provide a strong pipeline for future growth. As noted in the news release on September 19, 2011, the Company has accelerated investment in key areas.

#### IFRS

The Company now reports its consolidated financial statements according to International Financial Reporting Standards ("IFRS"). Refer to note 28 in the unaudited consolidated interim financial statements for the 2010 reconciliation from Canadian generally accepted accounting principles to IFRS.

---

<sup>1</sup> Cash cost per ounce and operating margin per kilogram of niobium sold, gold margin per ounce are non-GAAP financial measures. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

## OVERVIEW

IAMGOLD is an established mining company. IAMGOLD's interests include five operating gold mines, a niobium mine, a diamond royalty, and exploration and development projects located in Africa and the Americas. IAMGOLD's growth plans are currently focused in West Africa, select countries in South America and in the Canadian provinces of Ontario and Quebec. The Company's advanced exploration and development projects include the Westwood project in Canada and the Quimsacocha project in Ecuador.

The following table highlights the Company's percentage ownership share of producing mines and major exploration and evaluation projects ("E&E").

Site	Operator	Reporting Segment	Geographic Location	IAMGOLD Share <sup>(e)</sup> 2011	2010
Rosebel mine	IAMGOLD	Gold	Suriname	95%	95%
Essakane mine <sup>(a)</sup>	IAMGOLD	Gold	Burkina Faso	90%	90%
Doyon division <sup>(b)</sup>	IAMGOLD	Gold	Canada	100%	100%
Niobec mine	IAMGOLD	Non-gold	Canada	100%	100%
Quimsacocha project	IAMGOLD	E&E	Ecuador	100%	100%
<b>Joint Ventures:</b>					
Sadiola mine	AngloGold Ashanti	Gold	Mali	41%	41%
Yatela mine	AngloGold Ashanti	Gold	Mali	40%	40%
<b>Discontinued Operations:</b>					
Tarkwa mine <sup>(c)</sup>	Gold Fields Limited		Ghana	-	18.9%
Damang mine <sup>(c)</sup>	Gold Fields Limited		Ghana	-	18.9%
Mupane mine <sup>(d)</sup>	Galane Gold Ltd.	Corporate	Botswana	48.5%	100%

(a) Commercial production began on July 16, 2010.

(b) The Doyon division includes the Mouska mine and the Westwood project.

(c) On June 22, 2011, the Company sold its interests in Tarkwa and Damang gold mines.

(d) On August 31, 2011, the Company completed the disposition of its Mupane gold mine for \$34.2 million. As part of the consideration received, IAMGOLD received 21,875,000 common shares of Galane Gold Ltd. ("Galane"), the new owner of the Mupane mine, representing approximately 48.5% of the outstanding shares of Galane. The Mupane mine was classified as a discontinued operation until August 31, 2011. As of September 1, 2011, the Company will report the Investment in Galane using the equity basis of accounting.

(e) The non-controlling interests relate to the non-controlling partners' interests in Rosebel Gold Mines N.V. (the Rosebel mine), and Essakane S.A. (the Essakane mine). Non-controlling interests are classified as a component of equity separate from the equity of the parent and are not included in net earnings, but rather presented as an allocation of net earnings. Basic earnings per share are calculated by dividing earnings attributable to equity shareholders by the weighted average number of common shares outstanding during the period. This MD&A includes discussion and analysis based on the portion of net earnings, net earnings from discontinued operations and adjusted net earnings attributable to equity shareholders of the Company.

## THIRD Quarter 2011 HIGHLIGHTS

---

### Financial Results and Position

- Revenues from continuing operations of \$431.9 million were up 84% from \$234.7 million in the third quarter of 2010.
- Adjusted net earnings from continuing operations attributable to equity shareholders<sup>1</sup> of \$112.5 million (\$0.30 per share<sup>1</sup>), increased by 182% from \$39.9 million (\$0.11 per share) in the third quarter of 2010.
- Net earnings attributable to equity shareholders of \$40.7 million (\$0.11 per share) compared to \$52.0 million (\$0.14 per share) in the third quarter of 2010. Excluding the \$9.2 million (\$0.02 per share) loss from discontinued operations, net earnings were impacted mainly by unrealized losses associated with the end of September volatility in currency markets, asset retirement obligation charges for closed mines resulting from changes in long-term discount rates, partly offset by gains on sale of marketable securities. See the Adjusted Net Earnings reconciliation on page 49 for further details.
- Adjusted operating cash flow from continuing operations<sup>1</sup> of \$211.0 million (\$0.56 per share<sup>1</sup>), increased by 116% compared to \$97.6 million (\$0.26 per share) in the third quarter of 2010.
- Financial position with cash, cash equivalents, short-term investments and gold bullion (at market) were unchanged from the prior quarter end at \$1.2 billion. Operating cash flow during the current quarter effectively funded investments in operating, exploration and development sites.
- On August 31, 2011, the Company completed the disposition of its Mupane gold mine for \$34.2 million resulting in an after-tax gain on disposal of \$6.8 million. The disposal of the site resulted in a loss from discontinued operations of \$16.3 million, including the retirement of outstanding Mupane gold hedges for \$18.7 million.
- The net loss from discontinued operations is presented separately as net earnings (loss) from discontinued operations in the consolidated statement of earnings, and comparative periods have been adjusted accordingly.

### Production, Cash Costs and Margin

#### Gold Operations

- Attributable gold production of 222,000 ounces from continuing operations, an increase of 14% compared to 195,000 attributable ounces in the third quarter of 2010. Total attributable gold production including discontinued operations was 231,000 ounces (256,000 ounces in the third quarter of 2010).
- Weighted average cash costs<sup>1</sup> from continuing operations were \$674 per ounce, compared to \$539 per ounce in the third quarter of 2010. Cash costs at IAMGOLD-operated sites were \$602 per ounce compared to \$475 per ounce in the third quarter of 2010.
- Gold margin<sup>1</sup> increased by 42% from \$703 per ounce during the third quarter of 2010 to \$1,001 per ounce during the third quarter of 2011 as price increases more than offset the increases in costs.

---

<sup>1</sup> Adjusted net earnings from continuing operations attributable to equity shareholders of the Company, adjusted net earnings from continuing operations attributable to equity shareholders per share, adjusted operating cash flow from continuing operations, and adjusted operating cash flow from continuing operations per share, cash cost per ounce, and gold margin per ounce are non-GAAP measures. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

### Niobec Mine

Niobium production of 1.2 million kilograms, 0.1 million kilograms higher than production in the third quarter of 2010, and an operating margin<sup>1</sup> of \$14 per kilogram, compared to \$19 per kilogram in the third quarter of 2010. Notwithstanding the higher average price sold, the lower than expected operating margin was due to lower grades and costs resulting from mine re-sequencing to align to future plan changes in mining approach, higher prices of consumables and a stronger Canadian dollar.

### **Exploration**

Exploration expenditures of \$27.1 million, compared to \$18.6 million during the third quarter of 2010, including near-mine exploration and resource development at Rosebel, Essakane and Westwood, and greenfield exploration on 16 projects.

### **Development and Expansion Projects**

#### Canada – Westwood Project

The overall plan remains on track for an early 2013 commercial start. The Westwood project expenditures, excluding exploration, in the third quarter of 2011 totaled \$30.6 million (first nine months of 2011 – \$88.4 million) with significant infrastructure preparation and construction, including the completion of a number of hoist elements, the fire detection system with the new pump house, the waste silo foundation, and the beginning of the ground support of the six-metre diameter ventilation shaft. During the third quarter of 2011, shaft sinking reached 1,400 metres, with the installation of a spill pocket and the safety bulkhead under the 104-0 level, and underground development work including 2,200 metres of lateral and vertical excavation achieved (first nine months of 2011 – 6,566 metres). The incident involving the hoist at the Doyon division, as disclosed on July 13, 2011, will not have a significant impact on the timing of the Westwood project. Plans remain on track for an early 2013 commercial start.

#### Ecuador – Quimsacocha

The Company has obtained the requisite permits and authorization to advance feasibility work of the Quimsacocha project. The Company maintains regular contact and dialogue with senior government officials in order to obtain needed clarity on fiscal and other matters, including the analysis of the model mining contract recently released by the Ecuadorian government. The Company is also closely following the progress of mining contract negotiations involving three projects in Ecuador, which may serve to clarify certain key terms.

#### Mali – Sadiola Sulphide Project

The feasibility study on the Sadiola sulphide initiative was completed in 2010 and progress continues towards a construction decision. Technical and commercial reviews are ongoing by both joint venture holders and a decision is now expected by the end of the year.

#### Suriname – Rosebel Mine Feasibility Study to Expand the Plant Capacity

The Company is progressing with the framework agreement reached in May of this year in support of capacity expansion plans. Feasibility work is planned for in 2012 with construction into 2013.

#### Burkina Faso – Essakane Feasibility Study to Expand the Mine

A feasibility study to expand the mine is currently in progress and is expected to be completed in the fourth quarter. Following a positive outcome of the study, construction would commence in early 2012.

---

<sup>1</sup> Operating margin per kilogram of niobium at the Niobec mine is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

### Canada – Niobec Study to Expand the Mine

In the third quarter of 2011, the Company continued executing on its strategic initiative to unlock the value of Niobec. The execution plan includes divesting a minority ownership position in the Niobec mine to a potential strategic investor (private placement) and establishing a financing structure. The Company believes that there are a number of strategic benefits to pursuing this plan including:

- Enabling the Company to increase its focus on gold assets by divesting its portfolio of a share in a non-gold asset,
- Establishing a value marker of the Niobec business, for the market,

In the third quarter of 2011, the Company established a financing framework to fund expansion without reliance on cash flow from the gold business. This may include the sale of a minority interest to a strategic investor. Towards this end, discussions with potential private investors continued throughout the quarter and specific due diligence work was conducted. While discussions have been constructive despite the market volatility, the Company is committed to executing a deal that reflects the fair value of Niobec.

### Canada – Rare Earth Element (REE) Zone

In addition, the Company has initiated exploration and metallurgical test work on the identified underexplored REE zone near the Niobec mine.

### **Commitment to Zero Harm Continues**

- In March 2011, IAMGOLD received the 2011 Environmental and Social Responsibility Award from the Prospectors and Developers Association of Canada (“PDAC”). This award recognizes accomplishment in environmental protection and in developing good community relations in the mining sector. According to PDAC, IAMGOLD is being recognized and honoured for its commitment to excellence in environmental stewardship, community engagement, and health and safety in its exploration projects and operating mines in Africa, South America and Quebec. The Company is particularly commended for having been placed as the top extractive company and third overall in the Globe and Mail’s ranking of Canada’s largest companies by environmental and social and governance performance.
- On May 23, 2011, IAMGOLD was honoured with the 2011 Syncrude Award for Excellence in Sustainable Development for IAMGOLD’s Zero Harm vision. This award promotes the Canadian minerals industry as an active seeker of sustainability solutions that engage and affect the Canadian public. Sustainability is defined as meeting the needs of the present generation without compromising the ability of future generations to meet their needs. Sustainable development includes the interdependent and mutually reinforcing pillars of economic development, social development and environmental protection. This award recognizes extraordinary systems, programs or processes that have far-reaching and positive sustainability effects in all industry sectors across Canada. It recognizes those individuals, communities, organizations, corporations or academics that are working to create economic wealth while mitigating environmental impacts and acting inclusively towards all segments of society.
- IAMGOLD made the 2011 Maclean’s/Jantzi-Sustainalytics list of the 50 Most Responsible Corporations in Canada for the second year in a row.
- IAMGOLD also ranked first in the mining industry in Canada’s Best 50 Corporate Citizens in 2011 CSR publication Corporate Knights Magazine.

- On September 29, 2011, IAMGOLD announced that it has embarked upon an innovative Canadian Public-Private Partnership to improve educational opportunities and provide greater access to “job-readiness” training for the youth of Burkina Faso in West Africa. The Canadian International Development Agency (CIDA) has approved funding of C\$5.7 million to support this five-year project which was jointly proposed by Plan Canada and IAMGOLD. Together, Plan Canada and IAMGOLD have committed C\$1.9 million to the project, which represents one of the largest public-private partnerships with an extractive company in CIDA's history.
- The frequency of all types of serious injuries (measured as DART rate<sup>[1]</sup>) across IAMGOLD during the third quarter of 2011 was 1.07 compared to 0.93 in the third quarter of 2010. However, serious injuries across the Company reduced by 52% over the same period. The importance of continually striving for Zero Harm is a core value for IAMGOLD. The Company strives to eliminate all injuries through programs that reinforce the importance of constant vigilance in the workplace and the adoption of safe work practices.

---

<sup>[1]</sup> The DART rate refers to the number of Days Away, Restricted Duty or Job Transfer incidents that occur per 100 employees.

## 2011 OUTLOOK

IAMGOLD guidance for production and cash costs has been maintained for 2011 and is as follows:

	2011 Guidance Issued in August 2011
<b>Attributable gold production (000 oz)</b>	
Mines owned and operated by IAMGOLD	
Rosebel	360–380
Essakane	340–360
Mouska	25–30
	725–770
Sadiola and Yatela mines	145–160
<b>Total attributable production from continuing operations</b>	<b>870-930</b>
<b>Discontinued operations (Mupane, Tarkwa and Damang)</b>	<b>76</b>
<b>Total</b>	<b>940–1,000</b>
<b>Cash cost (\$/oz of gold) from continuing operations<sup>1</sup></b>	<b>620–650</b>
Average gold price (\$/oz)	1,500
Average crude oil price (\$/barrel)	95
Average foreign exchange rate (C\$/US\$)	1.00
Average foreign exchange rate (US\$/€)	1.40
<b>Niobium production</b>	
Niobec (millions of kilograms)	4.5–5.0
Operating margin (\$/kg Nb) <sup>1</sup>	15–17

### Guidance for Gold Production

The Company's overall production and cash cost per ounce guidance from continuing operations remains unchanged from the guidance issued in August 2011. Total production is estimated to be within guidance of 940,000 to 1,000,000 ounces. The Company maintains its guidance for cash cost per ounce of gold in 2011 of between \$620 and \$650 per ounce given the stated assumptions.

The current financial market volatility may affect future cash costs either positively or negatively through changes in gold price, oil price, overall operating costs and currency rates. Changes in these assumptions may have a material impact on cash costs, results of operations and overall financial position of the Company. Actual results may vary significantly from guidance. The following table provides estimated sensitivities around certain inputs that can affect the Company's operating results, based on the Company's guidance for 2011.

<sup>1</sup> Cash cost per ounce and Operating margin per kilogram of niobium at the Niobec mine are non-GAAP measures. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

	Change of	Impact on the Annualized 2011 Cash Cost by \$/oz
Gold price	\$100/oz	\$6
Oil price	\$10/barrel	\$10
Canadian dollar per U.S. dollar	\$0.10	\$3
Euro per U.S. dollar	\$0.10	\$5

### **Guidance for Niobium Production and Operating Margin per Kilogram of Niobium**

Niobec's production for 2011 is expected to be within guidance of 4.5 million to 5.0 million kilograms and the operating margin is expected to be at the lower end of guidance of \$15 to \$17 per kilogram.

The decline in operating margin is due to mine re-sequencing to align to future plan changes in mining approach, higher prices of consumables and a stronger Canadian dollar.

### **Guidance for Capitalized Mining Assets, Exploration and Development Expenditures**

For 2011, the Company plans to incur approximately \$360.0 million in capital expenditures, down from previous guidance of \$460.0 million. Capital expenditures at Rosebel have been revised downwards by \$25 million and at Essakane by \$68 million to better reflect the timing of spending. Overall delivery of the projects remains as planned. During the first nine months of 2011, IAMGOLD's expenditures totaled \$247.7 million.

The Company plans to incur approximately \$66.2 million in exploration expenses in 2011.

## SUMMARIZED FINANCIAL RESULTS

Revenues from continuing operations in the third quarter of 2011 were \$431.9 million, an 84% increase from \$234.7 million in the third quarter of 2010, primarily due to higher gold sales from higher production and higher metals prices. For IAMGOLD's continuing operations including joint ventures, the number of ounces of gold sold increased by 76,000 ounces while the average realized gold price rose by 35% compared to the third quarter of 2010. Gold margin per ounce<sup>1</sup> increased from \$703 to \$1,001 as price increases more than offset the increases in costs.

Net earnings attributable to equity shareholders were \$40.7 million (\$0.11 per share) during the third quarter of 2011, compared to \$52.0 million (\$0.14 per share) in the third quarter of 2010. Net earnings were impacted mainly by the loss from discontinued operations of \$9.2 million, and unrealized losses associated with the end of September volatility in currency markets, asset retirement obligation charges for closed mines resulting from changes in long-term discount rates, partly offset by gains on sale of marketable securities.

Adjusted net earnings from continuing operations attributable to equity shareholders<sup>1</sup> of \$112.5 million (\$0.30 per share<sup>1</sup>) increased by 182% compared to \$39.9 million (\$0.11 per share) in the third quarter of 2010. This strength results from the impact of higher sales and gold prices, partially offset by increases in mining costs and income and mining taxes.

Results from discontinued operations and the related gain on disposal are presented separately as net earnings (loss) from discontinued operations in the consolidated statement of earnings, and comparative periods have been adjusted accordingly.

Operating cash flow from continuing operations in the third quarter of 2011 was \$174.0 million compared to \$49.5 million in the third quarter of 2010. Adjusted operating cash flow from continuing operations<sup>1</sup> in the third quarter of 2011 was \$211.0 million (\$0.56 per share<sup>1</sup>), an increase of 116% compared to \$97.6 million (\$0.26 per share) in the third quarter of 2010. The increase is mainly due to the impact of higher production from continuing operations and higher per ounce gold margin.

## Financial Position

The Company's cash, cash equivalents, short-term investments and gold bullion (at market value) position has improved with \$1.2 billion available at September 30, 2011, compared to \$0.4 billion at the end of 2010.

During the first nine months of 2011, cash, cash equivalents and short-term investments increased mainly due to the sale of its 18.9% interest in the Tarkwa and Damang gold mines for gross proceed of \$667.0 million. Cash generated from operating activities were effectively re-invested in operating and development capital investments as well as funding the Company's exploration activities.

As at September 30, 2011, \$350.0 million of unused credit remained available under the Company's credit facility. In addition, the Company had used \$17.7 million of its \$50.0 million letters of credit facility.

In 2011, the Company plans to incur approximately \$360.0 million in capital expenditures and \$66.2 million in exploration expenses.

---

<sup>1</sup> Gold margin per ounce, adjusted net earnings from continuing operations attributable to equity shareholders of the Company, adjusted net earnings from continuing operations attributable to equity shareholders per share, adjusted operating cash flow from continuing operations and adjusted operating cash flow from continuing operations per share are non-GAAP measures. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

## SUMMARIZED FINANCIAL RESULTS

(in \$ millions)	September 30 2011	Change	December 31 2010
<b>Financial Position</b>	\$		\$
Cash, cash equivalents, short-term investments and gold bullion			
• at market value	1,218.8	196%	411.3
• at cost	1,098.7	253%	311.2
Total assets	4,147.6	21%	3,431.1
Equity	3,427.8	24%	2,758.1

(in \$ millions, except where noted)	Third quarter ended September 30, 2011	Change	Third quarter ended September 30, 2010	Nine months ended September 30, 2011	Change	Nine months ended September 30, 2010
	\$		\$	\$		\$
<b>Results of Continuing Operations</b>						
Revenues	431.9	84%	234.7	1,191.6	82%	656.2
Mining costs including depreciation, depletion and amortisation	240.7	73%	139.2	650.2	65%	393.1
Earnings from mining operations	191.2	100%	95.5	541.4	106%	263.1
Net earnings from continuing operations attributable to equity shareholders	50.0	34%	37.4	257.7	143%	106.0
Basic earnings from continuing operations attributable to equity shareholders per share (\$/share)	0.13	30%	0.10	0.69	138%	0.29
Net earnings attributable to equity shareholders	40.7	(22%)	52.0	673.0	386%	138.6
Basic net earnings attributable to equity shareholders per share (\$/share)	0.11	(21%)	0.14	1.80	386%	0.37
Adjusted net earnings from continuing operations attributable to equity shareholders <sup>1</sup>	112.5	182%	39.9	297.9	186%	104.0
Basic adjusted net earnings from continuing operations attributable to equity shareholders per share (\$/share) <sup>1</sup>	0.30	173%	0.11	0.80	186%	0.28
<b>Cash Flows</b>						
Operating cash flow from continuing operations	174.0	252%	49.5	385.1	163%	146.7
Adjusted operating cash flow from continuing operations <sup>1</sup>	211.0	116%	97.6	579.1	107%	279.9
Adjusted operating cash flow from continuing operations per share <sup>1</sup> (\$/share)	0.56	115%	0.26	1.55	107%	0.75

<sup>1</sup> Adjusted net earnings from continuing operations attributable to equity shareholders of the Company, adjusted net earnings from continuing operations attributable to equity shareholders per share, adjusted operating cash flow from continuing operations and adjusted operating cash flow from continuing operations per share are non-GAAP measures. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

	Third quarter ended September 30, 2011	Change	Third quarter ended September 30, 2010	Nine months ended September 30, 2011	Change	Nine months ended September 30, 2010
<b>Key Operating Statistics</b>						
<b>Gold mines (Continuing operations)</b>						
Gold sales (000 oz) <sup>1</sup>	231	49%	155	690	54%	449
Average realized gold price (\$/oz)	1,675	35%	1,242	1,524	29%	1,182
<b>Attributable gold production (000 oz)</b>						
Continuing operations	222	14%	195	643	36%	473
Discontinued operations	9	(85%)	61	76	(58%)	179
Total	231	(10%)	256	719	10%	652
<b>Cash cost from continuing operations (\$/oz)<sup>2</sup></b>						
	674	25%	539	634	19%	534
<b>Gold margin from continuing operations (\$/oz)<sup>2</sup></b>						
	1,001	42%	703	890	37%	648
<b>Operating results – Niobec mine</b>						
Niobium sales (millions of kg Nb)	1.0	(9%)	1.1	3.3	-	3.3
Niobium production (millions of kg Nb)	1.2	9%	1.1	3.4	-	3.4
Operating margin (\$/kg Nb) <sup>2</sup>	14	(26%)	19	14	(26%)	19

<sup>1</sup> Gold sales include 100% sales of Rosebel, Essakane and the Doyon division, 41% of sales from Sadiola, and 40% of sales from Yatela. Attributable sales volume for the third quarters of 2011 and 2010 were 217,000 ounces and 149,000 ounces, respectively, and for the first nine months of 2011 and 2010, 648,000 ounces and 433,000 ounces, respectively, after taking into account 95% of the Rosebel sales and 90% of the Essakane sales.

<sup>2</sup> Cash cost per ounce, gold margin per ounce, and operating margin per kilogram of niobium at the Niobec mine are non-GAAP measures. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

## ATTRIBUTABLE GOLD PRODUCTION, CASH COST AND GOLD MARGIN PER OUNCE

The table below presents the gold production attributable to the Company along with the weighted average cash cost per ounce of production and the gold margin.

	Gold Production		Total Cash Cost <sup>1</sup>		Gold Production		Total Cash Cost <sup>1</sup>	
	Third quarter ended September 30				Nine months ended September 30			
	2011	2010	2011	2010	2011	2010	2011	2010
	(000 oz)	(000 oz)	\$/oz	\$/oz	(000 oz)	(000 oz)	\$/oz	\$/oz
<b>IAMGOLD Operator</b>								
Rosebel (95%)	94	101	629	484	281	276	622	499
Essakane (90%)	86	42	535	459	243	42	513	459
Doyon division <sup>2</sup> (100%)	5	13	1,203	456	5	15	1,203	429
	185	156	602	475	529	333	577	491
<b>Joint Ventures</b>								
Sadiola (41%)	30	30	839	659	93	89	755	611
Yatela (40%)	7	9	1,793	1,243	21	51	1,510	678
	37	39	1,031	794	114	140	894	635
<b>Continuing operations</b>	222	195	674	539	643	473	634	534
<b>Discontinued operations</b>	9	61	1,287	695	76	179	847	681
<b>Total</b>	231	256	697	577	719	652	656	574
<b>Continuing operations</b>								
Cash cost excluding royalties			584	487			550	476
Royalties			90	52			84	58
Cash cost <sup>1</sup>			674	539			634	534
<b>Gold margin from continuing operations</b>								
Realized gold prices			1,675	1,242			1,524	1,182
Cash cost			674	539			634	534
Gold margin <sup>1</sup>			1,001	703			890	648

IAMGOLD's attributable gold production from continuing operations increased by 27,000 ounces (14%) during the third quarter of 2011 compared to the same period in the prior year primarily as a result of higher production from Essakane which was ramping up in the prior year quarter. These increases were partly offset by timing of commencement of batch processing at Mouska and lower grades mined at Rosebel.

The consolidated cash cost from continuing operations increased by \$135 from \$539 per ounce in the third quarter of 2010 to \$674 per ounce in the third quarter of 2011. Cash costs at IAMGOLD-operated sites were \$602 per ounce compared to \$475 per ounce in the third quarter of 2010. The Company faced cost pressures from higher labour costs, higher energy costs, and higher costs of consumables. Despite the recent decline from high prices, the worldwide price for crude oil continues to be higher than the prior year. This increase in energy prices led to higher haulage and power generation costs. Royalties increased by \$38 per ounce due to higher gold prices. In addition, lower grades and harder contributed to increasing costs per ounce. Notwithstanding these cost increases, gold margins per ounce of gold<sup>1</sup> increased by 42% as a result of the increased gold price.

<sup>1</sup> Cash cost per ounce and gold margin per ounce are a non-GAAP measures. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

<sup>2</sup> As a cost savings initiative, the ore mined from Mouska was stockpiled and processing has commenced in the third quarter of 2011.

## GOLD SALES VOLUME AND REALIZED GOLD PRICE

The following table presents the total ounces of gold sold from continuing operations and the realized gold price per ounce.

	Gold sales		Realized gold price		Gold sales		Realized gold price	
			Third quarter ended September 30				Nine months ended September 30	
	2011	2010	2011	2010	2011	2010	2011	2010
	(000 oz)	(000 oz)	\$/oz	\$/oz	(000 oz)	(000 oz)	\$/oz	\$/oz
Operator	193	117	1,672	1,247	578	312	1,523	1,189
Joint ventures <sup>(a)</sup>	38	38	1,693	1,225	112	137	1,528	1,166
Total sales from continuing operations <sup>(b)(c)</sup>	231	155	1,675	1,242	690	449	1,524	1,182

(a) Attributable sales of joint ventures: Sadiola (41%) and Yatela (40%).

(b) Attributable sales volume for the third quarters of 2011 and 2010 were 217,000 ounces and 149,000 ounces, respectively, and for the first nine months of 2011 and 2010, 648,000 ounces and 433,000 ounces, respectively, after taking into account 95% of the Rosebel sales and 90% of the Essakane sales.

(c) Continuing operations exclude Mupane, Tarkwa and Damang which are discontinued operations. Gold sales from discontinued operations for the third quarters of 2011 and 2010 were 7,000 ounces and 61,000 ounces, respectively. Gold sales from discontinued operations for the first nine months of 2011 and 2010 were 79,000 ounces and 181,000 ounces, respectively.

Gold sales volumes from continuing operations increased in the third quarter of 2011 compared to the third quarter of 2010, mainly due to higher production at Essakane.

## NIOBIMUM PRODUCTION, SALES AND OPERATING MARGIN

	Third quarter ended September 30			Nine months ended September 30		
	2011	Change	2010	2011	Change	2010
<b>Operating results – Niobec mine</b>						
Niobium production (millions of kg Nb)	1.2	9%	1.1	3.4	-	3.4
Niobium sales (millions of kg Nb)	1.0	(9%)	1.1	3.3	-	3.3
Operating margin (\$/kg Nb) <sup>1</sup>	14	(26%)	19	14	(26%)	19

Niobium production during the third quarter of 2011 was 9% higher compared to the prior year quarter. The operating margin per kilogram of niobium decreased by \$5 per kilogram during the third quarter of 2011 compared to the same period in 2010. Notwithstanding the higher average price sold, the lower than expected operating margin was due to lower grades and costs resulting from mine re-sequencing to align to future plan changes in mining approach, higher prices of consumables and a stronger Canadian dollar.

<sup>1</sup> Operating margin per kilogram of niobium at the Niobec Mine is a non-GAAP measure. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

## FINANCIAL RESULTS

### ADJUSTED NET EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO EQUITY SHAREHOLDERS<sup>1</sup>

Adjusted net earnings from continuing operations attributable to equity shareholders<sup>1</sup> during the third quarter of 2011 of \$112.5 million increased by \$72.6 million when compared to \$39.9 million in the same period in 2010. The change is attributable to the following:

	Third quarter ended September 30 2011
(in \$ millions)	\$
Higher metal prices	102.4
Higher sales volumes	94.3
Higher revenues from royalties	0.5
Higher operating costs	(73.7)
Higher royalty expenses	(10.7)
Higher depreciation, depletion and amortisation	(5.0)
Higher exploration expenses	(8.1)
Higher general and administrative expenses	(3.9)
Other	(6.4)
Higher income and mining taxes	(16.8)
<b>Increase in adjusted net earnings from continuing operations attributable to equity shareholders, compared to the third quarter of 2010</b>	<b>72.6</b>

### REVENUES

The Company's consolidated revenues from continuing operations increased by \$197.2 million (84%) compared to the third quarter of 2010 to \$431.9 million in the third quarter of 2011 as a result of:

- Gold revenues increased by \$194.7 million as gold prices rose by \$433 per ounce (\$100.2 million) and gold sale volume increased by 76,000 ounces (\$94.5 million) primarily as a result of higher production from Essakane which was ramping up in the prior year quarter;
- Niobium revenues increased by \$2.0 million primarily as a result of higher niobium prices; and
- Revenues from other metals and royalty interests in the Diavik mine increased by \$0.5 million.

### MINING COSTS

Third quarter 2011 mining costs from continuing operations, excluding depreciation, depletion and amortisation, increased by \$96.7 million (90%) to \$203.7 million compared to the third quarter of 2010. Mining costs rose due to:

- Higher operating costs (\$73.7 million), primarily at Essakane, Rosebel and Niobec. At Essakane, the higher mining costs were primarily the result of higher production in the current quarter compared to the third quarter of 2010 when the mine was ramping up. Operating costs were also higher due to increased labour, energy and consumables costs and the impact of mining lower grades;
- Asset retirement obligations revaluation (\$12.3 million) due to lower discount rates charged to the statement of earnings for closed sites; and
- Higher royalties (\$10.7 million) driven from higher realized gold prices.

<sup>1</sup> Adjusted net earnings from continuing operations attributable to equity shareholders of the Company are non-GAAP measures. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

## **DEPRECIATION, DEPLETION AND AMORTISATION**

Depreciation, depletion and amortisation increased from \$32.6 million in the third quarter of 2010 to \$37.6 million in the third quarter of 2011, mainly due to higher production from Essakane. This was partially offset by an increase in the reserves for gold sites and at Niobec.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses in the third quarter of 2011 were \$14.4 million, compared to \$10.5 million in the third quarter of 2010. The increase is mainly the result of certain one-time charges for 2011, increased spending on recruiting and higher donations to charitable causes.

## **EXPLORATION EXPENSES**

Exploration expenses in the third quarter of 2011 were \$20.3 million, compared to \$12.2 million in the third quarter of 2010. Exploration expenditures included near-mine exploration and resource development at Rosebel, Essakane and Westwood, and greenfield exploration on 16 projects. Refer to the Exploration section for more details.

## **FOREIGN EXCHANGE LOSS**

The foreign exchange loss in the third quarter of 2011 was \$11.9 million, compared to a loss of \$8.5 million in the third quarter of 2010. The majority of the foreign exchange loss during 2011 and 2010 was due to the impact of the foreign exchange variation on net monetary assets such as cash, cash equivalents, receivables, payables, income and mining taxes payable, and asset retirement obligations.

## **INTEREST INCOME, DERIVATIVES AND OTHER INVESTMENT GAINS (LOSSES)**

The total of interest income, derivatives and other investment gains (losses) was a loss of \$12.4 million in the third quarter of 2011 compared to a gain of \$7.2 million in the third quarter of 2010.

The major items in the third quarter of 2011 were unrealized derivative losses caused by the volatility in currency markets at the end of September, partially offset by gains on sale of marketable securities.

## **INCOME AND MINING TAXES**

The Company does not recognize tax benefits on losses generated in countries where the recent history of operating losses does not satisfy the "probable" criterion for the recognition of deferred tax assets. Consequently, there are no income tax benefits recognized on the pre-tax losses in these jurisdictions where it is not probable that the benefit will be realized.

The income and mining tax rate varies from the combined Canadian federal and provincial statutory tax rate due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non deductible expenses. The combined impact of these factors resulted in a third quarter and nine-month year to date 2011 effective tax rate of 54.0% and 36.3%, respectively.

## **Fluctuations in foreign exchange rates**

Fluctuations in the exchange rates create a tax impact on unrealized gains (losses) on revaluation of non-monetary assets and liabilities in the foreign jurisdictions. The resulting unrealized gains (losses) are tax affected on a quarterly basis. The rapid appreciation of the U.S. dollar at the end of the third quarter of 2011 caused the third quarter and year to date 2011 effective tax rates to increase by 18.6% and 3.9%, respectively. Excluding the impact of the fluctuations in foreign exchange rates, the third quarter and year to date 2011 effective tax rate would have been 35.4% and 32.4%, respectively.

## **DISCONTINUED OPERATIONS**

### **Tarkwa and Damang mines (Investments in associates)**

On June 22, 2011, IAMGOLD sold its 18.9% interests in the Tarkwa and Damang gold mines in Ghana, West Africa to Gold Fields Limited for proceeds of \$667.0 million. Interests in Tarkwa and Damang mines were accounted for as investments in associates using the equity method. The Company ceased the equity method accounting as of April 1, 2011 and recorded an after-tax gain of \$402.8 million on this sale.

### **Mupane mine**

On August 31, 2011, the Company completed the disposition of its Mupane gold mine for \$34.2 million resulting in an after-tax gain on disposal of \$6.8 million. The disposal of the site resulted in a loss from discontinued operations of \$16.3 million, including the retirement of outstanding Mupane gold hedges for \$18.7 million.

The proceeds consisted of \$12.5 million in cash, a \$3.8 million promissory note, payable over 3 years at an annual interest rate of 6%, and 21,875,000 common shares of Galane Gold Ltd. ("Galane") valued at \$17.9 million representing approximately 48.5% of the outstanding shares of Galane.

The net loss of the Mupane mine (100%) is disclosed as discontinued operations in the consolidated statement of earnings (refer to note 6 in the Company's unaudited consolidated interim financial statements).

Starting September 1, 2011, the interest of 48.5% in Galane (the new entity owning the Mupane mine) was accounted for as an investment in associates using the equity method.

## CASH FLOW

	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
(in \$ millions)	\$	\$	\$	\$
Continuing operations				
Operating activities	174.0	49.5	385.1	146.7
Investing activities	(269.0)	(55.3)	287.8	(292.1)
Financing activities	(35.8)	11.4	(22.2)	21.8
Impact of foreign exchange on cash and cash equivalents	(16.0)	0.1	(15.2)	(0.3)
Increase (decrease) in cash and cash equivalents from continuing operations	(146.8)	5.7	635.5	(123.9)
Cash flows from (used in) discontinued operations	(14.0)	3.5	(19.6)	45.2
Increase (decrease) in cash and cash equivalents	(160.8)	9.2	615.9	(78.7)
Cash and cash equivalents, beginning of period	1,047.5	103.5	270.8	191.4
Cash and cash equivalents, end of period	886.7	112.7	886.7	112.7

### Continuing Operations:

#### Operating Activities

In the third quarter of 2011, cash flows from continuing operating activities were higher than the same period last year as a result of higher gold sales at higher realized prices.

Adjusted operating cash flow from continuing operations<sup>1</sup> in the third quarter of 2011 was \$211.0 million (\$0.56 per share), an increase of 116% compared to \$97.6 million (\$0.26 per share) in the third quarter of 2010. The increase is mainly due to the impact of higher production from continuing operations and higher per ounce gold margin.

#### Investing Activities

Capital expenditures in mining assets and exploration and evaluation were \$102.7 million during the third quarter of 2011 compared to \$56.0 million in the third quarter of 2010.

Investing activities related to continuing operations in the first nine months of 2011 and short-term investments purchased in the third quarter of 2011 for \$169.9 million were more than offset by proceeds received from the disposition of the Mupane mine of \$6.6 million during the third quarter of 2011, the Tarkwa and Damang mines of \$667.0 million during the second quarter of 2011, and the sale of the La Arena project of \$48.8 million during the first quarter of 2011.

#### Financing Activities

Cash flows used in financing activities related to continuing operations in the third quarters of 2011 and 2010 were mainly due to the payment of dividends to shareholders and non-controlling interests partially offset by the issuance of common shares.

<sup>1</sup> Adjusted operating cash flow from continuing operations and adjusted operating cash flow from continuing operations per share are non-GAAP measures. Refer to the Supplemental Information attached to the MD&A for reconciliation to GAAP measures.

## Foreign Exchange

The impact of foreign exchange on cash and cash equivalents is related to the fluctuation of foreign currencies compared to the U.S. dollar.

## Discontinued Operations:

Cash flows from (used in) discontinued operations are related to the Mupane, Tarkwa and Damang mines.

## QUARTERLY FINANCIAL REVIEW<sup>(a)</sup>

(in \$ millions, except where noted)	IFRS							Can GAAP
	Q3	Q2	2011 Q1	Q4	Q3	Q2	2010 Q1	2009 Q4
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues from continuing operations	431.9	345.7	414.0	440.9	234.7	198.1	223.4	254.3
Net earnings (loss) from continuing operations	60.0	80.1	142.1	127.9	39.9	24.2	48.7	(56.0)
Net earnings (loss)	50.7	484.5	162.3	134.5	54.5	30.7	60.2	(47.4)
Net earnings (loss) attributable to equity shareholders	40.7	478.9	153.4	124.1	52.0	29.5	57.1	(47.4)
Basic earnings (loss) attributable to equity shareholders of the Company per share (\$/share)	0.11	1.28	0.41	0.33	0.14	0.08	0.15	(0.13)
Diluted earnings (loss) attributable to equity shareholders of the Company per share (\$/share)	0.11	1.27	0.41	0.33	0.14	0.08	0.15	(0.13)

<sup>(a)</sup> The unaudited consolidated interim financial statements for the first nine months of 2011 have been prepared in accordance with IFRS with comparative information for 2010 restated under IFRS.

## MARKET TRENDS

### GLOBAL FINANCIAL MARKET CONDITIONS

Events and conditions in the global financial markets impact gold prices, commodity prices, interest rates and currency rates. These conditions and market volatilities may have a positive or negative impact on the Company's revenues, operating costs, project development expenditures, and project planning.

### GOLD MARKET

In the third quarter of 2011, the gold price continued to display considerable volatility with spot daily closings between \$1,483 and \$1,895 per ounce (third quarter of 2010 – \$1,157 and \$1,308 per ounce) from London Bullion Market Association ("LBMA").

	Third quarter ended September 30		Nine months ended September 30	
(\$/oz of gold)	2011	2010	2011	2010
Average market gold price	1,702	1,227	1,534	1,178
Average realized gold price	1,675	1,242	1,524	1,182
			September 30, 2011	December 31, 2010
Closing market gold price			1,620	1,406

### NIOBIUM MARKET

The Company is one of three significant producers of ferroniobium in the world, with a market share of approximately 8% in 2010. The largest producer in the niobium market is a Brazilian producer whose operations can impact market conditions. Niobium demand closely follows the demand for steel, with a trend towards increased usage of niobium per tonne of steel produced. World steel production increased by approximately 11% compared to the third quarter of 2010. The niobium average realized price for IAMGOLD was marginally higher in the third quarter of 2011 when compared to the average realized price in the third quarter of 2010.

### CURRENCY

The Company's reporting currency is the U.S. dollar. Movement in the Canadian dollar against the U.S. dollar has a direct impact on the Company's Canadian mining activities and executive office cost base. International operations are also exposed to fluctuation in currency exchange rates. Currencies continued to experience volatility relative to the U.S. dollar in the third quarter of 2011. The recent downgrade in the U.S. sovereign credit rating is not expected to have a material impact on IAMGOLD's financial position as all or the Company's revenues and most of cost base are in U.S. dollar, and U.S. dollar denominated short-term investments have maturities of less than twelve months. The key currencies to which the Company is exposed are the Canadian dollar and the euro.

	Third quarter ended September 30		Nine months ended September 30	
Average rates	2011	2010	2011	2010
Canadian \$ / U.S.\$	0.9800	1.0390	0.9776	1.0358
U.S.\$ / Euro	1.4127	1.2932	1.4072	1.3162
			September 30, 2011	December 31, 2010
Closing rates				
Canadian \$ / U.S.\$			1.0496	0.9999
U.S.\$ / Euro			1.3384	1.3382

In 2011, the Company is, on an ongoing basis, updating its hedge positions, within its hedging strategy, designed to meet its currency requirements by mitigating the volatility of movement in the exchange rates of foreign currencies. Refer to Financial position – Market risks section for more information.

## OIL PRICE

The Company's operations and projects expect to consume approximately 0.6 million barrels of fuel in 2011. In the third quarter of 2011, the oil price displayed considerable volatility with spot daily closings between \$79 and \$100 per barrel.

(\$/barrel)	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Average market oil price	90	76	95	78
			September 30, 2011	December 31, 2010
Closing market oil price			82	91

The Company's hedging strategy for oil price is based on the use of oil option contracts to provide protection against the effects of oil price increases on the cost of diesel fuel. Call options on oil are used to mitigate the risk of diesel price increases. Refer to Financial position – Market risks section for more information.

## RESULTS OF OPERATIONS

### Suriname – Rosebel Mine (IAMGOLD interest – 95%)

#### Summarized Results

100% Basis

	Third quarter ended		Third quarter ended September 30, 2010	Nine months ended		Nine months ended September 30, 2010
	September 30, 2011	Change		September 30, 2011	Change	
Total operating material mined (000 t)	14,883	20%	12,364	38,478	-	38,320
Strip ratio <sup>(a)</sup>	3.0	-	3.0	3.1	3%	3.0
Ore milled (000 t)	3,315	7%	3,112	9,508	1%	9,415
Head grade (g/t)	1.0	(9%)	1.1	1.0	-	1.0
Recovery (%)	93	(1%)	94	94	2%	92
Gold production – 100% (000 oz)	99	(7%)	106	296	2%	290
Attributable gold production – 95% (000 oz)	94	(7%)	101	281	2%	276
Gold sales – 100% (000 oz)	99	3%	96	290	2%	285
Gold revenue (\$/oz) <sup>(b)</sup>	1,674	35%	1,238	1,529	29%	1,184
Cash cost excluding royalties (\$/oz)	535	27%	421	537	22%	439
Royalties (\$/oz)	94	49%	63	85	42%	60
Cash cost (\$/oz) <sup>(c)</sup>	629	30%	484	622	25%	499

(a) Strip ratio is calculated as waste divided by full-grade ore mined.

(b) Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

(c) Cash cost per ounce is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

Gold production during the third quarter of 2011 was 7% lower than the same quarter in the prior year, primarily as a result of lower grades partially offset by higher throughput.

The site faced cost pressures during the quarter and cash costs were higher. Higher global oil prices led to increased cost of hauling and increased costs of thermal power.

Labour costs were higher in the third quarter of 2011 compared to the third quarter of 2010 due to inflationary factors in the Surinamese economy and royalties increased with rising gold prices, partly offset by the devaluation of the Surinamese dollar.

During the third quarter of 2011, Rosebel's capital expenditures were \$25.2 million and consisted of new mining equipment (\$13.3 million), resource delineation and near-mine exploration (\$2.5 million), new truck shop (\$1.8 million), tailings dam (\$1.5 million), gravity circuit (\$1.5 million), and various smaller projects (\$4.6 million). Capital expenditures during the first nine months of 2011 were \$50.9 million.

#### Expansion at Rosebel

The expansion is primarily an optimization of the open pit mine. Without this expansion, mill throughput would decline going forward as the ore mix will trend to higher proportions of hard rock. The cost of the staged expansion is expected to total an additional \$185 million over the next seven years versus the no-expansion case with sustaining and replacement capital only. The project entails additional grinding capacity to allow mill throughput to be maintained between 12 and 14 million tonnes per year, even with the increased hard rock volumes, coupled with additional mining equipment to increase annual mining capacity to 70 million tonnes to optimize mill feed grades.

In May 2011, the Company reached a framework agreement with the Government of Suriname to support a substantial capacity increase at the Rosebel gold mine. The framework is centered on IAMGOLD's increased investment in brownfield and other near plant resource development, infrastructure and energy. Feasibility work is planned for in 2012 with construction into 2013.

### Outlook

Rosebel's attributable production in 2011 is maintained and is expected to be between 360,000 and 380,000 ounces. Capital expenditures for 2011 have been revised downwards by \$25 million to \$70 million primarily due to timing of spending on the mine equipment and mill expansion. Capital expenditures for 2011 include a 95,000-metre near-mine drill program of \$15 million and are designed to upgrade additional resources to reserves and pursue targets in close proximity to existing resources.

### Burkina Faso – Essakane Mine (IAMGOLD interest—90%)

#### Summarized Results

100% Basis

	Third quarter ended		Third quarter ended September 30, 2010 <sup>(a)</sup>	Nine months ended		Nine months ended September 30, 2010 <sup>(a)</sup>
	September 30, 2011	Change		September 30, 2011	Change	
Total operating material mined (000 t)	6,526	21%	5,404	20,072	271%	5,404
Strip ratio <sup>(b)</sup>	1.7	42%	1.2	1.7	42%	1.2
Ore milled (000 t)	1,975	52%	1,298	5,570	329%	1,298
Head grade (g/t)	1.6	33%	1.2	1.6	33%	1.2
Recovery (%)	96	1%	95	96	1%	95
Gold production – 100% (000 oz)	95	102%	47	270	474%	47
Attributable gold production – 90% (000 oz)	86	102%	42	243	474%	42
Gold sales – 100% (000 oz)	91	406%	18	275	1,428%	18
Gold revenue (\$/oz) <sup>(c)</sup>	1,670	30%	1,287	1,520	18%	1,287
Cash cost excluding royalties (\$/oz)	451	2%	441	434	(2%)	441
Royalties (\$/oz)	84	367%	18	79	339%	18
Cash cost (\$/oz) <sup>(d)</sup>	535	17%	459	513	12%	459

<sup>(a)</sup> Commercial production started July 16, 2010.

<sup>(b)</sup> Strip ratio is calculated as waste mined divided by ore mined.

<sup>(c)</sup> Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

<sup>(d)</sup> Cash cost per ounce is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

Attributable production during the third quarter of 2011 was 86,000 ounces, compared to 42,000 ounces during the third quarter of 2010 as the site had commenced production in July 2010 and was ramping up. In the second quarter of 2011, the site experienced water shortages. As a result, the site commenced and has almost completed a capital program to build an additional bulk water storage facility to add approximately 50% more storage capacity for the coming year as well as doubling the pumping capacity between the water capture point and the water storage reservoirs.

Cash costs in the third quarter of 2011 were higher compared to the third quarter of 2010 mainly due to higher energy prices, upward pressure on consumable prices and higher royalties due to higher gold prices.

During the third quarter of 2011, Essakane's capital expenditures were \$25.7 million and consisted of the feasibility study on the expansion (\$0.6 million), bulk water storage facility (\$7.2 million), pumping station (\$0.5 million), excavator (\$5.0 million), camp site (\$2.1 million), exploration (\$2.6 million) and other sustaining capital (\$7.7 million). Capital expenditures during the first nine months of 2011 were \$57.3 million.

## Expansion at Essakane

A feasibility study to expand the mine is currently in progress and is expected to be completed before the end of the year. The current mine plan includes processing soft rock for the three years at a rate of 9.0 million tonnes per year starting in 2011, followed by approximately nine years of processing hard rock. The study is expected to demonstrate that the hard rock capacity of the mine could be expanded to double the volume of tonnes processed. Following a positive outcome of the study, construction would commence in early 2012.

### Outlook

Essakane's attributable production in 2011 is maintained and is expected to be between 340,000 and 360,000 ounces. Capital expenditures for 2011 have been revised downwards by \$68 million to \$71 million primarily due to timing of spending on the expansion project after the completion of the feasibility study in the fourth quarter of 2011.

## Canada – Doyon Division (IAMGOLD interest – 100%)

### Summarized Results

100% Basis

	Third quarter ended		Third quarter ended September 30, 2010	Nine months ended		Nine months ended September 30, 2010
	September 30, 2011	Change		September 30, 2011	Change	
Total operating material mined (000 t)	14	8%	13	44	(10%)	49
Ore milled (000 t)	13	(24%)	17	13	(24%)	17
Head grade (g/t)	12.0	(15%)	14.2	12.0	(15%)	14.2
Recovery (%)	94	(2%)	96	94	(2%)	96
Gold production (000 oz)	5	(62%)	13	5	(67%)	15
Gold sales (000 oz)	3	-	3	13	44%	9
Gold revenue (\$/oz) <sup>(a)</sup>	1,673	30%	1,284	1,443	25%	1,154
Cash cost excluding royalties (\$/oz)	1,161	170%	430	1,161	189%	402
Royalties (\$/oz)	42	62%	26	42	56%	27
Cash cost (\$/oz) <sup>(b)</sup>	1,203	164%	456	1,203	180%	429

<sup>(a)</sup> Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

<sup>(b)</sup> Cash cost per ounce is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

The ore mined from Mouska was stockpiled and batch processing has commenced in the third quarter with completion planned in the fourth quarter of 2011.

### Outlook

Production at Mouska is expected to be within the guidance of 25,000 and 30,000 ounces in 2011.

**Mali – Sadiola Mine (IAMGOLD interest – 41%)**  
**Summarized Results**  
41% Basis

	Third quarter ended September 30, 2011	Change	Third quarter ended September 30, 2010	Nine months ended September 30, 2011	Change	Nine months ended September 30, 2010
Total operating material mined (000 t)	2,659	47%	1,808	7,768	12%	6,962
Strip ratio <sup>(a)</sup>	15.6	84%	8.5	8.3	1%	8.2
Ore milled (000 t)	505	15%	441	1,466	10%	1,332
Head grade (g/t)	2.0	(5%)	2.1	1.9	(10%)	2.1
Recovery (%)	94	2%	92	95	1%	94
Attributable gold production (000 oz)	30	-	30	93	4%	89
Attributable gold sales (000 oz)	31	11%	28	91	6%	86
Gold revenue (\$/oz) <sup>(b)</sup>	1,691	38%	1,222	1,527	30%	1,172
Cash cost excluding royalties (\$/oz)	739	25%	589	666	23%	543
Royalties (\$/oz)	100	43%	70	89	31%	68
Cash cost (\$/oz) <sup>(c)</sup>	839	27%	659	755	24%	611

<sup>(a)</sup> Strip ratio is calculated as waste divided by full-grade ore mined.

<sup>(b)</sup> Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

<sup>(c)</sup> Cash cost per ounce is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

The attributable gold production for the third quarter of 2011 was similar to the prior year period as higher throughput and recoveries offset the impact of lower grades.

Cash costs rose during the third quarter of 2011 compared to the third quarter in the prior year primarily as a result of higher energy costs, higher consumables costs, higher labour costs from a revised mining contract finalized in the fourth quarter of 2010, and increased royalties from higher realized gold prices.

The Company's attributable portion of capital expenditures during the third quarter of 2011 was \$2.1 million. Capital expenditures during the first nine months of 2011 were \$5.3 million.

Sadiola distributed a dividend of \$13.4 million to IAMGOLD during the third quarter (2010 IAMGOLD's share – \$14.5 million).

**Expansion at Sadiola**

A construction decision on the Sadiola sulphide project is expected by the end of 2011. The feasibility study on the sulphide project to expand the processing facility to process hard rock in conjunction with soft rock was completed in 2010. IAMGOLD took the lead to reduce cost and re-engineer the construction schedule. Final approval by both joint venture parties are expected before the end of the year.

**Mali – Yatela Mine (IAMGOLD interest – 40%)**  
**Summarized Results**  
40% Basis

	Third quarter ended September 30, 2011	Change	Third quarter ended September 30, 2010	Nine months ended September 30, 2011	Change	Nine months ended September 30, 2010
Total operating material mined (000 t)	1,432	(5%)	1,508	4,666	30%	3,576
Strip ratio <sup>(a)</sup>	9.0	10%	8.2	6.9	-	6.9
Ore crushed (000 t)	261	12%	233	825	(5%)	865
Head grade (g/t)	1.0	-	1.0	1.0	(23%)	1.3
Attributable gold stacked (000 oz)	8	14%	7	27	(25%)	36
Attributable gold production (000 oz)	7	(22%)	9	21	(59%)	51
Attributable gold sales (000 oz)	7	(30%)	10	21	(59%)	51
Gold revenue (\$/oz) <sup>(b)</sup>	1,701	38%	1,233	1,534	33%	1,156
Cash cost excluding royalties (\$/oz)	1,687	44%	1,169	1,417	133%	609
Royalties (\$/oz)	106	43%	74	93	35%	69
Cash cost (\$/oz) <sup>(c)</sup>	1,793	44%	1,243	1,510	123%	678

(a) Strip ratio is calculated as waste divided by full-grade ore mined.

(b) Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

(c) Cash cost per ounce is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

Attributable gold production was lower in the third quarter of 2011 compared to the same quarter in 2010 as a result of lower gold stacked in prior periods. After the completion of mining the bottom of the main pit in early 2010, mine production has shifted to a longer-haul satellite pit, which resulted in lower grades and higher waste stripping.

Cash costs during the third quarter of 2011 were significantly higher than the same quarter in the prior year. This was primarily due to current quarter's production being lower than the same period in the prior year. In addition, the site faced similar cost pressures as Sadiola.

There were no significant capital expenditures during the third quarter of 2011 and in 2010.

Yatela did not distribute any dividend during the third quarter of 2011.

## Canada – Niobec Mine (IAMGOLD interest – 100%)

### Summarized Results

100% Basis

	Third quarter ended		Third quarter ended September 30, 2010	Nine months ended		Nine months ended September 30, 2010
	September 30, 2011	Change		September 30, 2011	Change	
Total operating material mined (000 t)	487	14%	427	1,562	17%	1,338
Ore milled (000 t)	524	14%	458	1,574	16%	1,362
Grade (% Nb <sub>2</sub> O <sub>5</sub> )	0.55	(11%)	0.62	0.57	(8%)	0.62
Niobium production (millions of kg Nb)	1.2	9%	1.1	3.4	-	3.4
Niobium sales (millions of kg Nb)	1.0	(9%)	1.1	3.3	-	3.3
Operating margin (\$/kg Nb) <sup>(a)</sup>	14	(26%)	19	14	(26%)	19

<sup>(a)</sup> Operating margin per kilogram of niobium at the Niobec mine is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

Niobium production during the third quarter of 2011 was 9% higher than the same quarter in the prior year as higher throughput offset the impact of lower grades.

Niobium revenues were \$42.4 million in the third quarter of 2011 compared to \$40.4 million in the same period in 2010, due to a higher realized niobium price partly offset by lower volume of niobium sold.

Notwithstanding the higher average price sold, the lower than expected operating margin was due to lower grades and costs resulting from mine re-sequencing to align to future plan changes in mining approach, higher prices of consumables and a stronger Canadian dollar.

In the third quarter of 2011, capital expenditures were \$13.5 million and included underground development (\$3.8 million), underground equipment (\$1.0 million), pumping station (\$3.4 million), and various other projects (\$5.3 million). Capital expenditures during the first nine months of 2011 were \$36.7 million.

### Expansion at Niobec

The Company is currently undertaking a pre-feasibility study to confirm the potential expansion of Niobec. The study is planned for completion by the end of 2011 and will help determine whether open pit mining or block caving will provide the best option for Niobec.

In June 2011, the Company filed an independently prepared NI 43-101 compliant preliminary economic assessment (“PEA”) on the Niobec mine. The PEA shows a significant increase in measured and indicated mineral resource estimates at Niobec with the potential for a significant production expansion. The PEA examined the impact of changing the existing underground mine to either of two bulk mining methods, the open pit scenario or the block caving scenario. The PEA reflects potential for a near 700% increase in measured and indicated mineral resources to over 1.9 billion kilograms of contained niobium pentoxide, and a potential threefold increase in niobium production to a level of 15 million kilograms per year. Based on higher metal prices and lower operating costs, the operating margin is estimated to increase to \$28 per kilogram of niobium. Under the above assumptions, the remaining mine life would exceed 40 years. After-tax net asset value is expected to range between \$1.6 billion and \$2.0 billion.

While the development studies continue, the operation has undertaken to adjust its mining sequence for the current operation to be well prepared for the future significant change in mining approach. The changes are being made to take advantage of opportunities that arise out of the mining method change, and to preserve cash flows and production capacity in the interim period. Important changes to the plan include a shift from mining in the centre of the orebody to the margins of the orebody and a gradual cessation of paste backfill use in the mine. As a result of these mine plan changes, some additional development is required in the near term as well as some rehabilitation of older mining areas to provide ore feed whilst access is driven to the new stopes. These changes have impacted the result with marginally lower grades and additional underground costs and the impacts are expected to continue through to early 2013.

### Outlook

The Niobec mine's production for 2011 is maintained and is expected to be between 4.5 million kilograms and 5.0 million kilograms with an operating margin at the lower end of guidance of between \$15 and \$17 per kilogram. In 2011, capital expenditures at Niobec of \$39 million are mainly related to underground development, a pumping station and water treatment. Capital expenditures for 2011 have been increased by \$11 million to \$50 million.

## **Discontinued gold operations**

### **Botswana – Mupane Mine**

(IAMGOLD interest)

#### **Summarized Results**

	Third quarter ended September 30, 2011		Third quarter ended September 30, 2010	Nine months ended September 30, 2011		Nine months ended September 30, 2010
		Change			Change	
Gold production (000 oz)	9	(44%)	16	30	(29%)	42
Cash cost (\$/oz) <sup>(a)</sup>	1,287	34%	964	1,314	46%	897

<sup>(a)</sup> Cash cost per ounce is a non-GAAP measure. Refer to the Supplemental Information section attached to the MD&A for reconciliation to GAAP measures.

On August 31, 2011, the Company completed the disposition of its Mupane gold mine for \$34.2 million. The proceeds consisted of \$12.5 million in cash, a \$3.8 million promissory note, payable over 3 years at an annual interest rate of 6%, and 21,875,000 common shares of Galane Gold Ltd. ("Galane") valued at \$17.9 million, representing approximately 48.5% of the outstanding shares of Galane.

Production for the current quarter includes production up to August 31, 2011 and is included as discontinued operations. No production after August 31, 2011 will be included.

Net earnings of the Mupane mine (100%) are disclosed as discontinued operations in the consolidated statement of earnings (refer to note 6 in the Company's unaudited consolidated interim financial statements). Starting September 1, 2011, the interest of 48.5% in the new entity owning the Mupane mine (Galane) was accounted for as an investment in associates using the equity method.

### **Ghana – Tarkwa and Damang Mines**

In June 2011, IAMGOLD announced the receipt proceeds of \$667.0 million on the closing of the sale of its 18.9% interests in the Tarkwa and Damang gold mines in Ghana, West Africa to Gold Fields Limited. The Company's updated continuing business guidance excludes Tarkwa and Damang results from production and cash costs effective April 1, 2011.

## DEVELOPMENT PROJECTS

In the third quarter of 2011, the Company's total development project expenditures were \$31.6 million, mainly related to the Westwood project in northern Quebec. Projects are summarized as follows:

(in \$ millions)	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
<b>Capitalized Expenditures</b>	\$	\$	\$	\$
North America				
Canada – Westwood project	30.6	19.2	88.4	69.5
Africa				
Burkina Faso – Essakane project	-	4.0	-	107.0
South America				
Ecuador – Quimsacocha project	0.8	0.6	2.5	3.7
Peru – La Arena project	-	6.8	-	13.8
	31.4	30.6	90.9	194.0
<b>Expenses</b>				
South America				
Ecuador – Quimsacocha project	-	0.3	-	0.3
French Guiana – Camp Caiman project	0.2	0.2	0.7	1.7
	0.2	0.5	0.7	2.0
<b>Total</b>	<b>31.6</b>	<b>31.1</b>	<b>91.6</b>	<b>196.0</b>

### Outlook 2011 – Evaluation projects

The planned capitalized evaluation expenditures for 2011 are summarized as follows:

(in \$ millions)	Capitalized
<b>2011</b>	\$
Westwood project	125.0
Quimsacocha project	3.0
	128.0

### Canada – Westwood Project

#### Construction

The overall plan remains on track for an early 2013 commercial start. The Westwood project expenditures, excluding exploration, in the third quarter of 2011 totaled \$30.6 million (before tax credits) (first nine months of 2011 – \$88.4 million) with significant infrastructure preparation and construction, including the completion of a number of hoist elements, the fire detection system with the new pump house, the waste silo foundation, and the beginning of the ground support of the six-metre diameter ventilation shaft. During the third quarter of 2011, shaft sinking reached 1,400 metres, with the installation of a spill pocket and the safety bulkhead under the 104-0 level, and underground development work including 2,200 metres of lateral and vertical excavation achieved (first nine months of 2011 – 6,566 metres).

## Exploration

Over 15,000 metres of diamond drilling was completed during the third quarter 2011 as part of the 82,000-metre 2011 underground drill program. The costs in the third quarter were \$2.2 million (before tax credits) (first nine months of 2011 – \$7.6 million). The program is designed to provide additional inferred resources and upgrade existing mineral resources to measured and indicated categories in tandem with the on-going underground development and construction of the surface installations. As part of the development work, the exploration ramp and underground drifts were extended by 1,891 metres during the third quarter to provide better underground access for definition drilling in the upper parts of the deposit. Better access will also improve drill positioning to target extensions to the known mineralized lenses at depth.

Four underground drills, working on expansion drilling below the 132 level, drilled over 7,100 metres during the third quarter of 2011. In addition, five drills focused on in-fill and delineation work, drilled nearly 7,700 metres during the third quarter of 2011. The Company is pleased with the progress year-to-date, projected expansions to the inferred resources, and the increased confidence in the reserves and resources.

## Outlook 2011

Evaluation activities planned in 2011 for a total of \$125.0 million are as follows:

- complete construction of the surface waste silo to allow ore development by the end of 2011,
- achieve shaft sinking plan (1,560 metres by end of 2011),
- complete the six-metre ventilation raise boring,
- ground support to the six-metre ventilation raise boring,
- infill and step-out drilling for resource development (82,000 metres), and
- total vertical and horizontal development of nearly 9,500 metres.

## **South America – Ecuador – Quimsacocha**

The Quimsacocha project has probable reserves of 8.1 million tonnes, at an average grade of 6.5 grams of gold per tonne of ore containing 1.7 million ounces of gold, within an indicated resource of 9.9 million tonnes, at an average grade of 6.6 grams of gold per tonne of ore containing 2.1 million ounces of gold.

The Company has obtained requisite permits and authorization to advance feasibility work.

Dialogue is ongoing with senior government officials in order to obtain needed clarity on fiscal and other matters, including the analysis of the model mining contracts recently released by the Ecuadorian government. The Company is also closely following the progress of mining contract negotiations involving three projects in Ecuador, which may serve to clarify certain key items.

Assessment of the project's financial viability continues as the Company works to clarify key fiscal and other applicable dimensions. Evaluation expenditures expected in 2011 of \$3.0 million are based on continuing with the current level of activity. The Company continues to assess whether the new contract model and the government's position offer sufficient flexibilities that will allow advancement of the project.

## EXPLORATION

IAMGOLD's exploration efforts remain focused in West Africa, select countries in South America, and the province of Quebec in Canada. With a strategic mandate for organic growth, the Company has numerous projects already underway and continues to pursue additional advanced exploration joint venture or acquisition opportunities that will provide the foundation for future growth.

In the third quarter of 2011, IAMGOLD incurred \$27.1 million on exploration projects compared to \$18.6 million in the third quarter of 2010 (first nine months of 2011 – \$75.5 million; first nine months of 2010 – \$60.9 million). The third quarter 2011 expenditures included:

- near-mine exploration and resource development expenditures of \$12.2 million (first nine months of 2011 – \$36.7 million) including an on-going resource expansion and delineation drilling program of more than 95,000 metres at Rosebel in Suriname for \$2.5 million (first nine months of 2011 – \$8.1 million), an underground exploration and resource delineation drilling program of more than 82,000 metres at the Westwood development project in Quebec for \$2.2 million (first nine months of 2011 – \$7.6 million), a resource delineation program of more than 72,000 metres at Essakane in Burkina Faso for \$1.4 million (first nine months of 2011 – \$6.2 million), and expenditures of \$1.1 million directed at an 18,500-metre drilling program for exploration of Rare Earth zone in proximity to the Niobec site (first nine months of 2011 – \$1.1 million); and
- greenfield exploration expenditures of \$14.9 million (first nine months of 2011 – \$38.8 million) conducted at 16 projects, including two advanced exploration sites, in 8 countries in Africa and the Americas as part of IAMGOLD's long-term commitment to reserves replenishment and organic growth.

Exploration expenditures are summarized as follows:

(in \$ millions)	Third quarter ended September 30			Nine months ended September 30		
	Capitalized	Expensed	Total	Capitalized	Expensed	Total
<b>2011</b>	\$	\$	\$	\$	\$	\$
Near-mine exploration and resource development <sup>(a)</sup>	6.4	5.8	12.2	22.7	14.0	36.7
Greenfield exploration projects	0.4	14.5	14.9	0.5	38.3	38.8
	6.8	20.3	27.1	23.2	52.3	75.5
<b>2010</b>	\$	\$	\$	\$	\$	\$
Near-mine exploration and resource development <sup>(a)</sup>	6.4	1.7	8.1	30.5	5.1	35.6
Greenfield exploration projects	0.2	10.3	10.5	0.3	25.0	25.3
	6.6	12.0	18.6	30.8	30.1	60.9

<sup>(a)</sup> Capitalized exploration expenditures related to activities within a mine area are included in mining assets on the consolidated balance sheet and within the segmented information found in note 27 of the Company's unaudited consolidated interim financial statements.

The Company's exploration expenditures were as follows:

(in \$ millions)	Third quarter ended September 30, 2011	Third quarter ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	\$	\$	\$	\$
<b>Capitalized Near-Mine Exploration and Resource Development</b>				
Suriname	2.5	3.5	8.1	10.8
Canada	2.2	1.8	7.6	6.4
Mali	0.3	-	0.8	2.0
Burkina Faso	1.4	1.1	6.2	11.3
	6.4	6.4	22.7	30.5
<b>Capitalized Greenfield Exploration</b>				
Africa	0.4	0.2	0.5	0.3
<b>Total capitalized</b>	6.8	6.6	23.2	30.8
<b>Expensed Near-Mine Exploration and Resource Development</b>				
Canada	3.1	1.1	7.2	3.1
Mali	1.7	0.5	3.7	1.8
Burkina Faso	0.9	-	2.8	-
Suriname	0.1	0.1	0.3	0.2
	5.8	1.7	14.0	5.1
<b>Expensed Greenfield Exploration</b>				
South America	3.8	6.2	13.0	14.3
Africa	9.8	4.0	23.5	9.9
Canada	0.9	0.1	1.8	0.8
	14.5	10.3	38.3	25.0
<b>Total expensed</b>	20.3	12.0	52.3	30.1
<b>Total</b>	27.1	18.6	75.5	60.9

#### Outlook 2011 – Exploration

As a result of positive exploration results, the greenfields exploration was expanded to \$51.1 million from the original budget of expenditures of \$43.5 million set for 2011. The additional exploration spend of \$7.6 million will be directed to greenfields programs in Quebec, Brazil, Suriname, two advanced exploration programs in Mali, and near-mine exploration in the vicinity of Essakane. The Company now expects to conduct 160,000 metres of drilling on greenfields targets in 2011 from an earlier estimate of 120,000 metres. The additional planned drilling comprises a significant proportion of the overall budget and an important allocation of expenditures to advance the Company's strategy of organic growth.

Drilling at near-mine and greenfield exploration sites is now projected to exceed 550,000 metres in 2011.

(in \$ millions)	Capitalized	Expensed	Total
<b>2011</b>	\$	\$	\$
Near-mine exploration and evaluation	37.3	16.0	53.3
Greenfield exploration projects	0.9	50.2	51.1
	38.2	66.2	104.4

## **CAPITALIZED EXPLORATION EXPENDITURES**

Near-mine exploration and resource development work was in progress during the third quarter of 2011 at Westwood, in addition to significant mine site exploration programs at Rosebel, Niobec, Mouska and Essakane.

### **South America – Suriname – Rosebel**

The 2011 reserve development and expansion program at Rosebel was designed to convert measured, indicated and inferred resources into proven and probable reserves, and to extend resources along strike and at depth of the existing resources. The 2011 program is underpinned by an aggressive 95,000-metre diamond drilling program that is focused on the eight deposits at Rosebel, and the Overman resource (formerly referred to as Charmagne) located approximately 15 kilometres north of Rosebel.

At September 30, 2011, more than 81,000 metres had been completed year-to-date. Over 21,000 metres of diamond drilling was completed during the third quarter of 2011 utilizing four drills, and directed at the Overman, Pay Caro, Mayo and Rosebel deposits. During the quarter, 4,347 metres were drilled for resources development and condemnation drilling on the Rosebel deposit, aiming to transfer inferred resource into measured and indicated reserves in preparation for a development phase as early as 2012. At Mayo and Pay Caro, 3,142 metres and 7,701 metres were completed respectively for resource conversion and development. At Overman, a 10,500-metre (6,846 metres in the third quarter) resource conversion program was completed. Positive impact on resources is expected following the update on the block models.

### **Africa – Burkina Faso – Essakane**

An aggressive in-fill and step-out drilling campaign of 72,000 metres of drilling within a total budget of \$8.8 million (43,000 metres of diamond drilling and 29,000 metres of reverse circulation drilling) continued in the third quarter with two drills. Resource development drilling continues to target the depth extensions of the Essakane Main Zone (“EMZ”) as part of the mine expansion feasibility study. More than 13,000 metres of diamond drilling were completed in the third quarter of 2011, and over 40,000 metres for the year-to-date. Exploration priorities in the third quarter of 2011 emphasized the depth extensions of preferred host rock units on the east flank of the EMZ within the northern sector of the EMZ in an attempt to extend resources down-dip and to the east. The on-strike potential and continuity of significant drill results encountered in the third quarter of 2011 remains untested.

### **Canada – Quebec – Mouska**

More than 6,100 metres of underground diamond drilling were completed during the third quarter (over 22,600 metres year-to-date) from the budgeted 2011 program of 33,600 metres. The exploration and resource delineation program is targeting Zone 47, a subsidiary vein structure located only 35 metres north of existing workings. The 2011 exploration program has targeted the depth extension of this structure below the current mineral reserves. The structure is well intercepted by drilling and results are encouraging. The zone remains open to the east and at depth, and an additional phase of drilling will be initiated over the coming months.

### **Canada – Quebec – Westwood**

More than 15,000 metres of diamond drilling was completed during the third quarter 2011 (nearly 60,000 metres year-to-date) as part of the 82,000-metre 2011 underground drill program. The costs in the third quarter were \$2.2 million (first nine months of 2011 – \$7.6 million). The program is part of a multi-year development initiative to expand the inferred resource base and upgrade existing mineral resources to measured and indicated categories. The drilling program is in conjunction with on-going underground development and construction of the surface installations. As part of the development work, the exploration ramp and underground drifts were extended by 1,891 metres during the quarter to provide better underground access for definition drilling in the upper parts of the deposit. Better access will also improve drill positioning to target extensions to the known mineralized lenses at depth.

Nine underground drills were operating during the quarter, and focused on resource expansion drilling below the 132 level, in-fill delineation drilling. The Company is pleased with the progress of the drill program, projected expansions to the inferred resources, and the success of the in-fill programs aiming at transferring inferred resources into the indicated resource category. Most of the in-fill drilling done during the quarter confirmed the gold grade on the interpreted lenses.

### **Canada – Quebec – Niobec**

Over 4,200 metres of infill core drilling were completed during the third quarter of 2011 in Block 4-5 and 6 to upgrade resources to the reserve category as part of the sequential long-term mine planning. In addition, a program of deep drilling to test the extension of the established mineral resource at depth has shown continuity of the geological host units to a depth of 1,400 metres in mining Block 12 and returned similar grades as the established mineral resources. Metallurgical and mineralogical test work will be carried out to confirm estimated recoveries as part of the resource estimation process. Underground exploration drilling totaled approximately 1,500 metres in the third quarter of 2011.

### **GREENFIELD EXPLORATION EXPENSES**

The Company's exploration team had an on-site presence in 8 countries within North and South America and Africa in the third quarter of 2011, including greenfield exploration work on regional land positions in proximity to the Company's operating mines at Essakane and Rosebel.

### **South America – Suriname**

The 2011 near-mine exploration drilling program includes over 8,500 metres of drilling to test exploration targets in the vicinity of the Rosebel mine infrastructure. In the third quarter of 2011, systematic exploration on exploration concessions adjacent to the Rosebel mining permit was focused on the Koemboe and Kraboe Doin prospects, located 10 and 16 kilometres south of the Rosebel infrastructure, respectively. At Koemboe, more than 3,000 metres of diamond drilling in 20 holes was drilled to follow up east-west trending mineralized quartz veins encountered in trenching and an earlier diamond drilling campaign. Significant intersections were made, and drilling extended the known strike of veining and mineralization to 400 metres and to a depth of 120 metres. At Kraboe Doin, a follow-up drilling program of 2,300 metres commenced in the third quarter on the first of two priority targets within an eight-kilometre long gold anomaly defined by shallow auger geochemistry.

### **South America – Colombia**

Subsequent to the end of the third quarter, IAMGOLD completed two private placements providing the Company with a minority interest in exploration projects in Colombia. A third private placement is expected to close in the near future. All projects straddle the Middle Cauca Gold Belt where the mineralization is well known to IAMGOLD's technical team.

On November 4, 2011, IAMGOLD announced that it had acquired a 14% interest in Colombia Crest Gold Corp. through the purchase of 12,000,000 units at C\$0.285 per unit, for a total amount of C\$3.4 million. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each warrant entitles IAMGOLD to purchase one common share for C\$0.35 for up to 24 months after the date of issuance. If IAMGOLD were to exercise the warrants, its ownership interest would increase to 19.7%.

On November 8, 2011, IAMGOLD announced that it had acquired a 10.4% interest in Bellhaven Copper and Gold Inc. through the purchase of 11,000,000 units at C\$0.55 per unit, for a total amount of C\$6.1 million. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each warrant entitles IAMGOLD to purchase one common share for C\$0.65 for up to 36 months after the date of issuance. If IAMGOLD were to exercise the warrants, its ownership interest would increase to 14.8%.

Colombia is becoming an increasingly attractive mining jurisdiction, and as such is a key region of exploration interest for IAMGOLD.

### **Africa – Burkina Faso – Essakane**

During the third quarter of 2011, exploration work continued on the Company's 1,283-square-kilometre block of exploration concessions surrounding the mine permit. Through September 2011, 1,797 metres of reverse circulation and 1,764 metres of diamond drilling had been completed on exploration targets within the 100-square-kilometre mine permit, independent of the more than a 72,000-metre resource expansion program carried out within and immediately adjacent to the Essakane Main Zone resource. In September, 2011, the Company reported the completion of the first phase of a combined reverse circulation and diamond drill program on the northern extension of the Essakane Main Zone resource. The Essakane mine stratigraphy and structural architecture was traced for more than 1.4 kilometres at increasing depths to the northwest in a shallow plunging anticlinal structure. All technical data will be incorporated into the Essakane resource model for year-end reporting. Essakane is in the process of refining its resource estimates that will incorporate the cost and operational experience gained after a full year of production. Additionally, 4,527 metres of aircore drilling has been completed year-to-date finalizing, testing large expanses of the mine permit that are covered with a thin veneer of windblown sands which mask underlying bedrock and limit the effectiveness of surface geochemical surveys. The highest priority anomaly, located south of the Falangountou resource, was the subject of a 44-hole (6,021 metres) drill campaign that ended in August 2011. All assays were pending at the end of the current quarter.

Exploration work continued during the third quarter on established gold mineralized trends closest to the Essakane infrastructure, most notably the more than 10-kilometre-long gold anomalous Gossey-Korizena trend and the Alkoma 2 prospect. More than 286 metres of reverse circulation were completed during the quarter on these satellite prospects. Significant drill results were also reported in September on the Gossey-Korizena trend, an intermittently exposed 10-kilometre long gold anomalous zone defined by artisanal workings, historic surface sampling and scout drilling. More than 21,630 metres of aircore drilling conducted by the Company year-to-date has confirmed the continuity of the target anomaly beneath large tracts of transported sand cover. The Company will return to these areas for further work later in the fourth quarter of 2011 after the seasonal rainy season. The Korizena prospect shows excellent promise; however, oxide potential is limited by the shallow oxide weathering profile encountered to date.

### **Africa – Mali – Kalana Joint Venture**

Subject to the terms of an agreement with Avnel Gold Mining Limited ("Avnel"), entered into in August 2009, the Company has the right to earn a 51% interest in the Kalana joint venture by spending \$11 million over three years, and demonstrating a 2 million ounce gold resource. The Company may also increase its share of the available interest in the project up to 70% upon delivery of a feasibility study, or up to 65% if Avnel elects to participate in the study. In August, 2011, the \$11 million earn-in condition had been met, and the Company was proceeding with plans to continue with exploration of the Kalana mine area, the near-by Kalanako zone, and early stage targets elsewhere on the 387.4-square-kilometre Kalana exploitation permit.

In October 2011, the Company purchased 3,940,000 common shares of Avnel from an Avnel shareholder to bring the Company's holding in Avnel to 20,190,000 shares. The Company now owns 10.53% of the total outstanding common shares of Avnel.

More than 76,735 metres has been drilled by the Company since 2009, with 14,937 metres completed in the third quarter of 2011 (35,209 metres year-to-date). The current exploration program is designed to test and validate a detailed and predictive geologic model of the Kalana mine area developed by the Company. Drilling is anticipated to continue into 2012 with the principal objective of developing a resource estimate for the Kalana mine area and the near-by Kalanako prospect by the third quarter of 2012. Samples for preliminary metallurgical testing have been submitted to the SGS Mineral Services Lakefield laboratory in Ontario. Because of the high nugget effect characterizing Kalana gold mineralization, additional technical studies will also be conducted to provide confidence for resource grade estimation.

### **Africa – Mali – Siribaya Joint Venture**

The Siribaya advanced exploration gold project in Mali is held under an option to joint venture with Merrex Gold Inc. (“Merrex”). IAMGOLD can earn a 50% interest in the project by incurring C\$10.5 million in exploration expenses. Expenditures to September 2011 totaled \$10.9 million and the Company anticipates vesting at 50% in the fourth quarter of 2011.

Drilling in 2011 has focused on the Siribaya trend, a structural corridor that extends for approximately eight kilometres within the Siribaya project concession block. The Siribaya resources occur on the western and eastern flanks of the structural corridor, and the 2011 program was designed to better determine the extent of known gold mineralization systems and develop additional target areas. The current reverse circulation drilling program is being carried out on 400 to 500 metres spaced fences, followed by in-fill lines to off-set significant results. Exploration activity was suspended in July with the onset of seasonal rains. More than 21,500 metres of reverse circulation drilling had been completed from the planned 40,000-metre reverse circulation campaign, and the 6,571 metres completed from the 10,000 planned metres for the Merrex funded diamond drilling. Drilling resumed in October and will continue through the fourth quarter of 2011. Significant drill intercepts were made during the quarter and new targets outlined for drill follow-up. Two kilometres west of the Siribaya structural corridor, anomalous termite mound geochemistry in conjunction with mechanized auger drilling to depths of close to 20 metres has extended the Bambadinka trend for at least eight kilometres in a north-south direction. Thirty-two reverse circulation drill holes in two fences were completed over short segments of the zone in the second quarter of 2011, but assays remain pending.

### **Canada – Quebec – Rare Earth Elements**

In September 2011 the Company provided an exploration update on a rare earth elements (“REE”) zone located about one kilometre north of the Niobec mine. Last explored in 1985, the zone is known to host significant rare earth element mineralization. As reported in the Company’s 2011 second quarter report, an 8,500-metre diamond drilling campaign commenced in the second quarter on the REE zone, and the program was completed in October with almost 10,500 metres in 25 holes. The program was designed to establish the three dimensional “footprint” of mineralization, provide a preliminary grade estimate of the suite of rare earth elements, and conduct preliminary metallurgical test work. At the onset of the 2011 drill campaign, four holes were drilled within the mineralized zone, and assay results confirmed the historical grade of Total Rare Earth Element Oxides (“TREO”), and were reported by the Company in September. Main rare earth elements found are Cerium (Ce), Lanthanum (La), Neodymium (Nd), Praseodymium (Pr), Samarium (Sm), Gadolinium (Gd), Europium (Eu), Dysprosium (Dy) and Terbium (Tb). At September 30, 2011, assays for the subsequent drilling were pending. Preliminary metallurgical testwork results showed REE recoveries between 58% and 70% in a bulk flotation concentrate. Optimization testwork continues and preliminary leaching tests will continue into the fourth quarter of 2011. Based on preliminary results, the Company anticipates that a resource estimate will be prepared from the recently completed drill campaign in early 2012. During the quarter, three additional exploration holes were added to the program test the REE zone at depth and provide for a more robust geological model of the REE bearing carbonatite complex.

### **Canada – Quebec**

A second phase of diamond drilling continued on the Company’s Bousquet-Odyno Property in the third quarter. The project, located only eight kilometres from the Westwood development project in the Abitibi region of Quebec, was reactivated in 2010 as part of the Company’s renewed emphasis on exploration in Quebec. The current 5,000-metre program aims to build on positive drill results, and to determine continuity of encouraging gold mineralization encountered in a drilling campaign that ended in the first quarter of 2011.

## FINANCIAL POSITION

---

### Financial Risks

The Company manages capital and its exposure to financial risks by ensuring it has sufficient financial capacity to support its operations, current mine development plans and long-term growth strategy.

The Company is subject to various financial risks that could have a significant impact on profitability and financial conditions. These risks include liquidity risk, credit risk and financial market conditions relating to interest rates, gold price, oil price and currency rates.

### Liquidity Risk and Capital Resources

The Company ended the third quarter of 2011 with a strong balance sheet, having \$1.2 billion in cash, cash equivalents, short-term investments and gold bullion evaluated at market value, compared to \$411.3 million at the end of 2010. This increase is mainly due to the sale on June 22, 2011, of the Company's 18.9% interest in the Tarkwa and Damang gold mines for \$667.0 million cash, and to cash flow from operating activities of \$385.1 million during the first nine months of 2011 mostly used to fund capital expenditures in mining assets and exploration and development projects.

In addition, in February 2011, IAMGOLD received \$48.8 million for the sale of its La Arena project. On February 24, 2011, IAMGOLD issued 1.7 million flow-through shares at a price of C\$25.48 per share raising gross proceeds of \$43.3 million.

As at September 30, 2011, no funds were drawn against the Company's \$350.0 million unsecured revolving credit facility. The Company also has a \$50.0 million revolving facility for the issuance of letters of credit of which, as at September 30, 2011, \$17.7 million in letters of credit were outstanding to guarantee certain asset retirement obligations.

On July 20, 2011, IAMGOLD paid a semi-annual dividend in the amount of \$0.10 per share for a total of \$37.5 million.

In July 2011, IAMGOLD filed a renewal of its existing short form base shelf prospectus qualifying the distribution of securities of up to \$1 billion. The renewal has a 25 month life in Canada, except for Quebec, and the United States, and is intended to provide the Company additional financial flexibility. The proceeds from any such offerings may be used by the Company to further expand and develop its existing mines, advance its development projects, further explore and develop its mineral properties, fund working capital requirements or for other general corporate purposes including acquisitions. This filing is a renewal of the Company's existing base shelf prospectus that was not drawn on.

### Gold Bullion

		September 30 2011	December 31 2010
Ounces held	(oz)	100,136	100,001
Weighted average acquisition cost	(\$/oz)	421	404
Acquisition cost	(millions of \$)	42.1	40.4
End of period spot price for gold	(\$/oz)	1,620	1,406
End of period market value	(millions of \$)	162.2	140.6

During the second quarter of 2011, the Company sold 1,412 ounces in conjunction with the sale of its interests in the Tarkwa and Damang properties, resulting in a gain of \$1.4 million. The Company subsequently purchased back 1,412 ounces of gold on the open market.

During the third quarter of 2011, the Company received a dividend of 135 ounces of gold valued at \$1,788 per ounce totalling \$0.2 million.

## Working Capital

	September 30 2011	December 31 2010
Working capital (\$ millions)	1,185.6	344.3
Current working capital ratio	5.0	2.4

During the third quarter of 2011, working capital decreased by \$36.1 million (first nine months of 2011 – increased by \$841.3 million) as a result of the impact of the disposal of the assets held for sale, the payment of dividends and the higher income and mining tax payable related to increased profitability. This was partially offset by higher supplies inventories and higher refundable government receivables at Essakane to support increased mining and processing activity, higher prepaid expenses in connection with the ramp up of capital spending and the buildup of Mouska's stockpile inventory from the planned decision to batch process 2011. The increase for the first nine months of 2011 is mainly due to increased cash, cash equivalents and short-term investments following the disposal of Tarkwa and Damang.

## Contractual Obligations

Contractual obligations as at September 30, 2011 were \$210.3 million, an increase of approximately \$131.1 million compared to December 31, 2010, mainly due to higher purchase obligations and contracted capital expenditures at Essakane. These obligations will be met through available cash resources and operating cash flows.

The Company also holds hedging contracts that are described below. Production from certain mining operations are subject to third-party royalties and management fees as described in note 29 of the Company's 2010 annual consolidated financial statements.

### Asset retirement obligations

As at September 30, 2011, the Company had letters of credit in the amount of \$17.7 million to guarantee asset retirement obligations.

At September 30, 2011, a liability of \$197.4 million, representing the discounted value of these obligations, is included in the Company's unaudited consolidated balance sheet compared to \$187.4 million at the end of 2010. The increase in obligations which occurred during the quarter related to the revaluation of the liability using lower real discount rates in effect at September 30, 2011. This impact is partially offset by the disposal of the Mupane operation including the related asset retirement obligation. Disbursements, totaling \$1.7 million, were incurred during the first nine months of 2011.

## Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For hedging activities, it is the risk that the fair value of a derivative might be adversely affected by a change in underlying commodity prices or currency exchange rates and that this in turn affects the Company's financial condition.

The Company mitigates market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken, establishing trading agreements with counterparties under which there is no requirement to post any collateral or make any margin calls on derivatives. Counterparties cannot require settlement solely because of an adverse change in the fair value of a derivative.

### Marketable securities and warrants held as investments, and market price risk

Investments in marketable securities are classified as available-for-sale financial assets and are recorded at fair value in receivables and other for marketable securities expected to be sold in the next 12 months, and for the remainder in other non-current assets on the consolidated balance sheet.

In the third quarter of 2011, an unrealized loss related to change in market price of marketable securities classified as available-for-sale of \$1.3 million (first nine months of 2011 – gain of \$6.4 million) compared to of a gain of \$23.7 million during the third quarter of 2010 (first nine months of 2010 – gain of \$27.8 million) was recorded in the fair value reserve within equity.

The Company sold some of its marketable securities during the third quarters of 2011 and 2010 (and first nine months of 2011 and 2010). Gains previously included in the fair value reserve were transferred to the statement of earnings for \$7.2 million (first nine months of 2011 – \$8.1 million) compared to of \$1.2 million during the third quarter of 2010 (first nine months of 2010 – \$10.1 million).

At the end of the period, the Company reviewed the value of marketable securities for objective evidence of impairment based on both quantitative and qualitative criteria and determined that an impairment charge of \$0.2 million was required in 2011 (no impairment in 2010). Factors considered in determining impairment included a decreasing trend of these investments' market value and other information available on these companies.

The Company also has share purchase warrants held as investments included in other non-current assets on the consolidated balance sheet. These warrants held as investments are considered financial assets at fair value through profit and loss. The unrealized gain or loss related to changes in fair value is reported under derivative gain or loss in the consolidated statement of earnings. An unrealized loss of \$1.3 million related to the change in the fair value of these warrants held as investments was recorded in the third quarter of 2011 (first nine months of 2011 – gain of \$0.8 million) compared to a gain of \$1.7 million during the third quarter of 2010 (first nine months of 2010 – gain of \$2.2 million).

At September 30, 2011, the impact of a change of 10% in the fair value of marketable securities and warrants held as investments would have resulted in a change in unrealized net of tax gain/loss of \$8.4 million that would be included in other comprehensive income, and a change of \$0.5 million in net earnings.

### Derivative instruments

At the end of September 2011, the Company had entered into hedging contracts to limit the impact of fluctuations as a result of volatilities in the world markets by hedging a portion of its expected consumption of Canadian dollars, South African Rand, oil and aluminum.

At the end of the period, fair values of the Company's derivatives were as follows:

	<b>September 30, 2011</b>		December 31, 2010	
	<b>Carrying Value</b>	<b>Fair Value</b>	Carrying Value	Fair Value
(millions of \$)	\$	\$	\$	\$
Derivatives – Foreign exchange contracts	(15.6)	(15.6)	-	-
Derivatives – Oil option contracts	(0.8)	(0.8)	-	-
Derivatives – Aluminum contracts	(0.6)	(0.6)	-	-
	(17.0)	(17.0)	-	-

### Currency exchange rate risk

During the second and third quarters of 2011, the Company increased its hedge position for its exposure to the Canadian dollar and the South African Rand ("Rand"; symbol:"ZAR") by executing a combination of forward and option contracts. The Company's objective is to hedge its exposure to these currencies resulting from operating and capital expenditures requirements at the Niobec and Essakane mines, the Westwood project, and corporate costs.

As at September 30, 2011, the Company had outstanding contracts for C\$341.3 million hedging 71% of its exposure for the remainder of 2011, and 73% of its exposure in 2012. Contracts rates are from \$0.97 to \$1.05. In addition, the Company had forward contracts in 2011 and 2012, that are related to the Essakane expansion project to buy ZAR 83.3 million at ZAR 8.214/U.S.\$ (\$10.1 million). These contracts do not qualify for hedge accounting. The fair value was included in other liabilities (current and non-current) in the consolidated balance sheet.

Fair value	<b>September 30 2011</b>	December 31 2010
(millions of \$)	\$	\$
Canadian dollar	(15.5)	-
South African Rand (ZAR)	(0.1)	-
	<b>(15.6)</b>	-

Fair value adjustments (unrealized gain (loss) on contracts) and a realized loss on deliveries were recognized and recorded as follows:

	<b>Third quarter ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
(millions of \$)	\$	\$	\$	\$
Unrealized gain (loss) on contracts	(17.7)	1.6	(16.0)	(0.3)
Realized gain (loss)	0.2	-	0.2	(2.4)
Total included in derivative gain (loss)	<b>(17.5)</b>	1.6	<b>(15.8)</b>	(2.7)

The fair value as at September 30, 2011, and the fair value based on an increase or a decrease of 10% of the exchange rate as compared to the U.S. dollar would have been as follows:

Fair value	<b>September 30, 2011</b>	Increase of 10%	Decrease of 10%
(millions of \$)	\$	\$	\$
Canadian dollar	(15.5)	(41.9)	12.4
South African Rand (ZAR)	<b>(0.1)</b>	(1.0)	1.0

### Sensitivity analysis on net monetary assets:

The foreign exchange loss recorded in the third quarter of 2011 of \$11.9 million (first nine months of 2011 – loss of \$12.1 million) compared to a loss of \$8.5 million during the third quarter of 2010 (first nine months of 2010 – loss of \$5.0 million) was mainly due to the impact of foreign exchange variation on net monetary assets such as cash held in Canadian dollars, receivables, payables, income and mining taxes payable, and asset retirement obligations. A 10% depreciation of the Canadian dollar compared to the U.S. dollar would impact negatively net earnings (including the tax impact) by approximately \$10 million. A 10% appreciation would increase net earnings (including the tax impact) by approximately \$13 million.

#### Oil option contracts and fuel market price risk

Diesel is a key input to extract tonnage and, in some cases, to wholly or partially power operations. Since fuel is produced by the refinement of crude oil, changes in the price of oil directly impact fuel costs. The Company believes there is a strong relationship between prices for crude oil, heating oil and diesel.

During the third quarter of 2011, the Company modified its strategy by using West Texas Crude oil as the basis for hedging. The Company increased its hedge position for its exposure to fuel by executing a combination of swap and option contracts.

As a result, as at September 30, 2011, the Company had outstanding contracts covering 72% of its exposure for the remainder of 2011, and 71% of its exposure in 2012. Planned fuel requirements are for the Rosebel, Essakane, Sadiola and Yatela operations.

The fair value is included in other liabilities (current and non-current) in the consolidated balance sheet. At September 30, 2011, the fair value of outstanding contracts was as follows:

Fair value	Number of Gallons/Barrels	September 30 2011	December 31 2010
(millions of \$)		\$	\$
Heating oil option contracts (gallons)	8,400,000	(0.2)	-
Crude oil swap contracts (barrels)	30,000	(0.2)	-
Crude oil option contracts (barrels)	453,600	(0.4)	-
		(0.8)	-

The fair value of these contracts, based on an increase or a decrease of 10% of the price per gallon, would have been as follows:

	September 30 2011	Increase of 10%	Decrease of 10%
(millions of \$)	\$	\$	\$
Oil contracts	(0.8)	3.7	(4.5)

Changes in fair values resulted in a derivative gain (loss) as follows:

	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
(millions of \$)	\$	\$	\$	\$
Unrealized gain (loss) on contracts	(3.7)	0.6	(3.1)	(0.9)
Realized loss	(0.3)	(0.3)	(0.3)	(0.3)
Total included in derivative gain (loss)	(4.0)	0.3	(3.4)	(1.2)

#### Aluminum contracts and market price risk

Aluminum is a key input in the production of ferroniobium. The Company has a hedging strategy to limit the impact of fluctuations of aluminum prices and to economically hedge a portion of its future consumption of aluminum at the Niobec mine. The Company used swap contracts to economically hedge 55% of its aluminum exposure for the remaining of 2011 and 60% of its aluminum exposure for 2012 at the Niobec mine. The fair value of outstanding contracts as at September 30, 2011 was a loss of \$0.6 million (December 31, 2010 – \$nil) and was included in other liabilities (current and non-current). The valuation of these contracts was based on an aluminum price of between \$2,290 and \$2,500 per metric tonne, at no cost, for the 2011 and 2012 consumption.

These contracts did not qualify for hedge accounting. Changes in fair values resulted in a derivative gain (loss) as follows:

	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
(millions of \$)	\$	\$	\$	\$
Unrealized loss on contracts	(0.6)	-	(0.6)	(0.2)
Realized gain (loss)	(0.1)	-	-	0.1
Total included in derivative loss	(0.7)	-	(0.6)	(0.1)

### Shareholders' Equity

At the end of 2010, the Company announced an annual dividend payment of \$0.08 per share, totaling \$29.8 million, which was paid on January 14, 2011 (\$22.1 million in 2009 paid on January 12, 2010). On June 21, 2011, IAMGOLD announced the next semi-annual dividend payment in the amount of \$0.10 per share which was paid on July 20, 2011 for an amount of \$37.5 million.

	September 30, 2011	November 2, 2011
Number issued and outstanding		
Shares	375,746,798	375,848,735
Share options	3,961,628	3,640,113

The increase in the number of shares issued and outstanding between September 30, 2011 and November 2, 2011 is due to the exercise of options.

### Non-controlling Interests

The non-controlling interests relate to the non-controlling partners' interests in Rosebel Gold Mines N.V. (the Rosebel mine), Essakane S.A. (the Essakane mine) and EURO Ressources S.A.

### Related Party Transactions

In the first nine months of 2011 and 2010, there were no material related party transactions.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

---

Pursuant to regulations adopted by the U.S. Securities and Exchange Commission (SEC), under the Sarbanes-Oxley Act of 2002 and those of the Canadian Securities Administrators, the Company's management evaluates the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation is done under the supervision of, and with the participation of, the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO").

### **Disclosure Controls and Procedures**

As at the end of the period covered by this MD&A and accompanying unaudited consolidated interim financial statements, the CEO and the CFO have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the CEO and the CFO have concluded that the Company's disclosure controls and procedures were effective to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries and joint venture, was made known to them by others within those entities.

### **Internal Controls over Financial Reporting**

Management of the Company, with the participation of the CEO and the CFO, are responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of unaudited consolidated interim financial statements for external purposes in accordance with international financial reporting standards.

There have been no significant changes in the Company's internal control over financial reporting or in other factors that could significantly affect internal controls during the quarter ended September 30, 2011.

### **Limitations of Controls and Procedures**

The Company's management, including the CEO and the CFO believe that any disclosure controls and procedures and internal controls over financial reporting, 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.

## **CHANGES IN ACCOUNTING POLICIES**

---

### **International Financial Reporting Standards (“IFRS”)**

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that IFRS, as issued by the International Accounting Standards Board (“IASB”), will replace Canadian GAAP for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011.

As a result, IAMGOLD now reports under IFRS for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS. Adoption of IFRS requires the Company to make certain accounting policy choices. Refer to note 28 in the unaudited consolidated interim financial statements for the third quarter of 2011 for reconciliations from Canadian generally accepted accounting principles to IFRS.

## **FUTURE ACCOUNTING POLICIES**

---

### **IFRS 9 – Financial Instruments**

The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is planned to be effective on January 1, 2013. In August 2011, the IASB issued an exposure draft that proposes to adjust the mandatory effective date from January 1, 2013 to January 1, 2015. The Company is in the process of evaluating the impact of the change to its consolidated financial statements as a result of the new standard.

### **IFRS 10 – Consolidated financial statements**

The IASB recently issued its new suite of consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27, Consolidated and separate financial statements, and SIC 12, Consolidation – Special purpose entities. IFRS 10 will be effective January 1, 2013 and early adoption is permitted. The Company is in the process of evaluating the requirements of the new standards.

### **IFRS 11 – Joint arrangements, and IAS 28 – Amended standard on associates and joint ventures**

The IASB replaced the existing guidance for joint ventures (new arrangements) and made limited amendments in relation to associates and the application of the equity method of accounting. Under IFRS 11, joint arrangements are now classified as either joint operations or joint ventures, depending upon the rights and obligations of the parties to the arrangement.

Limited amendments were made to IAS 28 regarding associates and joint ventures held for sale and changes in interests held in associates and joint ventures. Under IFRS 11, joint ventures will be accounted for using the equity method instead of proportionate consolidation.

IFRS 11 and IAS 28 (2011) will be effective January 1, 2013 and early adoption is permitted. The Company will apply this new standard in relation to its joint ventures, Sadiola and Yatela. The Company is in the process of evaluating the requirements of the new standards.

### **IFRS 12 – Disclosure of interests in other entities**

IFRS 12 replace the existing disclosure requirements for entities that have interests in subsidiaries, joint arrangements, and associates. IFRS 12 contains disclosure requirements for entities that have interests in unconsolidated structured entities. IFRS 12 will be effective January 1, 2013. The Company is in the process of evaluating the requirements of the new standards.

### **IFRS 13 – Fair value measurement**

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance, and defines value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. IFRS 13 is applicable prospectively starting January 1, 2013 and early application is permitted with disclosure of the fact. The Company is in the process of evaluating the requirements of the new standards.

### **IFRIC 20 – Stripping costs in the production phase of a surface mine**

IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual period beginning on or after January 1, 2013 and early application is permitted. The Company is in the process of evaluating the requirements of the new standard.

## **RISKS AND UNCERTAINTIES**

---

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this MD&A and as described in the Cautionary Statement on Forward-Looking Information found on page 2.

For a more comprehensive discussion of the risks faced by the Company, please refer to the Company's 2010 annual MD&A, and the Company's 2010 Annual Information Form, filed with Canadian securities regulatory authorities at [www.sedar.com](http://www.sedar.com), and filed under Form 40-F with the United States Securities Exchange Commission at [www.sec.gov/edgar.html](http://www.sec.gov/edgar.html). The Annual Information Form, which, in addition to being filed and viewable on [www.sedar.com](http://www.sedar.com) and [www.sec.gov/edgar.html](http://www.sec.gov/edgar.html), is available upon request from the Company, and is incorporated by reference into this MD&A.

## SUPPLEMENTAL INFORMATION TO THE MANAGEMENT'S DISCUSSION AND ANALYSIS

### NON-GAAP<sup>1</sup> PERFORMANCE MEASURES

---

#### **Adjusted net earnings from continuing operations attributable to equity shareholders**

Adjusted net earnings from continuing operations attributable to equity shareholders and adjusted net earnings from continuing operations attributable to equity shareholders per share are non-GAAP financial measures. Management believes that these measures better reflect the Company's performance for the current period and are a better indication of its expected performance in future periods. Adjusted net earnings from continuing operations attributable to equity shareholders and adjusted net earnings from continuing operations attributable to equity shareholders per share are intended to provide additional information, but do not have any standardized meaning prescribed by IFRS, are unlikely to be comparable to similar measures presented by other issuers, and should not be considered in isolation or a substitute for measures of performance prepared in accordance with IFRS. Adjusted net earnings from continuing operations attributable to equity shareholders represent net earnings from continuing operations attributable to equity shareholders excluding certain impacts, net of tax, such changes in asset retirement obligations for closed properties, unrealized derivative gain or loss, gain/loss on sale of marketable securities and assets, foreign exchange gain or loss, executive severance costs, as well as the impact of significant change in tax laws for mining taxes, and unrealized gain on foreign exchange translation of deferred income and mining tax liabilities. These measures are not necessarily indicative of net earnings or cash flows as determined under IFRS. The following table provides a reconciliation of net earnings from continuing operations attributable to equity shareholders as per the unaudited condensed consolidated interim statement of earnings, to adjusted net earnings from continuing operations attributable to equity shareholders.

---

<sup>1</sup> GAAP – Generally accepted accounting principles.

<b>Adjusted net earnings from continuing operations attributable to equity shareholders</b>	<b>Third quarter ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
(in \$ millions, except for number of shares and per share amounts)	\$	\$	\$	\$
Net earnings from continuing operations attributable to equity shareholders <sup>1</sup>	<b>50.0</b>	37.4	<b>257.7</b>	106.0
Executive severance costs	-	-	-	0.8
Foreign exchange loss	<b>11.9</b>	8.5	<b>12.1</b>	5.0
Derivative loss (gain)	<b>23.5</b>	(3.5)	<b>19.1</b>	2.3
Gain on sales of marketable securities	<b>(6.2)</b>	(1.0)	<b>(7.0)</b>	(8.9)
Loss (gain) on sales of assets	<b>0.1</b>	-	<b>(15.9)</b>	-
Adjustments to asset retirement obligations for closed properties	<b>9.0</b>	-	<b>9.0</b>	-
Impact of significant change in mining tax laws	-	-	<b>5.5</b>	-
Unrealized loss on foreign exchange translation of deferred income and mining tax liabilities	<b>24.2</b>	(1.5)	<b>17.4</b>	(1.2)
	<b>62.5</b>	2.5	<b>40.2</b>	(2.0)
<b>Adjusted net earnings from continuing operations attributable to equity shareholders</b>	<b>112.5</b>	39.9	<b>297.9</b>	104.0
<b>Basic weighted average number of common shares outstanding (in millions)</b>	<b>375.4</b>	372.1	<b>374.6</b>	370.9
<b>Basic adjusted net earnings from continuing operations attributable to equity shareholders of the Company per share (\$/share)</b>	<b>0.30</b>	0.11	<b>0.80</b>	0.28

<sup>1</sup> As per the unaudited consolidated interim financial statements.

### **Adjusted operating cash flows (continuing operations)**

The Company makes reference to a non-GAAP measure for adjusted operating cash flow and adjusted operating cash flow per share from continuing operations. Adjusted operating cash flow is defined as cash generated from continuing operations excluding certain impacts which the Company believes are not reflective of the Company's regular operating cash flow, and excluding changes in working capital and long-term ore stockpiles. Working capital can be volatile due to numerous factors including build-up of inventories. Management believes that, by excluding these items from continuing operations, this non-GAAP measure provides investors with the ability to better evaluate the cash flow performance of the Company.

The following table provides a reconciliation of adjusted operating cash flow from continuing operations:

(in \$ millions, except where noted)	<b>Third quarter ended</b>		<b>Nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b>\$</b>	\$	<b>\$</b>	\$
Cash generated from operating activities (continued operations) per the unaudited consolidated interim financial statements	<b>211.4</b>	64.4	<b>499.8</b>	224.0
Adjusting items from non-cash working capital items and long-term ore stockpiles:				
Accounts receivable and other assets	<b>5.0</b>	(7.2)	<b>14.9</b>	(23.2)
Inventories and long-term stockpiles	<b>21.0</b>	43.7	<b>84.1</b>	65.7
Accounts payable and accrued liabilities	<b>(26.4)</b>	(3.3)	<b>(19.7)</b>	13.4
<b>Adjusted operating cash flow</b>	<b>211.0</b>	97.6	<b>579.1</b>	279.9
<b>Basic weighted average number of common shares outstanding (in millions)</b>	<b>375.4</b>	372.1	<b>374.6</b>	370.9
<b>Basic adjusted operating cash flow per share (\$/share)</b>	<b>0.56</b>	0.26	<b>1.55</b>	0.75

## **Cash costs**

The Company's MD&A often refers to cash costs per ounce, a non-GAAP performance measure, in order to provide investors with information about the measure used by management to monitor performance. This information is used to assess how well the producing gold mines are performing compared to plan and prior periods, and also to assess the overall effectiveness and efficiency of gold mining operations. Cash cost figures are calculated in accordance with a standard developed by the Gold Institute, which was a worldwide association of suppliers of gold and gold products and included leading North American gold producers. The Gold Institute ceased operations in 2002, but the standard is still an accepted standard of reporting cash costs of gold production in North America. Adoption of the standard is voluntary, and the cost measures presented herein may not be comparable to other similarly titled measures of other companies. Costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, and attributable realized derivative gain or loss, but are exclusive of amortisation, reclamation, capital, and exploration and development costs. These costs are then divided by the Company's attributable ounces of gold produced to arrive at the total cash costs per ounce. The measure, along with sales, is considered to be a key indicator of a company's ability to generate operating earnings and cash flow from its mining operations.

These gold cash costs do not have any standardized meaning prescribed by IFRS and differ from measures determined in accordance with IFRS. They 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 are not necessarily indicative of net earnings or cash flow from operations as determined under IFRS.

The following tables provide a reconciliation of total cash costs per ounce produced for gold mines (continued operations) to the mining costs, excluding depreciation, depletion and amortisation as per the unaudited consolidated interim statement of earnings.

### Third quarter ended September 30, 2011

(in \$ millions, except where noted)	Operating Gold Mines					Other		Total <sup>(c)</sup>
	Rosebel	Essakane <sup>(a)</sup>	Doyon Division	Sadiola	Yatela	Total	Other <sup>(b)</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$
Mining costs, excluding depreciation, depletion and amortisation	67.0	51.6	16.5	25.1	13.4	173.6	30.1	203.7
Adjust for:								
By-product credit (excluded from mining costs)	(0.2)	-	(0.2)	(0.1)	(0.1)	(0.6)		
Stock movement	(3.0)	0.2	2.9	0.6	(0.1)	0.6		
Other mining costs	(1.4)	(1.2)	(13.2)	0.1	-	(15.7)		
Cost attributed to non-controlling interests	(3.1)	(5.0)	-	-	-	(8.1)		
	(7.7)	(6.0)	(10.5)	0.6	(0.2)	(23.8)		
Cash costs – operating mines	59.3	45.6	6.0	25.7	13.2	149.8		
Attributable gold production – operating mines (000 oz)	94	86	5	30	7	222		
Total cash costs (\$/oz)	629	535	1,203	839	1,793	674		

(a) Commercial production starting July 16, 2010.

(b) Niobium, Exploration and evaluation and Corporate segments.

(c) As per note 19 of the Company's unaudited consolidated interim financial statements.

### Third quarter ended September 30, 2010

(in \$ millions, except where noted) (unaudited)	Operating Gold Mines					Other		Total <sup>(c)</sup>
	Rosebel	Essakane <sup>(a)</sup>	Doyon Division	Sadiola	Yatela	Total	Other <sup>(b)</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$
Mining costs, excluding depreciation, depletion and amortisation	49.6	6.1	1.4	18.2	12.2	87.5	19.5	107.0
Adjust for:								
By-product credit (excluded from mining costs)	-	-	(0.6)	-	-	(0.6)		
Stock movement	1.8	16.3	4.9	0.6	-	23.6		
Other mining costs	(0.5)	(0.7)	0.1	0.7	-	(0.4)		
Cost attributed to non-controlling interests	(2.5)	(2.2)	-	-	-	(4.7)		
	(1.2)	13.4	4.4	1.3	-	17.9		
Cash costs – operating mines	48.4	19.5	5.8	19.5	12.2	105.4		
Attributable gold production – operating mines (000 oz)	101	42	13	30	9	195		
Total cash costs (\$/oz)	484	459	456	659	1,243	539		

(a) Commercial production starting July 16, 2010.

(b) Niobium, Exploration and evaluation and Corporate Segments.

(c) As per note 19 of the Company's unaudited consolidated interim financial statements.

## Nine months ended September 30, 2011

(in \$ millions, except where noted)	Operating Gold Mines					Other		Total <sup>(c)</sup>
	Rosebel	Essakane <sup>(a)</sup>	Doyon Division	Sadiola	Yatela	Total	Other <sup>(b)</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$
Mining costs, excluding depreciation, depletion and amortisation	182.5	144.1	26.7	68.5	31.8	453.6	86.1	539.7
Adjust for:								
By-product credit (excluded from mining costs)	(0.7)	(0.6)	(0.8)	(0.2)	(0.1)	(2.4)		
Stock movement	4.5	(0.5)	(3.2)	2.1	-	2.9		
Other mining costs	(2.2)	(4.8)	(16.7)	-	0.1	(23.6)		
Cost attributed to non-controlling interests	(9.2)	(13.8)	-	-	-	(23.0)		
	(7.6)	(19.7)	(20.7)	1.9	-	(46.1)		
Cash costs – operating mines	174.9	124.4	6.0	70.4	31.8	407.5		
Attributable gold production – operating mines (000 oz)	281	243	5	93	21	643		
Total cash costs (\$/oz)	622	513	1,203	755	1,510	634		

(a) Commercial production starting July 16, 2010.

(b) Niobium, Exploration and evaluation and Corporate segments.

(c) As per note 19 of the Company's unaudited consolidated interim financial statements.

## Nine months ended September 30, 2010

(in \$ millions, except where noted) (unaudited)	Operating Gold Mines					Other		Total <sup>(c)</sup>
	Rosebel	Essakane <sup>(a)</sup>	Doyon Division	Sadiola	Yatela	Total	Other <sup>(b)</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$
Mining costs, excluding depreciation, depletion and amortisation	148.0	6.1	9.3	52.7	35.1	251.2	58.3	309.5
Adjust for:								
By-product credit (excluded from mining costs)	(0.2)	-	(0.8)	(0.1)	-	(1.1)		
Stock movement	(0.7)	16.3	0.4	1.6	-	17.6		
Other mining costs	(2.6)	(0.7)	(2.4)	0.1	(0.3)	(5.9)		
Cost attributed to non-controlling interests	(7.2)	(2.2)	-	-	-	(9.4)		
	(10.7)	13.4	(2.8)	1.6	(0.3)	1.2		
Cash costs – operating mines	137.3	19.5	6.5	54.3	34.8	252.4		
Attributable gold production – operating mines (000 oz)	276	42	15	89	51	473		
Total cash costs (\$/oz)	499	459	429	611	678	534		

(a) Commercial production starting July 16, 2010.

(b) Niobium, Exploration and evaluation and Corporate Segments.

(c) As per note 19 of the Company's unaudited consolidated interim financial statements.

## **Gold margin**

The Company's MD&A refers to gold margin per ounce of gold, a non-GAAP performance measure, in order to provide investors with information about the measure used by management to monitor the performance of its gold assets. The information allows management to assess how well the gold mines are performing relative to the plan and to prior periods, as well as assess the overall effectiveness and efficiency of gold operations.

In periods of rising gold prices it becomes profitable to process lower-grade ore. Such a decision will typically result in an increase in cash costs per ounce, but it is equally important to recognize that margins also increase at an equal or even faster rate. While mining lower grade ore results in less gold being processed in any given period, over the long-run it allows us to optimize the production of profitable gold, thereby maximizing our total financial returns over the life of the mine. IAMGOLD's exploitation strategy, including managing cutoff grades, mine sequencing, and stockpiling practices, is designed to maximize the total value of the asset given conservatively derived assumptions for key economic parameters going forward. At the same time, the site operating teams seek to achieve the best performance in terms of cost per tonne mined, cost per tonne processed and overheads.

The gold margin per ounce of gold does not have any standardized meaning prescribed by IFRS, is unlikely to be comparable to similar measures presented by other issuers, and should not be considered in isolation or a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of gold margin per ounce of gold for the gold operating mine (continuing operations) to gold realized price less cash costs per ounce.

(in \$/ounce of gold)	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$/oz	\$/oz	\$/oz	\$/oz
Realized gold price	1,675	1,242	1,524	1,182
Cash cost for continuing operations	674	539	634	534
Gold margin	1,001	703	890	648

### Unit operating margin per kilogram of niobium for the Niobec mine

The Company's MD&A refers to operating margin per kilogram of niobium at the Niobec mine, a non-GAAP performance measure, in order to provide investors with information about the measure used by management to monitor the performance of its non-gold asset, the Niobec mine. The information allows management to assess how well the Niobec mine is performing relative to the plan and to prior periods, as well as assess the overall effectiveness and efficiency of the operation. The operating margin per kilogram of niobium does not have any standardized meaning prescribed by IFRS, is unlikely to be comparable to similar measures presented by other issuers, and should not be considered in isolation or a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of operating margin per kilogram of niobium at the Niobec mine to revenues, and mining costs as per the unaudited consolidated interim statement of earnings.

(in \$ millions, except where noted)	Third quarter ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Revenues from the Niobec mine as per segmented information (note 27 of the Company's unaudited consolidated interim financial statements)	42.4	40.4	130.1	119.5
Mining costs per unaudited consolidated interim statement of earnings	203.7	107.0	539.7	309.5
Mining costs from gold mines as per cash cost reconciliation	(173.6)	(87.5)	(453.6)	(251.2)
Other mining costs	(2.4)	(0.4)	(3.4)	(1.2)
Mining costs from the Niobec mine	27.7	19.1	82.7	57.1
Operating margin	14.7	21.3	47.4	62.4
Sales volume (millions of kg Nb)	1.0	1.1	3.3	3.3
<b>Operating margin (\$/kg Nb)</b>	<b>14</b>	<b>19</b>	<b>14</b>	<b>19</b>

## MINING OPERATIONS PRODUCTION DATA

The tables below show production data for each mining operation for each quarter of 2011 and 2010.

	2011			2010			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>Suriname—Rosebel Mine (IAMGOLD interest – 95%)</b>							
Total operating material mined (000 t)	14,883	12,284	11,311	13,967	12,364	11,797	14,159
Strip ratio <sup>(a)</sup>	3.0	3.1	3.1	2.6	3.0	2.9	3.2
Ore milled (000 t)	3,315	3,125	3,068	3,417	3,112	3,172	3,131
Head grade (g/t)	1.0	1.0	1.1	1.2	1.1	0.9	1.1
Recovery (%)	93	93	96	95	94	89	92
Gold production – 100% (000 oz)	99	92	105	126	106	86	98
Attributable gold production – 95% (000 oz)	94	87	100	119	101	82	93
Gold sales – 100% (000 oz)	99	87	104	131	96	87	102
Gold revenue (\$/oz) <sup>(b)</sup>	1,674	1,518	1,401	1,378	1,238	1,207	1,111
Cash cost excluding royalties (\$/oz)	535	617	469	378	421	504	401
Royalties (\$/oz)	94	87	75	71	63	63	55
Cash cost (\$/oz) <sup>(c)</sup>	629	704	544	449	484	567	456
<b>Burkina Faso—Essakane Mine (IAMGOLD interest – 90%)<sup>(d)</sup></b>							
Total operating material mined (000 t)	6,526	5,929	7,617	7,454	5,404	-	-
Strip ratio <sup>(a)</sup>	1.7	1.5	1.9	1.1	1.2	-	-
Ore milled (000 t)	1,975	1,344	2,251	1,675	1,298	-	-
Head grade (g/t)	1.6	1.6	1.5	1.7	1.2	-	-
Recovery (%)	96	96	96	96	95	-	-
Gold production – 100% (000 oz)	95	69	106	89	47	-	-
Attributable gold production – 90% (000 oz)	86	62	95	80	42	-	-
Gold sales – 100% (000 oz)	91	69	115	95	18	-	-
Gold revenue (\$/oz) <sup>(b)</sup>	1,670	1,519	1,402	1,386	1,287	-	-
Cash cost excluding royalties (\$/oz)	451	525	359	372	441	-	-
Royalties (\$/oz)	84	88	69	42	18	-	-
Cash cost (\$/oz) <sup>(c)</sup>	535	613	428	414	459	-	-
<b>Canada—Doyon Division (IAMGOLD interest – 100%)</b>							
Total operating material mined (000 t)	14	16	14	12	13	17	19
Ore milled (000 t)	13	-	-	44	17	-	-
Head grade (g/t)	12.0	-	-	13.1	14.2	-	-
Recovery (%)	94	-	-	96	96	-	-
Gold production (000 oz)	5	-	-	18	13	2	-
Gold sales (000 oz)	3	-	10	24	3	-	6
Gold revenue (\$/oz) <sup>(b)</sup>	1,673	-	1,371	1,396	1,284	-	1,100
Cash cost excluding royalties (\$/oz)	1,161	-	-	812	430	252	-
Royalties (\$/oz)	42	-	-	31	26	28	-
Cash cost (\$/oz) <sup>(c)</sup>	1,203	-	-	843	456	280	-

<sup>(a)</sup> Strip ratio is calculated as waste mined divided by ore mined.

<sup>(b)</sup> Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

<sup>(c)</sup> Cash cost is a non-GAAP measure. Refer to the Cash costs section above for reconciliation to GAAP measures.

<sup>(d)</sup> Commercial production started effective as of July 16, 2010. Refer to the Results of Operations' section for more information.

	Q3	Q2	2011 Q1	Q4	Q3	Q2	2010 Q1
<b>Mali—Sadiola Mine (IAMGOLD interest – 41%)</b>							
Total operating material mined (000 t)	2,659	2,640	2,469	2,692	1,808	2,486	2,668
Strip ratio <sup>(a)</sup>	15.6	6.7	6.3	7.4	8.5	8.2	7.9
Ore milled (000 t)	505	492	469	460	441	448	443
Head grade (g/t)	2.0	2.0	1.8	2.1	2.1	2.1	2.1
Recovery (%)	94	95	95	92	92	95	94
Attributable gold production (000 oz)	30	33	30	29	30	29	30
Attributable gold sales (000 oz)	31	30	30	31	28	29	29
Gold revenue (\$/oz) <sup>(b)</sup>	1,691	1,502	1,387	1,366	1,222	1,188	1,109
Cash cost excluding royalties (\$/oz)	739	620	642	696	589	567	473
Royalties (\$/oz)	100	85	82	89	70	69	65
Cash cost (\$/oz) <sup>(c)</sup>	839	705	724	785	659	636	538

<b>Mali—Yatela Mine (IAMGOLD interest – 40%)</b>							
Total operating material mined (000 t)	1,432	1,746	1,488	1,384	1,508	1,364	704
Strip ratio <sup>(a)</sup>	9.0	6.3	6.1	5.5	8.2	7.7	4.3
Ore crushed (000 t)	261	288	276	308	233	328	304
Head grade (g/t)	1.0	1.1	1.0	1.0	1.0	1.0	1.9
Attributable gold stacked (000 oz)	8	10	9	10	7	11	18
Attributable gold production (000 oz)	7	6	8	9	9	15	27
Attributable gold sales (000 oz)	7	7	7	8	10	15	26
Gold revenue (\$/oz) <sup>(b)</sup>	1,701	1,488	1,389	1,373	1,233	1,185	1,110
Cash cost excluding royalties (\$/oz)	1,687	1,309	1,233	1,302	1,169	622	397
Royalties (\$/oz)	106	92	79	77	74	75	65
Cash cost (\$/oz) <sup>(c)</sup>	1,793	1,401	1,312	1,379	1,243	697	462

#### Discontinued Operations

<b>Botswana—Mupane Mine (IAMGOLD interest – 100%)</b>							
Gold production (000 oz)	9	10	11	15	16	13	13
Cash cost (\$/oz) <sup>(c)</sup>	1,287	1,271	1,379	1,062	964	887	826

<b>Ghana—Tarkwa and Damang Mines (IAMGOLD interest – 18.9%)</b>							
Attributable gold production (000 oz)	-	-	46	45	45	49	43
Cash cost (\$/oz) <sup>(c)</sup>	-	-	542	627	598	634	612

<sup>(a)</sup> Strip ratio is calculated as waste mined divided by ore mined.

<sup>(b)</sup> Gold revenue per ounce is calculated as gold sales divided by ounces of gold sold.

<sup>(c)</sup> Cash cost is a non-GAAP measure. Refer to the Cash Costs section above for reconciliation to GAAP measures.

	Q3	Q2	2011 Q1	Q4	Q3	Q2	2010 Q1
<b>Canada—Niobec Mine (IAMGOLD interest – 100%)</b>							
Total operating material mined (000 t)	487	546	529	454	427	441	470
Ore milled (000 t)	524	529	521	502	458	456	448
Grade (% Nb <sub>2</sub> O <sub>5</sub> )	0.55	0.60	0.57	0.59	0.62	0.62	0.61
Niobium production (millions of kg Nb)	1.2	1.1	1.1	1.0	1.1	1.1	1.2
Niobium sales (millions of kg Nb)	1.0	1.3	1.0	1.0	1.1	1.1	1.1
Operating margin (\$/kg Nb) <sup>(a)</sup>	14	14	16	17	19	19	19

<sup>(a)</sup> Operating margin per kilogram of niobium at the Niobec mine is a non-GAAP measure. Refer to the above section Unit Operating Margin per Kilogram of Niobium for the Niobec Mine for reconciliation to GAAP measure.

**CONSOLIDATED BALANCE SHEETS**

(Unaudited; In thousands of U.S. dollars)

	Notes	September 30, 2011	December 31, 2010 (notes 6, 28)	January 1, 2010 (notes 6, 28)
<b>Assets</b>		\$	\$	\$
<b>Current assets</b>				
Cash, cash equivalents and short-term investments	7	1,056,548	270,779	191,374
Gold bullion (market value \$162,221; December 31, 2010 – \$140,551; January 1, 2010 – \$108,749)	8	42,120	40,411	40,408
Receivables and other current assets	9	130,225	81,848	82,912
Inventories	10	253,721	204,716	160,897
		1,482,614	597,754	475,591
<b>Non-current assets</b>				
Investments in associates	6	17,894	246,122	232,438
Mining assets		1,811,526	1,788,703	1,624,511
Exploration and evaluation assets	11	323,570	306,215	174,661
Goodwill	12	256,689	267,978	267,978
Other non-current assets	13	255,332	224,333	174,735
		2,665,011	2,833,351	2,474,323
		4,147,625	3,431,105	2,949,914
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		172,528	158,410	140,463
Income and mining taxes payable		100,502	52,416	33,485
Dividends payable		5,296	31,324	24,507
Current portion of asset retirement obligations	15(a)	2,518	4,511	7,119
Current portion of other non-current liabilities		16,182	6,825	5,819
		297,026	253,486	211,393
<b>Non-current liabilities</b>				
Deferred income and mining tax liabilities		210,208	216,784	206,944
Asset retirement obligations	15(a)	194,836	182,910	112,094
Other non-current liabilities		17,708	19,804	13,031
		422,752	419,498	332,069
		719,778	672,984	543,462
<b>Equity</b>				
<b>Equity attributable to equity shareholders of the Company:</b>				
Common shares	16	2,306,145	2,255,498	2,201,528
Contributed surplus		19,466	18,789	12,301
Retained earnings		1,019,114	383,602	151,758
Fair value reserve		40,871	43,268	17,659
		3,385,596	2,701,157	2,383,246
<b>Non-controlling interests</b>		42,251	56,964	23,206
		3,427,847	2,758,121	2,406,452
		4,147,625	3,431,105	2,949,914

Commitments and contingencies (note 25)

See the accompanying notes, which are an integral part of these unaudited consolidated interim financial statements.

**IAMGOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF EARNINGS**

(Unaudited; In thousands of U.S. dollars, except per share amounts)

	Notes	Three months ended September 30 (notes 6, 28)		Nine months ended September 30 (notes 6, 28)	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Revenues</b>		<b>431,894</b>	234,701	<b>1,191,582</b>	656,159
Mining costs	19	240,772	139,208	650,239	393,064
General and administrative expenses	20	14,374	10,480	37,741	35,116
Exploration expenses		20,336	12,216	52,276	31,906
Other		(133)	114	1,243	(1,103)
<b>Operating costs</b>		<b>275,349</b>	162,018	<b>741,499</b>	458,983
<b>Earnings from operations</b>		<b>156,545</b>	72,683	<b>450,083</b>	197,176
Finance costs	21	(1,972)	(1,216)	(5,662)	(4,360)
Foreign exchange losses		(11,866)	(8,530)	(12,099)	(5,016)
Interest income, derivatives and other investment gains (losses)	22	(12,429)	7,209	10,988	13,532
<b>Earnings before income and mining taxes</b>		<b>130,278</b>	70,146	<b>443,310</b>	201,332
Income and mining tax expenses	23	(70,271)	(30,282)	(161,081)	(88,535)
<b>Net earnings from continuing operations</b>		<b>60,007</b>	39,864	<b>282,229</b>	112,797
Net earnings (loss) from discontinued operations	6(c)	(9,232)	14,646	415,320	32,558
<b>Net earnings</b>		<b>50,775</b>	54,510	<b>697,549</b>	145,355
<b>Net earnings from continuing operations attributable to:</b>					
Equity shareholders of the Company		49,982	37,359	257,705	106,007
Non-controlling interests		10,025	2,505	24,524	6,790
Net earnings from continuing operations		60,007	39,864	282,229	112,797
<b>Net earnings attributable to:</b>					
Equity shareholders of the Company		40,750	52,005	673,025	138,565
Non-controlling interests		10,025	2,505	24,524	6,790
Net earnings		50,775	54,510	697,549	145,355
Weighted average number of common shares outstanding attributable to equity shareholders of the Company (in thousands)	16(d)				
Basic		375,395	372,080	374,635	370,920
Diluted		376,835	373,852	376,280	372,851
Earnings from continuing operations attributable to equity shareholders of the Company per share (\$ per share)					
Basic		0.13	0.10	0.69	0.29
Diluted		0.13	0.10	0.68	0.28
Earnings attributable to equity shareholders of the Company per share (\$ per share)					
Basic		0.11	0.14	1.80	0.37
Diluted		0.11	0.14	1.79	0.37

See the accompanying notes, which are an integral part of these unaudited consolidated interim financial statements.

**IAMGOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited; In thousands of U.S. dollars)

	Notes	Three months ended September 30 (notes 6, 28)		Nine months ended September 30 (notes 6, 28)	
		2011	2010	2011	2010
<b>Net earnings</b>		\$ 50,775	\$ 54,510	\$ 697,549	\$ 145,355
<b>Other comprehensive income (loss), net of tax:</b>					
Change in unrealized gain (loss) of available- for-sale financial assets, net of tax	18	(1,062)	20,738	4,486	24,672
Reversal of unrealized gain on sale and impairment of available-for-sale financial assets, net of tax	18	(6,077)	(1,045)	(6,883)	(8,774)
<b>Total other comprehensive income (loss), net of tax</b>		(7,139)	19,693	(2,397)	15,898
<b>Comprehensive income</b>		43,636	74,203	695,152	161,253
Comprehensive income from continuing operations		52,868	59,557	279,832	128,695
Comprehensive income (loss) from discontinued operations	6(c)	(9,232)	14,646	415,320	32,558
<b>Comprehensive income</b>		43,636	74,203	695,152	161,253
<b>Comprehensive income attributable to:</b>					
Equity shareholders of the Company		33,611	71,698	670,628	154,463
Non-controlling interests		10,025	2,505	24,524	6,790
		43,636	74,203	695,152	161,253

See the accompanying notes, which are an integral part of these unaudited consolidated interim financial statements.

**IAMGOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited; In thousands of U.S. dollars)

Nine months ended September 30, 2011	Notes	Attributable to Equity Shareholders of the Company					Total	Non- controlling Interests	Total Equity
		Common Shares	Contributed Surplus	Retained Earnings	Fair Value Reserve				
		\$	\$	\$	\$	\$	\$	\$	
<b>Balance December 31, 2010</b>	28	2,255,498	18,789	383,602	43,268	<b>2,701,157</b>	56,964	<b>2,758,121</b>	
Net earnings		-	-	673,025	-	<b>673,025</b>	24,524	<b>697,549</b>	
Net change in fair value of available-for-sale financial assets, net of tax	18	-	-	-	(2,397)	<b>(2,397)</b>	-	<b>(2,397)</b>	
<b>Total comprehensive income</b>		-	-	673,025	(2,397)	<b>670,628</b>	24,524	<b>695,152</b>	
Issuance of shares, net of issue costs	16	34,618	-	-	-	<b>34,618</b>	-	<b>34,618</b>	
Gain on sale of treasury shares		-	85	-	-	<b>85</b>	-	<b>85</b>	
Issuance of shares for share- based payments		16,029	(4,601)	-	-	<b>11,428</b>	-	<b>11,428</b>	
Share-based payments	17	-	5,193	-	-	<b>5,193</b>	-	<b>5,193</b>	
Dividends		-	-	(37,513)	-	<b>(37,513)</b>	(11,713)	<b>(49,226)</b>	
Disposal of a subsidiary – La Arena project	5	-	-	-	-	-	(27,524)	<b>(27,524)</b>	
<b>Total transactions with owners</b>		<b>50,647</b>	<b>677</b>	<b>(37,513)</b>	-	<b>13,811</b>	<b>(39,237)</b>	<b>(25,426)</b>	
<b>Balance September 30, 2011</b>		<b>2,306,145</b>	<b>19,466</b>	<b>1,019,114</b>	<b>40,871</b>	<b>3,385,596</b>	<b>42,251</b>	<b>3,427,847</b>	

**Nine months ended  
September 30, 2010**

<b>Balance January 1, 2010</b>	28	2,201,528	12,301	151,758	17,659	<b>2,383,246</b>	23,206	<b>2,406,452</b>
Net earnings		-	-	138,565	-	<b>138,565</b>	6,790	<b>145,355</b>
Net change in fair value of available-for-sale financial assets, net of tax	18	-	-	-	15,898	<b>15,898</b>	-	<b>15,898</b>
<b>Total comprehensive income</b>		-	-	138,565	15,898	<b>154,463</b>	6,790	<b>161,253</b>
Issuance of shares, net of issue costs	16	29,187	-	-	-	<b>29,187</b>	-	<b>29,187</b>
Exercise of warrants		3,037	-	-	-	<b>3,037</b>	-	<b>3,037</b>
Gain on sale of treasury shares		-	429	-	-	<b>429</b>	-	<b>429</b>
Issuance of shares for share- based payments		19,964	(5,820)	-	-	<b>14,144</b>	-	<b>14,144</b>
Share-based payments	17	-	6,144	-	-	<b>6,144</b>	-	<b>6,144</b>
Dividends		-	-	-	-	-	(8,674)	<b>(8,674)</b>
Change in ownership – La Arena project		-	3,949	-	-	<b>3,949</b>	11,024	<b>14,973</b>
<b>Total transactions with owners</b>		<b>52,188</b>	<b>4,702</b>	-	-	<b>56,890</b>	<b>2,350</b>	<b>59,240</b>
<b>Balance September 30, 2010</b>		<b>2,253,716</b>	<b>17,003</b>	<b>290,323</b>	<b>33,557</b>	<b>2,594,599</b>	<b>32,346</b>	<b>2,626,945</b>

See the accompanying notes, which are an integral part of these unaudited consolidated interim financial statements.

**IAMGOLD CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited; In thousands of U.S. dollars)

	Notes	Three months ended September 30 (notes 6, 28)		Nine months ended September 30 (notes 6, 28)	
		2011 \$	2010 \$	2011 \$	2010 \$
<b>Operating activities:</b>					
Net earnings from continuing operations		60,007	39,864	282,229	112,797
Adjustments for:					
Financing costs		1,972	1,216	5,662	4,360
Depreciation, depletion and amortisation		37,567	32,593	112,029	84,596
Adjustment to asset retirement obligations related to closed mines	15(a)	12,279	-	12,279	-
Income and mining tax expenses		70,271	30,282	161,081	88,535
Unrealized foreign exchange loss (gain) on cash and cash equivalents		16,018	(59)	15,182	334
Other non-cash items	24(a)	15,350	(3,199)	(4,469)	(3,698)
Adjustments for cash items	24(b)	(2,455)	(3,098)	(4,913)	(7,024)
Movements in non-cash working capital items and long-term ore stockpiles	24(c)	433	(33,199)	(79,263)	(55,905)
Cash generated from operating activities		211,442	64,400	499,817	223,995
Interest paid		(669)	(753)	(2,231)	(2,016)
Income and mining taxes paid		(36,752)	(14,200)	(112,455)	(75,300)
<b>Net cash from operating activities</b>		<b>174,021</b>	<b>49,447</b>	<b>385,131</b>	<b>146,679</b>
<b>Investing activities:</b>					
Acquisition of mining assets		(67,659)	(34,794)	(152,235)	(221,225)
Acquisition of exploration and evaluation assets		(35,000)	(21,174)	(95,503)	(84,370)
Short-term investments		(169,887)	-	(169,887)	-
Disposal of the La Arena project	5	-	-	48,847	-
Disposal of Tarkwa and Damang mines	6(a)	-	-	667,000	-
Disposal of the Mupane mine	6(b)	6,559	-	6,559	-
Other	24(d)	(3,014)	692	(16,988)	13,505
<b>Net cash from (used in) investing activities</b>		<b>(269,001)</b>	<b>(55,276)</b>	<b>287,793</b>	<b>(292,090)</b>
<b>Financing activities:</b>					
Proceeds from loan		-	20,000	-	50,000
Repayment of debt		-	(20,000)	-	(50,000)
Financing costs		-	-	-	(2,365)
Issuance of shares, net of issue costs		5,923	13,879	52,938	53,751
Dividends paid		(41,825)	(2,489)	(75,254)	(30,014)
Other		60	-	85	429
<b>Net cash from (used in) financing activities</b>		<b>(35,842)</b>	<b>11,390</b>	<b>(22,231)</b>	<b>21,801</b>
<b>Impact of foreign exchange on cash and cash equivalents</b>		<b>(16,018)</b>	<b>59</b>	<b>(15,182)</b>	<b>(334)</b>
<b>Net cash from (used in) discontinued operations and net cash held at discontinued operations</b>	6(d)	<b>(13,976)</b>	<b>3,581</b>	<b>(19,629)</b>	<b>45,225</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>(160,816)</b>	<b>9,201</b>	<b>615,882</b>	<b>(78,719)</b>
Cash and cash equivalents, beginning of period		1,047,477	103,454	270,779	191,374
<b>Cash and cash equivalents, end of period</b>	7	<b>886,661</b>	<b>112,655</b>	<b>886,661</b>	<b>112,655</b>

See the accompanying notes, which are an integral part of these unaudited consolidated interim financial statements.

**IAMGOLD CORPORATION**  
**NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THIRD QUARTERS ENDED SEPTEMBER 30, 2011 AND 2010**

(Amounts in notes are in U.S. dollars, and tabular amounts are in thousands of U.S. dollars, except where otherwise indicated.)

**1. CORPORATE INFORMATION**

The unaudited condensed consolidated interim financial statements (“consolidated interim financial statements”) of IAMGOLD Corporation (“IAMGOLD” or “the Company”) for the third quarter ended September 30, 2011 were authorized for issue in accordance with a resolution of the directors on November 8, 2011. IAMGOLD is a limited company incorporated and domiciled in Canada whose shares are publicly traded. The address of the Company’s registered office is 401 Bay Street, Suite 3200, Toronto, Ontario, Canada.

The principal activities of the Company are the exploration for, development and operation of gold mining properties and the operation of a niobium mine.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The consolidated interim financial statements of IAMGOLD and all its subsidiaries for the third quarter ended September 30, 2011 have been prepared in accordance with IAS 34, Interim Financial Reporting. The consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements. Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The significant accounting policies applied in these consolidated interim financial statements are presented in note 3 and are based on IFRS in effect as of November 8, 2011. Any changes to IFRS that will impact the annual consolidated financial statements for the year ending December 31, 2011 could result in a restatement of these consolidated interim financial statements.

Certain comparative figures have been reclassified to conform to the consolidated interim financial statements presentation adopted during the third quarter of 2011.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 28. This note includes reconciliations of equity, net earnings and total comprehensive income reported under previous Canadian generally accepted accounting principles to those reported under IFRS for the 2010 comparative periods and as at the date of transition.

**(b) Basis of measurement**

The consolidated interim financial statements have been prepared on a historical cost basis, except for the following, which are measured at fair value:

- derivative financial instruments
- financial instruments at fair value through profit and loss
- available-for-sale assets

The methods used to measure fair values are discussed further in note 14.

**(c) Basis of consolidation**

Subsidiaries and associates related to significant properties of the Company are accounted for as follows:

Name	Property – Location	Ownership Interest as at September 30, 2011	Accounting Method
Rosebel Gold Mines N.V.	Rosebel mine – Suriname	95%	Consolidated
Essakane S.A.	Essakane mine – Burkina Faso	90%	Consolidated
Doyon division including the Westwood project <sup>(1)</sup>	Doyon division – Canada	100%	Consolidated
La Société d'Exploitation des Mines d'Or de Sadiola S.A.	Sadiola mine – Mali	41%	Proportionately consolidated
Société d'Exploitation des Mines d'Or de Yatela S.A.	Yatela mine – Mali	40%	Proportionately consolidated
Galane Gold Ltd. <sup>(2)</sup>	Mupane mine – Botswana	48.5%	Equity method of accounting <sup>(2)</sup>
IAMGOLD Ecuador S.A.	Quimsacocha project – Ecuador	100%	Consolidated
Niobec Inc.	Niobec mine – Canada	100%	Consolidated

<sup>(1)</sup> Part of IAMGOLD Corporation.

<sup>(2)</sup> On August 31, 2011, the Company sold its wholly-owned investment in Gallery Gold (Pty) Ltd, including its Mupane gold mine (note 6(b)). As part of the consideration received, IAMGOLD received 21,875,000 common shares of Galane Gold Ltd. (“Galane”), the new owner of the Mupane mine, representing approximately 48.5% of the outstanding shares of Galane.

Subsidiaries are entities controlled by the Company. Joint ventures are those entities over which the Company has joint control established by contractual agreement and requiring unanimous consent of the joint venturers for strategic, financial and operating decisions. Financial results of joint ventures are proportionately consolidated from the date that joint control commences until the date that joint control ceases, and are prepared for the same reporting period as the parent company, using consistent accounting policies.

Investments in associates are those entities in which the Company has significant influence, but no control or joint control, and are accounted for using the equity method. The Company's share of net earnings from investments in associates is recognized in the consolidated statement of earnings and accounted for as an increase in investments in associates in the consolidated balance sheet. The cash received from investments in associates is accounted for as a decrease of investments in associates in the consolidated balance sheet.

All intra-company balances, income and expenses and unrealized gains and losses resulting from intra-company transactions are eliminated on consolidation.

**(d) Functional and presentation currency**

The consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Company, its subsidiaries, joint ventures and associates. All tabular amounts are in thousands of U.S. dollars, except where otherwise indicated.

Any monetary items denominated in a foreign currency are converted to U.S. dollars at the exchange rate in effect at the balance sheet date, non-monetary items at historical exchange rates, revenues and expenses at the average exchange rate in effect on the dates they occur and, depreciation, depletion and amortisation at the same historical exchange rates as the assets to which it relates. Foreign exchange gains and losses are recorded in the statement of earnings.

**(e) Significant accounting judgments, estimates and assumptions**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously 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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

**(i) Mineral reserves and resources**

Mineral reserves and resources estimates have been estimated by qualified persons as defined in accordance with Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements.

Mineral reserve and resource estimates include numerous uncertainties and depend heavily on geological interpretations and statistical inferences drawn from drilling and other data, and require estimates of the future price for the commodity in question and the future cost of operations. The mineral reserve and resource estimates are subject to uncertainty and actual results may vary from these estimates. Results from drilling, testing and production, as well as material changes in metal prices and operating costs subsequent to the date of an estimate, may justify revision of such estimates.

A number of accounting estimates, as described in the following relevant accounting policy notes, are impacted by the reserve and resource estimates:

- Note 3(e) – Depreciation
- Note 3(f) – Mineral exploration and evaluation costs
- Note 3(g) – Business combinations and goodwill
- Note 3(j)(ii) – Impairment of non-financial assets
- Note 3(k) – Asset retirement obligations

**(ii) Other**

In addition, the following areas of judgments, estimates and assumptions are described in the following notes:

- Note 3(a) – Financial instruments
- Note 3(l)(ii) – Deferred income and mining tax
- Note 3(o) – Share-based payment
- Notes 15 and 25 – Provisions, commitments and contingencies

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial instruments

The Company recognizes financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments. A financial asset is derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset or when cash flows expire. A financial liability is derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Certain financial instruments are recorded at fair value on the balance sheet. Current market conditions have an impact on these fair values. These represent management's estimates and are subject to risks and uncertainties.

#### (i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, short-term investments, trade and other receivables, marketable securities, warrants held as investments, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value plus attributable transaction costs where applicable. Subsequent to initial recognition, non-derivative financial instruments are classified and measured as described below.

##### *Available-for-sale financial assets*

The Company's investments in marketable securities are designated as available-for-sale financial assets and recorded at fair value on the trade date with transaction costs included in the recorded amount. Unrealized gains and losses on available-for-sale investments are recognized in other comprehensive income (fair value reserve) until investments are disposed of or when there is objective evidence of an impairment in value, at which point accumulated gains and losses in fair value reserve are transferred to earnings.

##### *Financial assets at fair value through profit and loss*

Cash and cash equivalents, short-term investments and warrants held as investments are designated as financial assets at fair value through profit and loss and are measured at fair value. Cash equivalents are short-term deposits or investments with initial maturities of three months or less. Short-term investments have initial maturities of more than three months. Warrants held as investments are measured at fair value using the Black-Scholes pricing model. Unrealized gains or losses related to changes in the fair value are included in interest income, derivatives and other investment gains in the consolidated statement of earnings.

##### *Loans and receivables*

Trade and other receivables are classified as loans and receivables and are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

##### *Loans and borrowings*

Loans and borrowings relate to the credit facility which is accounted for at amortised cost, using the effective interest rate method. Amortisation is calculated on a straight-line basis over the term of the credit facility.

## **(ii) Derivative financial instruments**

The Company may hold derivative financial instruments to hedge its risk exposure to fluctuations of the U.S. dollar compared to other currencies, and fluctuations in commodity prices such as for oil, aluminum and gold. All derivative instruments not designated as a hedge are classified as financial assets at fair value through profit and loss.

Derivative instruments, including embedded derivatives, are recorded on the consolidated balance sheet at fair value. Subsequent to initial recognition, these derivatives are measured at fair value. The fair value of derivative instruments is based on forward rates considering the market price, rate of interest and volatility and takes into account the credit risk of the financial instrument.

Changes in estimated fair value, including translation differences, at each reporting date, are included in the consolidated statement of earnings as a derivative gain or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

## **(b) Gold bullion**

Investments in gold bullion are valued at the lower of average cost and net realizable value.

## **(c) Inventories**

Gold and niobium production inventories and concentrate inventory are valued at the lower of cost or net realizable value. Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

Ore stockpiles are valued at the lower of cost and net realizable value. The cost of ore stockpiles is increased based on the related current mining cost of the period, and decreases in stockpiles are charged back to mining costs using the weighted average cost per tonne. Stockpiles are segregated between current and long-term inventories on the consolidated balance sheet.

Mine supplies are valued at the lower of average purchase cost and net realizable value. Provisions for redundant and slow-moving items are made by reference to specific items of stock. Spare parts, stand-by and servicing equipment held are generally classified as inventories. Major capital spare parts and stand-by equipment (insurance spares) are classified as a component of mining assets.

## **(d) Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment charges.

The initial cost of an asset comprises its purchase or construction cost, any costs directly attributable to bringing the asset to a working condition for its intended use, the initial estimate of the rehabilitation obligation, and for qualifying assets, borrowing costs. The purchase price or the construction cost is the aggregate cash paid and the fair value of any other consideration given to acquire the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized in the consolidated statement of earnings within interest income, derivatives and other investments gains or losses.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. Costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of earnings as incurred.

Property, plant and equipment presented on the consolidated balance sheet are as follows:

**(i) Mining assets**

Mining assets represent the capitalized expenditures related to:

- mine and other construction in progress, and
- the operation of mineral properties in the production stage, including:
  - mining properties and deferred costs, which include values beyond proven and probable reserves (“VBPP”) and capitalized stripping costs, and
  - plant and equipment.

**a. Mine and other construction in progress costs**

Upon determination of technical feasibility and commercial viability, the related exploration and evaluation assets (refer to note (f) below), including VBPP related to the project, are transferred to mine and other construction in progress costs. These amounts plus all subsequent expenditures are capitalized. Costs are not amortised until such time as the project is brought into production.

Mine construction costs include expenditures to develop new ore bodies, define further mineralization in existing ore bodies, and construct, install and complete infrastructure facilities.

Financing costs are capitalized to the project when funds have been borrowed, either to specifically finance a project or for general borrowings during the period of construction. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period.

The date of transition from construction to production accounting is based on both qualitative and quantitative criteria such as substantial physical project completion, sustained level of mining, sustained level of processing activity, and passage of a reasonable period of time. Upon completion of mine construction activities (based on the determination of the commencement of production), costs are transferred from exploration and evaluation assets and incorporated into the appropriate categories of mining assets.

**b. Mining properties and deferred costs**

Capitalized costs for exploration and evaluation on or adjacent to sites where the Company has mineral deposits, are classified as mining properties and deferred costs within mining assets.

**c. Stripping costs**

Mining costs associated with stripping activities in an open pit mine are expensed unless the stripping activity can be shown to represent a betterment to the mineral property in which case, the stripping costs would be capitalized. Capitalized stripping costs are included in “mining properties and deferred costs” within mining assets and are amortised over the reserves that directly benefit from the stripping activity on a units-of-production basis.

**(ii) Corporate equipment**

Corporate equipment (located at corporate locations) include the following categories of assets: furniture and equipment, computer equipment, software, scientific instruments and equipment, vehicles and leasehold improvements. Corporate equipment are classified in other non-current assets.

**(e) Depreciation**

Effective from the point they are ready for their intended use, mining assets, corporate equipment and royalty interests are amortised on a straight line basis or using the units-of-production method over the shorter of the estimated economic life of the asset or the mining operation. The method of amortisation is determined based on that which best represents the use of the assets.

The reserve and resource estimates for each operation are the prime determinants of the life of that mine. In general, an ore body where the mineralization is reasonably well defined is amortised over its proven and probable mineral reserves. Non reserve material may be included in depreciation calculations in limited circumstances where there is a high degree of confidence in its economic extraction. Changes in the estimate of mineral reserves and resources will result in changes to the depreciation and will be accounted for on a prospective basis over the remaining life of the operation.

Estimated useful lives normally vary from five to fifteen years for items of plant and equipment to a maximum of twenty years for buildings.

Amounts relating to VBPP are not amortised until resources are converted into reserves. Amounts relating to capitalized costs of exploration and evaluation assets and mine and other construction in progress are not amortised as the assets are not available for use.

The basis of amortisation for capitalized stripping is the ore to be extracted as a result of the specific stripping activity and is determined on a units-of-production basis. The borrowing costs are amortised over the useful life of the related asset.

Residual values, useful lives and amortisation methods are reviewed at least annually and adjusted if appropriate. The impact of changes to the estimated useful lives or residual values is accounted for prospectively.

**(f) Mineral exploration and evaluation costs**

Mineral exploration costs are charged to earnings in the period in which they are incurred.

Evaluation costs are expenditures for activities that relate to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource on sites where the Company does not have mineral deposits already being mined or constructed, and are capitalized as exploration and evaluation assets.

Upon determination of technical feasibility and commercial viability of extracting a mineral resource, capitalized costs in exploration and evaluation assets are transferred into mine and other construction in progress, which are classified as a component of mining assets.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether future economic benefits may be realized, which are based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, any information becomes available suggesting that the expenditures are not recoverable, the amount capitalized is recognized in the consolidated statement of earnings as impairment in the period when the new information becomes available.

**(g) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method of accounting whereby identifiable assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition. Mineral rights that can be reliably valued are recognized in the assessment of fair values on acquisition, including amounts attributable to VBPP. The excess of the purchase price over the fair value of net assets acquired is recorded as goodwill.

When VBPP are transferred to reserves, the excess of fair values over the carrying values of the acquired assets and liabilities is amortised over proven and probable reserves and is subject to impairment tests.

For non-wholly owned subsidiaries, non-controlling interests are initially recorded at the fair value of the non-controlling interests share holdings or the non-controlling interests' proportion of the fair values of the assets and liabilities recognized at acquisition.

When a subsidiary is acquired in a number of stages, the carrying value of interests prior to acquisition of control is re-measured to fair value on the date control is acquired, amounts previously recognized in other comprehensive income in respect of the subsidiary are reversed, and the difference is recognized in earnings.

If a transaction does not meet the definition of a business combination under IFRS, the transaction is recorded as an asset acquisition.

Goodwill and negative goodwill can arise on the acquisition of subsidiaries, joint ventures and investments in associates. When the net of the amounts assigned to assets acquired and liabilities assumed exceeds the cost of purchase, any excess calculated is recognized as negative goodwill and recorded in the consolidated statement of earnings at the date of acquisition.

Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash generating units ("CGU") that are expected to benefit from the synergies of the combination.

#### **(h) Other intangible assets**

Other intangible assets are related to the fair value of favourable supplier contracts accounted for on a prior acquisition. The fair value is determined using a differential cost method based on cost savings expected from favourable terms of supplier contracts. Other intangible assets are amortised under the straight-line method based on the terms of each contract, which range from 2 to 20 years. Other intangible assets are classified in other non-current assets on the consolidated balance sheet.

#### **(i) Royalty interests**

The Company records its royalty interests at cost, net of accumulated amortisation and impairment charges. Royalty interests are classified in other non-current assets on the consolidated balance sheet.

#### **(j) Impairment**

##### **(i) Financial assets**

Financial assets at fair value through profit and loss are tested for impairment at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence, that can be estimated reliably, indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of marketable securities and warrants held as investments is calculated by reference to its fair value.

A prior period impairment loss for loans and receivables is tested for possible reversal of impairment whenever an event or change in circumstance indicates the impairment may have reversed. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying value that would have been determined had no impairment loss been recognized in prior periods. An impairment loss reversal would be recognized into the consolidated statement of earnings.

**(ii) Non-financial assets**

If a property is abandoned or deemed economically unfeasible, the related project balances are written off.

The Company conducts annual impairment assessments of the values of goodwill and long-lived assets, including mining assets, exploration and evaluation assets and royalty interests. Further, if at any other point an indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the asset's fair value less costs to sell ("FVLCS") and value in use ("VIU"). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets are grouped together into a CGU for impairment purposes. The CGU represents the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets.

If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is first recorded against any goodwill allocated to the relevant CGU. If the impairment loss is greater than the attributable goodwill, the excess is then recorded to the other long-lived assets in the CGU on a pro rata basis.

A prior period impairment loss is tested for possible reversal of impairment whenever an event or change in circumstance indicates the impairment may have reversed. If it has been determined that the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount to a maximum of the carrying value that would have been determined had no impairment loss been recognized in prior periods. An impairment loss reversal is recognized into the consolidated statement of earnings. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The recoverable amount is determined based on the present value of estimated future cash flows from each long-lived asset or CGU, which are calculated based on numerous assumptions such as proven and probable reserves, resources when appropriate, estimates of discount rates, realizable metals prices, operating costs, capital and site restoration expenses and estimated future foreign exchange and inflation rates, as defined under IFRS for FVLCS and VIU. Management's assumptions and estimate of future cash flows are subject to risk and uncertainties, particularly in market conditions where higher volatility exists, and may be partially or totally outside of the Company's control. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect the recoverability of the Company's long-lived assets and goodwill. If the Company fails to achieve its valuation assumptions or if any of its long-lived assets or CGU experiences a decline in its fair value, then this may result in an impairment charge in future periods, which would reduce the Company's earnings.

**(k) Asset retirement obligations**

The Company records the present value of estimated costs of legal and constructive obligations required to restore locations in the period in which the obligation is incurred with a corresponding increase in the carrying value of the related mining asset. The obligation is generally considered to have been incurred when mine assets are constructed or the ground environment is disturbed at the production location. The discounted liability is adjusted at the end of each period to reflect the passage of time, based on the discount rates that reflect current market assessments and the risks specific to the liability, and changes in the estimated future cash flows underlying the obligation.

The Company also estimates the timing of the outlays, which is subject to change depending on continued operation or newly discovered reserves.

The periodic unwinding of the discount is recognized in earnings as a finance cost. Additional disturbances or changes in restoration costs or in discount rates will be recognized as changes to the corresponding assets and asset retirement obligation when they occur. Environmental and on-going site reclamation costs at operating mines, as well as changes to estimated costs and discount rates for closed sites, are charged to earnings in the period during which they occur.

**(l) Income and mining taxes**

**(i) Current income and mining tax**

Current income and mining tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income and mining tax assets and current income and mining tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current income and mining taxes relating to items recognized directly in equity are recognized directly in equity.

**(ii) Deferred income and mining tax**

Deferred income and mining tax is provided using the balance sheet method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income and mining tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income and mining tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- In respect of taxable temporary differences associated with investments in subsidiaries, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income and mining tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When results from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income and mining tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income and mining tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

A translation gain or loss will arise where the local tax currency is not the same as the functional currency. A deferred tax is recognized on the difference between the book value of the non-monetary assets and the underlying tax basis, translated to the functional currency using the current foreign exchange rate.

Deferred income and mining tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is expected to be realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income and mining taxes relating to items recognized directly in equity are recognized directly in equity.

Deferred income and mining tax assets and deferred income and mining tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

There is no certainty that income and mining tax rates will be consistent with current estimates. Changes in tax rates increase the volatility of the Company's earnings.

#### **(m) Flow-through shares**

Flow-through common shares are recognized in equity based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided the Company has the intention to renounce the related tax benefits.

**(n) Earnings per share**

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share are calculated by dividing earnings attributable to equity shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are determined by adjusting the weighted average number of common shares for the dilutive effect of share-based payments, employees performance share units, and warrants using the treasury stock method.

**(o) Share-based payments**

The Company has the following share-based payment plans with related costs included in general and administrative expenses.

**(i) Share options, share bonus plan, and deferred share plan**

The Company operates a number of equity-settled share-based payment plans in respect of its employees. Compensation costs are measured based on the grant date fair value of the equity-settled instruments and recognized upon grant date over the related service period in the statement of earnings and credited to contributed surplus within shareholders' equity.

The fair value is based on market prices of the equity-settled instruments granted, taking into account the terms and conditions upon which those equity-settled instruments were granted. The fair value of equity-settled instruments granted is estimated using the Black-Scholes model and appropriate assumptions at grant date.

The model requires management estimates such as risk-free interest rate, volatility and weighted average expected life impacting weighted average grant date fair value. The weighted average grant date fair value is the basis for which share-based payments are recognized in earnings.

Upon exercise of options and/or issuance of shares, consideration paid by employees, as well as the grant date fair value of the equity-settled instruments, are transferred to common shares.

**(ii) Directors share bonus plan**

Share bonuses to directors are expensed on issuance as they vest immediately. They are measured at the date of issuance at the closing market price of the last day of the quarter.

**(iii) Share purchase plan**

The Company provides a share purchase plan where the Company contributes towards the purchase of shares on the open market. The Company's contribution vests on December 31 of each year and is charged to earnings in the year of contribution.

**(p) Revenue recognition**

Revenues include sales of gold, niobium and by-product concentrate as well as royalty revenue.

Revenues from the sale of gold and by-products (silver and copper concentrate) are recognized when the metal is delivered to the counterparties to the transaction.

Revenues from the sale of niobium (ferroniobium) are recognized when legal title (rights and obligations) to the ferroniobium is transferred to the buyer.

Royalty revenue is recognized when the Company has reasonable assurance with respect to measurement and collectability. Revenue based royalties such as Net Smelter Return ("NSR") or Gross Proceeds Royalties are determined based on the proceeds from the sale or other disposition of minerals recovered from the property on which the royalty interest is held. The form, manner and timing of the receipt of any specific royalty payment are governed by the corresponding royalty agreement with the owner of the royalty property.

**(q) Assets held for sale and discontinued operations**

A discontinued operation is a component of the Company that either has been disposed of or is classified as held for sale, i.e. if its carrying value will be recovered principally through a sale transaction rather than through continuing use and when the relevant criteria are met. A component of the Company comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. Results of operations and any gain or loss on the disposal are disclosed separately as net earnings from discontinued operations in the consolidated statement of earnings and comparative periods are reclassified accordingly.

**4. FUTURE ACCOUNTING POLICIES**

**IFRS 9 – Financial instruments**

The IASB has issued IFRS 9, Financial Instruments, which is a four-part project proposing to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 is planned to be effective on January 1, 2013. In August 2011, the IASB issued an exposure draft that proposes to adjust the mandatory effective date from January 1, 2013 to January 1, 2015. The Company is in the process of evaluating the impact of the change to its consolidated financial statements as a result of the new standard.

**IFRS 10 – Consolidated financial statements**

The IASB recently issued its new suite of consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27, Consolidated and separate financial statements, and SIC 12, Consolidation – Special purpose entities. IFRS 10 will be effective January 1, 2013 and early adoption is permitted. The Company is in the process of evaluating the requirements of the new standards.

**IFRS 11 – Joint arrangements, and  
IAS 28 – Amended standard on associates and joint ventures**

The IASB replaced the existing guidance for joint ventures (new arrangements) and made limited amendments in relation to associates and the application of the equity method of accounting. Under IFRS 11, joint arrangements are now classified as either joint operations or joint ventures, depending upon the rights and obligations of the parties to the arrangement.

Limited amendments were made to IAS 28 regarding associates and joint ventures held for sale and changes in interests held in associates and joint ventures. Under IFRS 11, joint ventures will be accounted for using the equity method instead of proportionate consolidation.

IFRS 11 and IAS 28 (2011) will be effective January 1, 2013 and early adoption is permitted. The Company will apply this new standard in relation to its joint ventures, Sadiola and Yatela. The Company is in the process of evaluating the requirements of the new standards.

**IFRS 12 – Disclosure of interests in other entities**

IFRS 12 replace the existing disclosure requirements for entities that have interests in subsidiaries, joint arrangements, and associates. IFRS 12 contains disclosure requirements for entities that have interests in unconsolidated structured entities. IFRS 12 will be effective January 1, 2013. The Company is in the process of evaluating the requirements of the new standards.

## IFRS 13 – Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance, and defines value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. IFRS 13 is applicable prospectively starting January 1, 2013 and early application is permitted with disclosure of the fact. The Company is in the process of evaluating the requirements of the new standards.

## IFRIC 20 – Stripping costs in the production phase of a surface mine

IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: usable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is applicable for annual period beginning on or after January 1, 2013 and early application is permitted. The Company is in the process of evaluating the requirements of the new standard.

## 5. DIVESTITURES

### La Arena project

In June 2009, an option and earn-in agreement was entered into with Rio Alto Mining Limited (“Rio Alto”) for the sale of the La Arena project in Peru. In 2009, the Company received 8,024,511 common shares (10.6% interest) and 1,500,000 warrants of Rio Alto for a total value of \$1,400,000 at inception.

During the option term, Rio Alto earned-in newly issued shares of La Arena S.A., an IAMGOLD wholly-owned subsidiary, up to the maximum allowed under the agreement of 38.7% by incurring \$30,000,000 in expenditures on the La Arena project. The Rio Alto expenditures on the La Arena project totaled \$38,933,000 since June 2009.

In February 2011, as per the option agreement, Rio Alto purchased all of the outstanding shares of La Arena S.A. for a cash payment of \$48,847,000 resulting in a gain of \$10,517,000 (before income tax impact). The La Arena project was included in the Exploration and evaluation segment. Major classes of assets and liabilities included as part of the La Arena project were as follows as at the date of disposal:

	\$
Current assets	147
Exploration and evaluation assets	66,941
Corporate equipment	103
Goodwill	11,289
Current liabilities	(6,044)
Deferred income and mining tax liabilities	(6,582)
Non-controlling interests	(27,524)
Net carrying value	38,330

## 6. DISCONTINUED OPERATIONS

### (a) Tarkwa and Damang mines (Investments in associates)

On June 22, 2011, IAMGOLD sold its 18.9% interests in the Tarkwa and Damang gold mines in Ghana, West Africa to Gold Fields Limited (“Gold Fields”) for gross proceeds of \$667,000,000 and recorded an after-tax gain on this sale of \$402,837,000. Interests in Tarkwa and Damang mines were accounted for as investments in associates using the equity method. The Company ceased the equity method accounting as of the date of the agreement, April 15, 2011. The Tarkwa and Damang mines were previously reported under the segment of equity accounted items. For more information refer to note 6(c) below.

**(b) Mupane mine**

On August 31, 2011, the Company sold its wholly owned investment in Gallery Gold (Pty) Ltd which held the Company's interest in the Mupane gold mine ("Mupane mine") for \$34,200,000 resulting in a gain on disposal of \$5,276,000. The proceeds consisted of \$12,506,000 in cash, a \$3,800,000 promissory note, payable over three years at an annual interest rate of 6%, and 21,875,000 common shares of Galane Gold Ltd. ("Galane") valued at \$17,894,000, representing approximately 48.5% of the outstanding shares of Galane. The tax impact of the sale was a recovery of \$1,500,000. The Mupane mine was previously reported under the Gold mines – Botswana segment.

Major classes of assets and liabilities included as part of the Mupane mine were as follows as at the date of disposal:

	\$
Cash and cash equivalents	5,947
Receivables and other current assets	1,978
Inventories	7,798
Mining assets	22,514
Non-current ore stockpiles	5,925
Accounts payable and accrued liabilities	(6,837)
Asset retirement obligations	(9,303)
Deferred income tax liabilities	(89)
Net carrying value	27,933
Consideration received, satisfied in cash	12,506
Cash and cash equivalents disposed of	5,947
Net cash inflow on disposal	6,559

Starting September 1, 2011, the interest of 48.5% in Galane (the new entity owning the Mupane mine) was accounted for as an investment in associates using the equity method.

**(c) Net earnings (loss) from discontinued operations**

Results and gains on disposal of these discontinued operations are presented separately as net earnings (loss) from discontinued operations in the consolidated statement of earnings, and comparative periods have been adjusted accordingly.

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Tarkwa and Damang mines</b>				
Share of earnings from investments in associates before its disposal	-	15,103	21,002	38,719
Gain on sale of investments in associates	261	-	402,837	-
Net earnings from the Tarkwa and Damang mines	261	15,103	423,839	38,719
<b>Mupane mine</b>				
Revenues	12,742	19,411	50,475	52,003
Mining costs	(10,482)	(18,535)	(46,309)	(49,162)
Derivative loss on gold hedging contracts <sup>(1)</sup>	(18,748)	(939)	(19,451)	(8,358)
Other expenses	(81)	(373)	(310)	(582)
Income taxes	300	(21)	300	(62)
Net loss from the Mupane mine before its disposal	(16,269)	(457)	(15,295)	(6,161)
Gain on sale of the Mupane mine	5,276	-	5,276	-
Income tax recovery on sale	1,500	-	1,500	-
	6,776	-	6,776	-
Net loss from the Mupane mine	(9,493)	(457)	(8,519)	(6,161)
<b>Net earnings (loss) from discontinued operations attributable to equity shareholders of the Company</b>	<b>(9,232)</b>	<b>14,646</b>	<b>415,320</b>	<b>32,558</b>

<sup>(1)</sup> The disposal of the Mupane mine led to the retirement of outstanding Mupane gold hedges resulting in a realized derivative loss. In September 2011, the remaining hedging contracts that had not been delivered (71,600 ounces of gold with contract prices between \$1,339 and \$1,500 per ounce) were bought back at prices between \$1,776 and \$1,886 per ounce resulting in a realized loss of \$26,074,000. In addition to the 8,800 ounces of gold exercised during the quarter and the reversal of previous fair value adjustments, the total derivative loss for gold contracts totalled \$18,748,000 during the third quarter of 2011.

**(d) Net cash flow from (used in) discontinued operations and cash held for sale**

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Cash flow from (used in):</b>				
Operating activities	(25,739)	4,203	(15,301)	31,750
Investing activities	(761)	(622)	(4,328)	13,475
Net cash flow from (used in) discontinued operations	(26,500)	3,581	(19,629)	45,225
Cash and cash equivalents held for sale at the beginning of the period	12,524	-	-	-
	(13,976)	3,581	(19,629)	45,225

## 7. CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	September 30 2011	December 31 2010	January 1 2010
Cash	\$ 463,510	\$ 269,194	\$ 182,570
Cash equivalents:			
Short-term deposits with initial maturities of three months or less	423,151	1,585	8,804
Cash and cash equivalents	886,661	270,779	191,374
Short-term investments	169,887	-	-
Cash, cash equivalents and short-term investments	1,056,548	270,779	191,374

## 8. GOLD BULLION

	September 30 2011	December 31 2010	January 1 2010
Ounces held (oz)	100,136	100,001	99,999
Weighted average acquisition cost (\$/oz)	421	404	404
Acquisition cost (\$000)	42,120	40,411	40,408
End of period spot price for gold (\$/oz)	1,620	1,406	1,088
End of period market value (\$000)	162,221	140,551	108,749

During the second quarter of 2011, the Company sold 1,412 ounces in conjunction with the sale of its interests in the Tarkwa and Damang properties, resulting in a gain of \$1,412,000. The Company subsequently purchased back 1,412 ounces of gold on the open market.

During the third quarter of 2011, the Company received a dividend of 135 ounces of gold valued at \$1,788 per ounce totaling \$242,000.

## 9. RECEIVABLES AND OTHER CURRENT ASSETS

	Note	September 30 2011	December 31 2010	January 1 2010
Gold trade receivables		\$ 9,892	\$ 9,808	\$ 7,693
Settlement receivables from sales of niobium		17,224	12,666	20,720
Receivables from governments related to taxes, mineral rights and exploration tax credits		42,100	24,422	24,717
Royalty receivable		2,239	1,625	1,188
Other receivables		11,513	6,665	7,911
		82,968	55,186	62,229
Derivatives – currency contracts	14	-	-	142
Derivatives – heating oil option contracts	14	-	-	2,723
Derivatives – aluminum option contracts	14	-	-	186
Marketable securities – current portion		19,399	6,670	-
Prepaid expenses		27,858	19,992	17,632
		130,225	81,848	82,912

## 10. INVENTORIES

	September 30 2011	December 31 2010	January 1 2010
	\$	\$	\$
Current:			
Finished goods:			
Gold production inventories	38,876	38,632	32,104
Niobium production inventories	14,808	12,841	7,230
Concentrate inventory	33	589	661
Gold in process	10,337	6,960	10,991
Ore stockpiles	36,250	19,628	26,392
Mine supplies	153,417	126,066	83,519
	<b>253,721</b>	204,716	160,897
Included in Other non-current assets:			
Ore stockpiles	114,316	97,880	70,370

## 11. EXPLORATION AND EVALUATION ASSETS

Capitalized investments in exploration and evaluation properties, net of impairment charges, were as follows:

	Note	September 30 2011	December 31 2010	January 1 2010
		\$	\$	\$
Canada – Westwood project		295,767	209,615	119,333
Ecuador – Quimsacocha project	25(a)	26,265	23,937	19,345
Tanzania – Other		-	726	726
French Guiana – Camp Caiman project	25(b)	1,538	3,223	3,476
Peru – La Arena project	5	-	66,941	30,008
Peru – Other		-	1,773	1,773
		<b>323,570</b>	306,215	174,661

Exploration expenses in the consolidated statement of earnings amounted to \$20,336,000 in the third quarter of 2011 (\$52,276,000 during the first nine months of 2011) compared to \$12,216,000 during the third quarter of 2010 (\$31,906,000 during the first nine months of 2010).

## 12. GOODWILL

Net book value	Note	Nine months ended September 30	
		2011	2010
		\$	\$
Balance, beginning of the period		267,978	267,978
Disposal of the La Arena project	5	(11,289)	-
Balance, end of the period		<b>256,689</b>	267,978

### 13. OTHER NON-CURRENT ASSETS

	Note	September 30 2011	December 31 2010	January 1 2010
		\$	\$	\$
Receivables from governments related to taxes, mineral rights and exploration tax credits		9,454	9,570	6,229
Marketable securities – non-current		80,972	69,331	49,237
Warrants held as investments		5,723	4,748	1,382
Royalty interests		23,808	26,514	28,688
Ore stockpiles – non-current		114,316	97,880	70,370
Corporate equipment		7,893	6,864	6,035
Other intangible assets		4,651	5,332	8,373
Restricted cash		1,274	5	5
Loan receivable	6(b)	3,800	-	-
Other assets		3,441	4,089	4,416
		<b>255,332</b>	224,333	174,735

### 14. FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments.

	September 30, 2011		December 31, 2010		January 1, 2010	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	\$	\$	\$	\$	\$	\$
<b>Financial Assets (Liabilities)</b>						
Cash, cash equivalents and short-term investments	1,056,548	1,056,548	270,779	270,779	191,374	191,374
Receivables included in receivables and other	82,968	82,968	55,186	55,186	62,229	62,229
Derivatives – Currency contracts	(15,567)	(15,567)	-	-	142	142
Derivatives – Oil option and swap contracts	(805)	(805)	-	-	2,723	2,723
Derivatives – Aluminum option contracts	(591)	(591)	-	-	186	186
Marketable securities	100,371	100,371	76,001	76,001	49,237	49,237
Warrants held as investments	5,723	5,723	4,748	4,748	1,382	1,382
Accounts payable and accrued liabilities	(172,528)	(172,528)	(158,410)	(158,410)	(140,463)	(140,463)
Other long-term liability – Embedded derivatives <sup>(1)</sup>	(992)	(992)	(1,449)	(1,449)	(1,108)	(1,108)

<sup>(1)</sup> Related to the contingent consideration for the purchase in 2009 of the additional 3% interest in Sadiola.

**(a) Financial risk management objectives and policies**

As at September 30, 2011, the Company's cash, cash equivalents, short-term investments and gold bullion position valued at the end of the period gold market price, was \$1,218,769,000 (December 31, 2010 – \$411,330,000). The Company has a \$350,000,000 unsecured revolving credit facility and a \$50,000,000 revolving facility for the issuance of letters of credit. As at September 30, 2011 and December 31, 2010, no funds were drawn against the credit facility, and \$17,663,000 (December 31, 2010 – \$18,244,000) in letters of credit were used to guarantee certain asset retirement obligations.

Marketable securities and warrants held as investments, and market price risk

Investments in marketable securities are classified as available-for-sale financial assets and are recorded at fair value in receivables and other for marketable securities expected to be sold in the next 12 months, and for the remainder in other non-current assets on the consolidated balance sheet.

In the third quarter of 2011, an unrealized loss related to change in market price of marketable securities classified as available-for-sale of \$1,305,000 (first nine months of 2011 – gain of \$6,425,000) compared to a gain of \$23,731,000 during the third quarter of 2010 (first nine months of 2010 – gain of \$27,795,000) was recorded in the fair value reserve within equity.

The Company sold some of its marketable securities during the third quarters of 2011 and 2010 (and first nine months of 2011 and 2010). Gains previously included in the fair value reserve were transferred to the statement of earnings for \$7,164,000 (first nine months of 2011 – \$8,095,000) compared to of \$1,194,000 during the third quarter of 2010 (first nine months of 2010 – \$10,135,000).

At the end of the period, the Company reviewed the value of marketable securities for objective evidence of impairment based on both quantitative and qualitative criteria and determined that an impairment charge of \$151,000 was required in 2011 (no impairment in 2010). Factors considered in determining impairment included a decreasing trend of these investments' market value and other information available on these companies.

The Company also has share purchase warrants held as investments included in other non-current assets on the consolidated balance sheet. These warrants held as investments are considered financial assets at fair value through profit and loss. The unrealized gain or loss related to changes in fair value is reported under derivative gain or loss in the consolidated statement of earnings. An unrealized loss of \$1,265,000 related to the change in the fair value of these warrants held as investments was recorded in the third quarter of 2011 (first nine months of 2011 – gain of \$789,000) compared to a gain of \$1,730,000 during the third quarter of 2010 (first nine months of 2010 – gain of \$2,224,000).

At September 30, 2011, the impact of a change of 10% in the fair value of marketable securities and warrants held as investments would have resulted in a change in unrealized net of tax gain/loss of \$8,350,000 that would be included in other comprehensive income, and a change of \$496,000 in net earnings.

Currency exchange rate risk

During the second and third quarters of 2011, the Company increased its hedge position for its exposure to the Canadian dollar and the South African Rand ("Rand"; symbol:"ZAR") by executing a combination of forward and option contracts. The Company's objective is to hedge its exposure to these currencies resulting from operating and capital expenditures requirements at the Niobec and Essakane mines, the Westwood project, and corporate costs.

As at September 30, 2011, the Company had outstanding contracts for C\$341,265,000 hedging 71% of its exposure for the remainder of 2011, and 73% of its exposure in 2012. Contracts rates are from \$0.97 to \$1.05. In addition, the Company had forward contracts in 2011 and 2012, that are related to the Essakane expansion project to buy ZAR 83,250,000 at ZAR 8.214/U.S.\$ (\$10,135,000). These contracts do not qualify for hedge accounting. The fair value was included in other liabilities (current and non-current) in the consolidated balance sheet.

Fair value	September 30 2011	December 31 2010
	\$	\$
Canadian dollar	(15,523)	-
South African Rand (ZAR)	(44)	-
	(15,567)	-

Fair value adjustments (unrealized gain (loss) on contracts) and a realized loss on deliveries were recognized and recorded as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Unrealized gain (loss) on contracts	(17,717)	1,611	(16,028)	(319)
Realized gain (loss)	235	-	235	(2,396)
Total included in derivative gain (loss)	(17,482)	1,611	(15,793)	(2,715)

The fair value as at September 30, 2011, and the fair value based on an increase or a decrease of 10% of the exchange rate as compared to the U.S. dollar would have been as follows. The entire change in fair value would go through the statement of earnings.

Fair value	September 30, 2011	Increase of 10%	Decrease of 10%
	\$	\$	\$
Canadian dollar	(15,523)	(41,922)	12,351
South African Rand (ZAR)	(44)	(939)	1,044

#### Sensitivity analysis on net monetary assets:

The foreign exchange loss recorded in the third quarter of 2011 of \$11,866,000 (first nine months of 2011 – \$12,099,000) compared to \$8,530,000 during the third quarter of 2010 (first nine months of 2010 – \$5,016,000) was mainly due to the impact of foreign exchange variation on net monetary asset position comprising items such as cash held in Canadian dollars, receivables, payables, income and mining taxes payable, and asset retirement obligations. A 10% depreciation of the Canadian dollar compared to the U.S. dollar would impact negatively net earnings (including the tax impact) by approximately \$10,000,000. A 10% appreciation would increase net earnings (including the tax impact) by approximately \$13,000,000.

#### Oil option contracts and fuel market price risk

Diesel is a key input to extract tonnage and, in some cases, to wholly or partially power operations. Since fuel is produced by the refinement of crude oil, changes in the price of oil directly impact fuel costs. The Company believes there is a strong relationship between prices for crude oil, heating oil and diesel.

During the third quarter of 2011, the Company modified its strategy by using West Texas Crude oil as the basis for hedging. The Company increased its hedge position for its exposure to fuel by executing a combination of swap and option contracts.

As a result, as at September 30, 2011, the Company had outstanding contracts covering 72% of its exposure for the remainder of 2011, and 71% of its exposure in 2012. Planned fuel requirements are for the Rosebel, Essakane, Sadiola and Yatela operations.

The fair value is included in other liabilities (current and non-current) in the consolidated balance sheet. At September 30, 2011, the fair value of outstanding contracts was as follows:

Fair value	Number of Gallons/ Barrels	September 30 2011	December 31 2010
		\$	\$
Heating oil option contracts (gallons)	8,400,000	(230)	-
Crude oil swap contracts (barrels)	30,000	(155)	-
Crude oil option contracts (barrels)	453,600	(420)	-
		<b>(805)</b>	-

The fair value of these contracts, based on an increase or a decrease of 10% of the price per gallon, would have been as follows. The entire change in fair value would go through the statement of earnings.

	September 30 2011	Increase of 10%	Decrease of 10%
	\$	\$	\$
Oil contracts	(805)	3,680	(4,495)

Changes in fair values resulted in a derivative gain (loss) as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Unrealized gain (loss) on contracts	(3,766)	634	(3,150)	(867)
Realized loss	(257)	(332)	(257)	(314)
Total included in derivative gain (loss)	(4,023)	302	(3,407)	(1,181)

#### Aluminum contracts and market price risk

Aluminum is a key input in the production of ferroniobium. The Company has a hedging strategy to limit the impact of fluctuations of aluminum prices and to economically hedge a portion of its future consumption of aluminum at the Niobec mine. The Company used swap contracts to economically hedge 55% of its aluminum exposure for the remaining of 2011 and 60% of its aluminum exposure for 2012 at the Niobec mine. The fair value of outstanding contracts as at September 30, 2011 was a loss of \$591,000 (December 31, 2010 – \$nil) and was included in other liabilities (current and non-current). The valuation of these contracts was based on an aluminum price of between \$2,290 and \$2,500 per metric tonne, at no cost, for the 2011 and 2012 consumption.

These contracts did not qualify for hedge accounting. Changes in fair values resulted in a derivative gain (loss) as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Unrealized loss on contracts	(610)	-	(591)	(186)
Realized gain (loss)	(60)	-	(29)	79
Total included in derivative loss	(670)	-	(620)	(107)

**(b) Capital management**

On January 14, 2011, the Company paid the 2010 annual dividend of \$0.08 per share totaling \$29,828,000. On June 21, 2011, IAMGOLD announced the next semi-annual dividend payment in the amount of \$0.10 per share totaling \$37,513,000 which was paid on July 20, 2011, in addition to \$11,713,000 related to subsidiaries' dividends payable to minority interests.

In July 2011, IAMGOLD filed a renewal of its existing short form base shelf prospectus qualifying the distribution of securities of up to \$1 billion. The renewal has a 25 month life in Canada, except for Quebec, and the United States, and is intended to provide the Company additional financial flexibility. The proceeds from any such offerings may be used by the Company to further expand and develop its existing mines, advance its development projects, further explore and develop its mineral properties, fund working capital requirements or for other general corporate purposes including acquisitions. This filing is a renewal of the Company's existing base shelf prospectus that was never drawn on.

**(c) Derivative gain (loss)**

The derivative gain (loss) is included in Interest income, derivatives and other investments gains (note 22) in the consolidated statement of earnings.

	Note	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
Unrealized change in fair value of:		\$	\$	\$	\$
Derivative – Currency contracts	14(a)	(17,717)	1,611	(16,028)	(319)
Derivative – Oil contracts	14(a)	(3,766)	634	(3,150)	(867)
Derivative – Aluminum contracts	14(a)	(610)	-	(591)	(186)
Other (warrants, warrants held as investments and embedded derivatives)		(1,278)	1,581	746	1,747
Unrealized derivative gain (loss)		(23,371)	3,826	(19,023)	375
Realized gain (loss) on:					
Derivative – Currency contracts	14(a)	235	-	235	(2,396)
Derivative – Oil contracts	14(a)	(257)	(332)	(257)	(314)
Derivative – Aluminum contracts	14(a)	(60)	-	(29)	79
Realized derivative gain (loss)		(82)	(332)	(51)	(2,631)
Derivative gain (loss)		(23,453)	3,494	(19,074)	(2,256)

## 15. PROVISIONS

### (a) Asset retirement obligations

The following table presents the reconciliation of the liability for asset retirement obligations:

	Three months ended September 30 2011	Nine months ended September 30 2011
	\$	\$
Balance, beginning of the period	182,533	187,421
Discontinued operations – Mupane	-	(9,236)
Revision in the discount rates – capitalized in mining assets	11,003	11,003
Revision in the discount rates – expensed	12,279	12,279
Accretion expense	778	2,467
Disbursement	(661)	(1,651)
Foreign exchange variation	(8,578)	(4,929)
Balance, end of the period	197,354	197,354
Less current portion	(2,518)	(2,518)
Non-current portion	194,836	194,836

The revision in the estimated cash flows is related to the decrease of discount rates used in the calculation during the third quarter of 2011. At the end of September 2011, the average discount rate was between 0.12% and 1.39% compared to between 1.49% and 2.52% at the end of December 2010 for all the Company's mines and sites.

### (b) Provisions for litigation claims

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

The Company is subject to various litigation actions, whose outcome could have an impact on its valuation should it be required to make payments to the plaintiffs. In-house counsel and outside legal advisors assess the potential outcome of the litigation and the Company establishes provisions for future disbursements required. As at September 30, 2011, the Company does not have any material provisions for litigation claims.

## 16. SHARE CAPITAL

### (a) Authorized

Unlimited first preference shares, issuable in series  
Unlimited second preference shares, issuable in series  
Unlimited common shares

**(b) Issued and outstanding common shares**

Nine months ended September 30	2011	2010
	Number of shares	Number of shares
Outstanding, beginning of year	372,849,289	368,887,211
Issuance of flow-through shares (note 16(c))	1,700,000	1,978,064
Exercise of warrants	-	160,000
Exercise of options	1,140,270	1,649,014
Issuance of shares for share-based payments (note 17(b)(c))	57,239	68,711
Outstanding, end of the period	375,746,798	372,743,000

**(c) Issuance of flow-through common shares**

Flow-through common shares require the Company to incur an amount equivalent to the proceeds of the issue on prescribed resource expenditures in accordance with the applicable tax legislation. The proceeds from the flow-through common shares fund prescribed resource expenditures on the Westwood project.

In February 2011, IAMGOLD entered into an agreement for a private placement of flow-through common shares. The issuance of 1,700,000 common shares at a price of C\$25.48 per share raised gross proceeds of \$43,281,000 (C\$43,316,000).

In 2010, the Company issued 1,575,000 flow-through common shares in March 2010 at C\$20.00 per share with gross proceeds of \$29,706,000 (C\$31,500,000) in addition to 403,064 flow-through common shares in September 2010 at C\$24.81 per share with gross proceeds of \$9,394,000 (C\$10,000,000).

Flow-through common shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are made. As at September 30, 2011, the Company had applied the entire flow-through common share proceeds raised to eligible expenditures.

**(d) Earnings per share****Basic earnings per share computation**

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Numerator:				
Net earnings from continuing operations attributable to equity shareholders of the Company	49,982	37,359	257,705	106,007
Net earnings attributable to equity shareholders of the Company	40,750	52,005	673,025	138,565
Denominator:	Number	Number	Number	Number
Weighted average number of common shares (basic)	375,394,844	372,080,314	374,635,491	370,920,475
	\$/share	\$/share	\$/share	\$/share
Basic earnings from continuing operations attributable to equity shareholders of the Company per share	0.13	0.10	0.69	0.29
Basic earnings attributable to equity shareholders of the Company per share	0.11	0.14	1.80	0.37

### Diluted earnings per share computation

	Three months ended September 30		Nine months ended September 30	
	2011 Number	2010 Number	2011 Number	2010 Number
Denominator:				
Weighted average number of common shares (basic)	375,394,844	372,080,314	374,635,491	370,920,475
Dilutive effect of employee share options	1,318,998	1,703,094	1,539,586	1,842,363
Dilutive effect of share bonus plan and employee deferred share plan	107,768	68,532	99,880	88,272
Dilutive effect of employees performance share units	13,789	-	5,383	-
Weighted average number of common shares (diluted)	376,835,399	373,851,940	376,280,340	372,851,110
	\$/share	\$/share	\$/share	\$/share
Diluted earnings from continuing operations attributable to equity shareholders of the Company per share	0.13	0.10	0.68	0.28
Diluted earnings attributable to equity shareholders of the Company per share	0.11	0.14	1.79	0.37

Equity instruments excluded from the computation of diluted earnings per share which could be dilutive in the future were as follows:

	Three months ended September 30		Nine months ended September 30	
	2011 Number	2010 Number	2011 Number	2010 Number
Share options	164,622	254,456	243,172	363,856

### 17. SHARE-BASED PAYMENTS

The Company expenses the fair value of all share-based payment transactions, all of which are equity-settled. The amount recorded in earnings in the period is as follows:

	Three months ended September 30		Nine months ended September 30	
	2011 \$	2010 \$	2011 \$	2010 \$
Share option plan	1,014	1,527	3,743	5,753
Share bonus plan	174	78	335	241
Deferred share plan	408	36	958	150
	1,596	1,641	5,036	6,144

#### (a) Share option plan

The Company has a comprehensive share option plan for its full-time employees, directors and officers. As at September 30, 2011, the total number of shares reserved for the grants of share options was 20,257,401. As of September 30, 2011, 7,264,878 shares remain in reserve.

Nine months ended September 30	2011	
	Options	Weighted Average Exercise Price (C\$)
Outstanding, beginning of year	4,732,649	11.31
Granted	672,416	19.11
Exercised	(1,140,270)	9.69
Forfeited	(303,167)	11.91
Outstanding, end of the period	3,961,628	13.05
Exercisable, end of the period	1,696,183	11.19

The following are the weighted average inputs to the Black-Scholes model used in determining fair value for options granted in the first nine months of 2011. The estimated fair value of the options is expensed over their vesting period of five years.

	2011
Risk-free interest rate	2%
Volatility	45%
Dividend	0.42%
Weighted average expected life of options issued (years)	5.0
Weighted average grant-date fair value (C\$ per share)	7.69
Weighted average share price at grant date (C\$ per share)	19.07
Weighted average exercise price (C\$ per share)	19.11

Expected volatility is estimated by considering historic average share price volatility.

**(b) Share bonus plan**

A summary of the status of the Company's share bonus plan and changes during the first nine months of 2011 is presented below.

Nine months ended September 30	2011
	Number
Outstanding, beginning of year	12,500
Granted	197,231
Issued	(23,250)
Forfeited	(750)
Outstanding, end of the period	185,731

**(c) Deferred share plan**

The Company has a deferred share plan for employees whereby a maximum of 500,000 common shares may be awarded. As of September 30, 2011, 402,927 shares remained in reserve.

*Summary of plan*

**Restricted share units:** Executive officers and certain employees are granted restricted share units from the deferred share plan on an annual basis. Restricted share units granted in 2010 and prior vest equally over three or four years, have no restrictions upon vesting and are equity settled. There are no cash settlement alternatives and no vesting conditions other than service.

Starting in 2011, restricted share unit grants vest after thirty-five months, have no restrictions upon vesting and are equity settled. There are no cash settlement alternatives and no vesting conditions other than service.

Restricted share units are granted to employees based on performance objectives and criteria determined on an annual basis based on guidelines established by the Compensation Committee of the Board of Directors. The amount of shares granted is determined as part of the employees' overall compensation.

A summary of the status of the Company's restricted share units and changes during the first nine months of 2011 is presented below.

<b>Nine months ended September 30</b>	<b>2011</b>
	<b>Number</b>
Outstanding, beginning of year	137,417
Granted	160,602
Issued	(33,988)
Forfeited	(16,996)
Outstanding, end of the period	247,035

The following are the weighted average inputs to the Black-Scholes model used in determining fair value for restricted share units granted in the first nine months of 2011. The estimated fair value of the awards is expensed over their vesting period of thirty-five months.

	<b>2011</b>
Weighted average grant-date fair value (C\$ per share)	20.21
Share price (C\$ per share)	20.63
Risk-free interest rate	1%
Volatility	43%
Dividend	0.75%
Weighted average expected life (years)	2.9

Expected volatility is estimated by considering historic average share price volatility adjusted for market fluctuations.

**Performance share units:** Starting in 2011, executive officers and senior employees are granted on an annual basis, performance share units from the deferred share plan based on performance objectives and criteria determined on an annual basis and as per guidelines established by the Compensation Committee of the Board of Directors. The amount of performance share units granted is determined as part of the executive officers and senior employees' overall compensation. The performance share units vest after thirty-five months provided the Compensation Committee determines certain corporate performance targets are achieved and the service conditions are met.

A summary of the status of the Company's performance share units and changes during the first nine months of 2011 is presented below.

<b>Nine months ended September 30</b>	<b>2011</b>
	<b>Number</b>
Outstanding, beginning of year	-
Granted	74,639
Forfeited	(2,090)
Outstanding, end of the period	72,549

**(d) Share purchase plan**

The Company has a share purchase plan for Canadian and American – resident or expatriate employees with more than three months of continuous service. Participants determine their contribution as a whole percentage of their base salary from 1% to 10%. The Company matches 75% of the first 5% of employee contributions, to a maximum of 3.75% of the employee's salary, towards the purchase of shares on the open market. No shares are issued from treasury under

the current purchase plan. The Company's contribution is expensed and is considered vested at the end of the day on December 31 of each calendar year.

#### 18. NET CHANGE in FAIR VALUE RESERVE

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Change in fair value of available-for-sale financial assets				
Unrealized gain (loss)	(1,305)	23,731	6,425	27,795
Income and mining tax impact	243	(2,993)	(1,939)	(3,123)
	(1,062)	20,738	4,486	24,672
Reversal of unrealized gain on sale and impairment of available-for-sale financial assets				
Gain on sale net of impairment	(7,013)	(1,194)	(7,944)	(10,135)
Income and mining tax impact	936	149	1,061	1,361
	(6,077)	(1,045)	(6,883)	(8,774)
	(7,139)	19,693	(2,397)	15,898

#### 19. MINING COSTS

Mining costs include mine production, transport and smelter processing costs, royalty expenses, applicable site administrative costs, applicable stripping costs and other related costs, as well as depreciation, depletion and amortisation.

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Direct operating costs – mines	163,248	119,174	460,883	293,735
Royalties	21,304	10,613	57,023	28,250
Operating costs – mines	184,552	129,787	517,906	321,985
Stock movements	(1,174)	(23,536)	(5,738)	(19,598)
Adjustment to asset retirement obligations related to closed mines	12,279	-	12,279	-
Other	8,106	736	15,271	7,123
Mining costs excluding depreciation, depletion and amortisation	203,763	106,987	539,718	309,510
Depreciation, depletion and amortisation	37,009	32,221	110,521	83,554
Mining costs	240,772	139,208	650,239	393,064

## 20. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
		\$	\$	\$	\$
Salaries, director and management fees		7,014	5,427	17,761	17,045
Professional and consulting fees		3,345	2,372	8,888	7,615
Office administration and other		1,861	668	4,548	3,270
		12,220	8,467	31,197	27,930
Share-based payments	17	1,596	1,641	5,036	6,144
Depreciation		558	372	1,508	1,042
General and administrative expenses		14,374	10,480	37,741	35,116

## 21. FINANCE COSTS

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Credit facility fees	998	1,041	2,918	2,727
Accretion expense	778	168	2,467	1,614
Other	196	7	277	19
	1,972	1,216	5,662	4,360

## 22. INTEREST INCOME, DERIVATIVES AND OTHER INVESTMENT GAINS (LOSSES)

	Note	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
		\$	\$	\$	\$
Interest income		585	30	732	135
Gain on sale of gold bullion	8	-	-	1,412	-
Gain on sale of marketable securities	14(a)	7,164	1,194	8,095	10,135
Gain (loss) on sale of assets		(110)	5	1,218	39
Gain on sale on the La Arena project	5	-	-	10,517	-
Derivative gain (loss)	14(c)	(23,453)	3,494	(19,074)	(2,256)
Amortisation of gain related to flow-through shares		2,600	2,357	6,892	6,118
Other		785	129	1,196	(639)
		(12,429)	7,209	10,988	13,532

## 23. INCOME AND MINING TAX EXPENSES

The Company estimates the effective tax rate expected to be applicable for the full fiscal year and uses that rate to provide for income taxes in interim reporting periods. The Company also recognizes the tax impact on certain discrete (unusual or infrequently occurring) items, including changes in judgment concerning the probable realization of losses and effects of changes in tax laws or rates, in the interim period in which they occur.

The Company reported income and mining tax expenses of \$70,271,000 and \$30,282,000 for the three months ended September 30, 2011 and 2010, respectively (nine months ended September 30, 2011 and 2010 – \$161,081,000 and \$88,535,000, respectively). The effective income and mining tax rates vary from combined Canadian federal and provincial statutory income tax rates of 28% and 31%, for 2011 and 2010, respectively, due to the geographical distribution of earnings, which are subject to different tax rates, fluctuations in exchange rates and other non deductible expenses.

The Company has generally not recognized tax benefits on losses generated in several countries where the recent history of operating losses does not satisfy the probable criteria for the recognition of deferred tax assets. Consequently, there are no income tax benefits recognized on the pre-tax losses in these jurisdictions.

## 24. CASH FLOW ITEMS

### (a) Adjustments for other non-cash items

	Note	Three months ended September 30		Nine months ended September 30	
		2011	2010	2011	2010
		\$	\$	\$	\$
Share-based payments		1,596	1,641	5,036	6,144
Gain on sale of marketable securities	14(a)	(7,164)	(1,194)	(8,095)	(10,135)
Loss (gain) on sale of assets	22	110	(5)	(11,735)	(39)
Derivative loss (gain)	14(c)	23,453	(3,494)	19,074	2,256
Amortisation of gain related to flow-through shares		(2,600)	(2,357)	(6,892)	(6,118)
Unrealized foreign exchange and other		(45)	2,210	(1,857)	4,194
		15,350	(3,199)	(4,469)	(3,698)

### (b) Adjustments for cash items within operating activities

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Disbursement related to asset retirement obligations	(661)	(709)	(1,651)	(1,620)
Settlement of derivatives	(1,706)	(2,321)	(2,858)	(5,054)
Disbursement related to termination benefits	(63)	(16)	(335)	(189)
Other	(25)	(52)	(69)	(161)
	(2,455)	(3,098)	(4,913)	(7,024)

### (c) Movements in non-cash working capital items and long-term ore stockpiles

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Receivables and other non-current assets	(4,954)	7,284	(14,856)	23,248
Inventories and long-term ore stockpiles	(21,087)	(43,735)	(84,145)	(65,715)
Accounts payable and accrued liabilities	26,474	3,252	19,738	(13,438)
	433	(33,199)	(79,263)	(55,905)

(d) Other investing activities

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Proceeds from sale of investments				
(Acquisition of investments)	(2,617)	996	(17,767)	14,920
Restricted cash	-	-	(1,244)	-
Net disposal (acquisition) of other assets	(397)	(304)	2,023	(1,415)
	(3,014)	692	(16,988)	13,505

25. COMMITMENTS AND CONTINGENCIES

(a) Quimsacocha Project in Ecuador

In November 2009, detailed mining and environmental regulations relating to the Ecuadorian mining law passed in February 2009 were completed and approved by President Correa. The Company has obtained the requisite permits and authorization to advance feasibility work at the Quimsacocha project in Ecuador. The Company maintains regular contact and dialogue with senior government officials in order to obtain needed clarity on fiscal and other matters including the analysis of the model mining contract recently released by the Ecuadorian government. The Company is also closely following the progress of mining contract negotiations involving three projects in Ecuador, which may serve to clarify certain key terms.

Assessment of the project's financial viability continues as the Company works to clarify key fiscal and other applicable dimensions. At September 30, 2011, the carrying value of the Quimsacocha project included in exploration and evaluation assets was \$26,265,000.

(b) Camp Caiman Project in French Guiana

The Company continues to pursue legal action for both the legality of the French government's decision; and the second one seeking compensation in the amount of €275,000,000 for damages resulting from that decision. No substantial progress was made in the third quarter.

(c) Capital commitments

	September 30 2011	December 31 2010
	\$	\$
<b>Capital commitments (excluding those related to joint ventures)</b>		
Contracted capital expenditures	88,195	32,152
Purchase obligations	82,975	15,302
Operating leases	6,458	5,869
<b>Capital commitments related to joint ventures (IAMGOLD share)</b>		
Contracted capital expenditures	1,207	-
Purchase obligations	31,455	25,878
Operating leases	-	-

## 26. RELATED PARTY TRANSACTIONS

There were no material related party transactions in 2011 and 2010.

## 27. SEGMENTED INFORMATION

The Company's gold mine segment is divided into geographic segments, as follows:

- Suriname:
  - Rosebel mine
- Burkina Faso:
  - Essakane mine
- Canada:
  - Doyon division including the Mouska mine and the Westwood project
- Mali:
  - Joint venture in the Sadiola mine (41%)
  - Joint venture in the Yatela mine (40%)
- Discontinued operations (note 6)
  - Botswana, Mupane mine
  - Investments in associates in the Tarkwa and Damang mines (18.9%).

The Company's segments also include non-gold activities for the Niobec mine located in Canada, Exploration and evaluation, and Corporate which also includes royalty interests located in Canada and the investment in associate (Galane) (note 6(b)).

Three months ended September 30, 2011

	Gold Mines				Total
	Suriname	Burkina Faso	Canada	Mali	
	\$	\$	\$	\$	\$
Revenues	165,357	152,337	4,922	64,617	387,233
Depreciation, depletion and amortisation	12,550	16,012	254	1,135	29,951
Exploration expenses	300	859	1,707	1,676	4,542
Interest income	-	-	-	-	-
Interest expense	42	168	53	-	263
Gain on sale of assets, marketable securities, and other	-	-	280	-	280
Net earnings (loss)	69,092	68,519	(5,681)	14,665	146,595
Expenditures for mining assets and capitalized exploration and evaluation	25,185	25,654	35,336	2,190	88,365
Decrease to goodwill	-	-	-	-	-

	Total Gold Mines	Niobium	Exploration and Evaluation	Corporate	Subtotal	Discontinued operations	Total
	\$	\$	\$	\$	\$	\$	\$
Revenues	387,233	42,412	-	2,249	431,894	-	431,894
Depreciation, depletion and amortisation	29,951	5,147	99	2,370	37,567	-	37,567
Exploration expenses	4,542	-	15,794	-	20,336	-	20,336
Interest income	-	-	10	575	585	-	585
Interest expense	263	(8)	-	939	1,194	-	1,194
Gain on sale of assets, marketable securities, and other (note 22)	280	581	9	9,569	10,439	-	10,439
Net earnings (loss)	146,595	11,707	(15,043)	(83,252)	60,007	(9,232)	50,775
Expenditures for mining assets and capitalized exploration and evaluation	88,365	13,542	752	-	102,659	761	103,420
Decrease to goodwill	-	-	-	-	-	-	-

**Three months ended September 30, 2010**

	<b>Gold Mines</b>				<b>Total</b>
	<b>Suriname</b>	<b>Burkina Faso</b>	<b>Canada</b>	<b>Mali</b>	
	\$	\$	\$	\$	\$
Revenues	119,373	22,711	3,689	46,836	192,609
Depreciation, depletion and amortisation	13,474	9,275	-	2,399	25,148
Exploration expenses	30	364	1,044	498	1,936
Interest income	-	3	-	-	3
Interest expense	-	-	(6)	-	(6)
Gain on sale of assets, marketable securities and other	-	-	-	-	-
Net earnings (loss)	37,344	(9,788)	(570)	9,103	36,089
Expenditures for mining assets and capitalized exploration and evaluation	13,968	4,202	18,625	2,049	38,844
Increase to goodwill	-	-	-	-	-

	<b>Total Gold Mines</b>	<b>Niobium</b>	<b>Exploration and Evaluation</b>	<b>Corporate</b>	<b>Subtotal</b>	<b>Discontinued Operations</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Revenues	192,609	40,426	-	1,666	234,701	-	234,701
Depreciation, depletion and amortisation	25,148	4,885	68	2,492	32,593	-	32,593
Exploration expenses	1,936	-	10,280	-	12,216	-	12,216
Interest income	3	-	4	23	30	-	30
Interest expense	(6)	22	-	1,032	1,048	-	1,048
Gain on sale of assets, marketable securities and other (note 22)	-	-	4	3,681	3,685	-	3,685
Net earnings (loss)	36,089	29,898	2,731	(28,854)	39,864	14,646	54,510
Expenditures for mining assets and capitalized exploration and evaluation	38,844	14,372	2,752	-	55,968	622	56,590
Increase to goodwill	-	-	-	-	-	-	-

**Nine months ended September 30, 2011**

	<b>Gold Mines</b>				<b>Total</b>
	<b>Suriname</b>	<b>Burkina Faso</b>	<b>Canada</b>	<b>Mali</b>	
	\$	\$	\$	\$	\$
Revenues	443,923	418,186	20,018	171,493	1,053,620
Depreciation, depletion and amortisation	38,126	47,991	290	3,378	89,785
Exploration expenses	300	2,759	5,790	3,715	12,564
Interest income	-	-	-	-	-
Interest expense	133	168	96	-	397
Gain on sale of assets, marketable securities, and other	-	-	769	-	769
Net earnings (loss)	179,017	182,247	(9,695)	12,475	364,044
Expenditures for mining assets and capitalized exploration and evaluation	50,874	57,324	95,169	5,374	208,741
Decrease to goodwill	-	-	-	-	-
<b>At September 30, 2011:</b>					
Total assets	811,793	948,690	612,798	166,393	2,539,674
Total liabilities	242,714	119,851	114,209	65,976	542,750

	<b>Total Gold Mines</b>	<b>Niobium</b>	<b>Exploration and Evaluation</b>	<b>Corporate</b>	<b>Subtotal</b>	<b>Discontinued Operations</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Revenues	1,053,620	130,125	-	7,837	1,191,582	-	1,191,582
Depreciation, depletion and amortisation	89,785	14,859	263	7,122	112,029	-	112,029
Exploration expenses	12,564	-	39,712	-	52,276	-	52,276
Interest income	-	-	18	714	732	-	732
Interest expense	397	(10)	-	2,808	3,195	-	3,195
Gain on sale of assets, marketable securities, and other (note 22)	769	581	648	27,332	29,330	-	29,330
Net earnings (loss)	364,044	26,601	(36,108)	(72,308)	282,229	415,320	697,549
Expenditures for mining assets and capitalized exploration and evaluation	208,741	36,667	2,330	-	247,738	4,328	252,066
Decrease to goodwill	-	-	(11,289)	-	(11,289)	-	(11,289)
<b>At September 30, 2011:</b>							
Total assets	2,539,674	454,278	33,225	1,120,448	4,147,625	-	4,147,625
Total liabilities	542,750	73,611	2,342	101,075	719,778	-	719,778

**Nine months ended September 30, 2010**

	<b>Gold Mines</b>					<b>Total</b>
	<b>Suriname</b>	<b>Burkina Faso</b>	<b>Canada</b>	<b>Mali</b>		
	\$	\$	\$	\$		\$
Revenues	337,919	22,711	11,103	160,213		531,946
Depreciation, depletion and amortisation	38,185	9,275	3	15,584		63,047
Exploration expenses	175	364	3,093	1,773		5,405
Interest income	-	3	-	-		3
Interest expense	-	-	309	-		309
Gain on sale of assets, marketable securities and other	-	-	-	-		-
Net earnings (loss)	96,414	(10,393)	(461)	34,050		119,610
Expenditures for mining assets and capitalized exploration and evaluation	41,344	117,317	67,451	7,181		233,293
Increase to goodwill	-	-	-	-		-

	<b>Total Gold Mines</b>	<b>Niobium</b>	<b>Exploration and Evaluation</b>	<b>Corporate</b>	<b>Subtotal</b>	<b>Discontinued operations</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Revenues	531,946	119,543	-	4,670	656,159	-	656,159
Depreciation, depletion and amortisation	63,047	13,947	181	7,421	84,596	-	84,596
Exploration expenses	5,405	-	26,501	-	31,906	-	31,906
Interest income	3	-	12	120	135	-	135
Interest expense	309	36	-	2,401	2,746	-	2,746
Gain on sale of assets, marketable securities and other (note 22)	-	-	38	15,615	15,653	-	15,653
Net earnings (loss)	119,610	37,143	(8,093)	(35,863)	112,797	32,558	145,355
Expenditures for mining assets and capitalized exploration and evaluation	233,293	55,111	17,191	-	305,595	1,886	307,481
Increase to goodwill	-	-	-	-	-	-	-

**At December 31, 2010**

	<b>Gold Mines</b>					<b>Total</b>
	<b>Suriname</b>	<b>Burkina Faso</b>	<b>Canada</b>	<b>Botswana</b>	<b>Mali</b>	
	\$	\$	\$	\$	\$	\$
Total assets	732,319	874,011	494,512	53,106	151,095	2,305,043
Total liabilities	203,194	80,908	107,651	29,879	63,696	485,328

	<b>Total Gold Mines</b>	<b>Niobium</b>	<b>Exploration and Evaluation</b>	<b>Corporate</b>	<b>Subtotal</b>	<b>Equity Accounted Items</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$
Total assets	2,305,043	421,882	107,886	350,172	3,184,983	246,122	3,431,105
Total liabilities	485,328	62,018	15,675	109,963	672,984	-	672,984

## 28. TRANSITION TO IFRS

As stated in note 2(a), these are the Company's unaudited consolidated interim financial statements prepared during the year of transition to IFRS, in accordance with IFRS. Adoption of IFRS requires the Company to make certain accounting policy choices, and disclose the expected impact on the Company's financial position and results of operations. The Company adopted IFRS in accordance with IFRS 1, First-Time Adoption of International Financial Reporting Standards. The first date at which IFRS were applied is January 1, 2010 (the "transition date"). In accordance with IFRS, the Company applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the first, second and third quarters of 2011, the comparative information presented in these consolidated financial statements for the first, second and third quarters of 2010 and the year ended December 31, 2010, and in the preparation of the opening IFRS consolidated balance sheet at January 1, 2010.

In preparing its opening IFRS consolidated balance sheet, and comparative consolidated financial statements in 2010, the Company has adjusted amounts reported previously in financial statements in accordance with previous Canadian generally accepted accounting principles ("GAAP"). These adjusted amounts have not been audited yet. The 2011 and comparative 2010 annual consolidated financial statements under IFRS may differ from these preliminary amounts as a result of different interpretation, adjustments relating to any new IFRS pronouncements or other items identified during the completion and audit of the 2011 and the comparative 2010 consolidated financial statements.

### (a) Unaudited reconciliation of consolidated equity at January 1, 2010, March 31, 2010, June 30, 2010, September 30, 2010 and December 31, 2010

The following table presents the impact on shareholders' equity.

	January 1, 2010	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010
	\$	\$	\$	\$	\$
<b>Shareholders' equity under Canadian GAAP</b>	<b>2,416,661</b>	<b>2,521,517</b>	<b>2,537,725</b>	<b>2,637,623</b>	<b>2,775,810</b>
IFRS adjustments – Increase (decrease) in equity:					
Foreign currency translation (note i)	(49,568)	(71,973)	(35,869)	(64,139)	(89,887)
Business combinations (note ii)	-	475	2,004	3,678	3,971
Exploration and evaluation assets (note iii)	(5,266)	(5,266)	(5,266)	(5,266)	(5,266)
Asset retirement obligations (note iv)	(5,118)	(2,381)	(907)	1,918	(19,721)
Financial instruments (note v)	2,476	2,711	2,711	2,711	7,611
Warrants (note vi)	(555)	(218)	(654)	-	-
Flow-through shares (note vii)	(3,006)	(6,244)	(5,260)	(6,688)	24
Employee benefits (note viii)	(2,278)	(2,323)	(2,206)	(2,260)	(3,294)
Income and mining taxes (note ix)	29,995	28,840	16,530	26,662	31,006
Non-controlling interests reclassifications (note x)	23,111	26,247	24,472	32,706	57,867
	(10,209)	(30,132)	(4,445)	(10,678)	(17,689)
<b>Total equity under IFRS</b>	<b>2,406,452</b>	<b>2,491,385</b>	<b>2,533,280</b>	<b>2,626,945</b>	<b>2,758,121</b>

**(b) Unaudited reconciliation of consolidated net earnings for the first, second and third quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 respectively, and the year ended December 31, 2010**

The following table presents the impact on net earnings. Each line is net of income and mining tax and non-controlling interests where applicable.

	First quarter ended March 31, 2010	Second quarter ended June 30, 2010	Third quarter ended September 30, 2010	Nine months ended September 30, 2010	Year 2010
	\$	\$	\$	\$	\$
<b>Net earnings under Canadian GAAP</b>	<b>58,844</b>	<b>35,713</b>	<b>40,752</b>	<b>135,309</b>	<b>279,793</b>
IFRS adjustments – Increase (decrease) in net earnings:					
Unrealized loss on translating financial statements of foreign denominated entities (note i)	(2,622)	4,883	(4,336)	(2,075)	(5,213)
Business combinations (note ii)	(287)	(1,710)	1,726	(271)	(593)
Asset retirement obligations (note iv)	2,737	1,474	2,825	7,036	(14,603)
Warrants (note vi)	337	(436)	(84)	(183)	(183)
Flow-through shares (note vii)	-	982	628	1,610	2,256
Employee benefits (note viii)	(45)	117	(54)	18	(67)
Income and mining taxes (note ix)	(1,155)	(12,308)	10,130	(3,333)	233
Non-controlling interests reclassifications (note x)	2,355	1,966	2,923	7,244	18,222
	1,320	(5,032)	13,758	10,046	52
<b>Net earnings under IFRS</b>	<b>60,164</b>	<b>30,681</b>	<b>54,510</b>	<b>145,355</b>	<b>279,845</b>
Net earnings from continuing operations	48,730	24,203	39,864	112,797	240,653
Net earnings from discontinued operations	11,434	6,478	14,646	32,558	39,192
<b>Net earnings under IFRS</b>	<b>60,164</b>	<b>30,681</b>	<b>54,510</b>	<b>145,355</b>	<b>279,845</b>

(c) Unaudited reconciliation of consolidated comprehensive income for the first, second and third quarters ended March 31, 2010, June 30, 2010 and September 30, 2010 respectively, and the year ended December 31, 2010

	First quarter ended March 31, 2010	Second quarter ended June 30, 2010	Third quarter ended September 30, 2010	Nine months ended September 30, 2010	Year 2010
	\$	\$	\$	\$	\$
<b>Comprehensive income under Canadian GAAP</b>	<b>73,247</b>	<b>5,842</b>	<b>84,379</b>	<b>163,468</b>	<b>334,596</b>
Adjustment to net earnings (see table (b) above)	1,320	(5,032)	13,758	10,046	52
Reversal of cumulative translation adjustment (note i)	(19,783)	31,221	(23,934)	(12,496)	(35,107)
Increase in unrealized gain in available-for-sale financial assets (note v)	235	-	-	235	5,135
Defined benefit plans actuarial loss (note viii)	-	-	-	-	(949)
Income and mining tax impact (note ix)	-	-	-	-	777
	(18,228)	26,189	(10,176)	(2,215)	(30,092)
<b>Comprehensive income under IFRS</b>	<b>55,019</b>	<b>32,031</b>	<b>74,203</b>	<b>161,253</b>	<b>304,504</b>
Comprehensive income from continuing operations	43,585	25,553	59,557	128,695	265,312
Comprehensive income from discontinued operations	11,434	6,478	14,646	32,558	39,192
<b>Comprehensive income under IFRS</b>	<b>55,019</b>	<b>32,031</b>	<b>74,203</b>	<b>161,253</b>	<b>304,504</b>

**(d) Cash flow reconciliation**

The statement of cash flow has been adjusted according to the following:

- Interest paid and income and mining taxes paid have been shown separately within operating activities of the statement of cash flows, whereas they were previously disclosed as supplementary information;
- Reclassification of cash flow related to discontinued operations.

**(e) Explanation of differences impacting the Company's financial statements including IFRS 1 – First-Time Adoption of International Financial Reporting Standards**

The following narratives explain the significant differences between Canadian GAAP accounting policies and the IFRS accounting policies adopted by the Company for interim and annual periods beginning January 1, 2011, with comparative information for 2010 restated under IFRS, including the IFRS 1 exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS. Only the differences having an impact on the Company are described below.

**i. Foreign currency translation**

Canadian GAAP – The factors considered in the determination of the functional currency of the Company, its subsidiaries, associates and joint ventures were prioritized based on management judgment. The U.S. dollar was the functional currency of the Company and all of its activities, with the exception of the Company's Canadian mining activities, for which the functional currency was the Canadian dollar.

IFRS (IAS 21, The Effects of Changes in Foreign Exchange Rates) – The functional currency of the Company, its subsidiaries, associates and joint ventures is determined on the basis of primary economic environment factors. Secondary and other indicators may be used to provide further evidence of the functional currency. Finally, management judgment should be used if the indicators are mixed and the functional currency is not obvious, in order to determine the functional currency which most faithfully represents the economic effects of the underlying transactions, events and conditions of the entity.

Under IFRS, the U.S. dollar is the functional currency of the Company and all of its subsidiaries, associates and joint ventures. As a result, the cumulative translation adjustment within accumulated other comprehensive income on the consolidated balance sheet under Canadian GAAP was eliminated. Any monetary items denominated in a foreign currency are converted to U.S. dollars at the exchange rate in effect at the balance sheet date, non-monetary items at historical exchange rates, revenues and expenses at the average exchange rate in effect on the dates they occur and, depreciation, depletion and amortisation at the same historical exchange rates as the assets to which it relates. Foreign exchange gains and losses are recorded in the statement of earnings.

**ii. Business combinations**

IFRS 1 provides the option to apply IFRS 3 Revised, Business Combinations, retrospectively or prospectively from the transition date. The retrospective basis would require restatement of all business combinations and all changes in interests in subsidiaries, associates and joint ventures that occurred prior to the transition date. The Company elected not to retrospectively apply IFRS 3 and transactions resulting in changes in interests that occurred prior to its transition date, and such business combinations and transactions were not restated.

In addition, as a condition under IFRS 1 for applying this exemption, goodwill relating to business combinations that occurred prior to the transition date was tested for impairment on the transition date even though no impairment indicators were identified. No impairment existed at the transition date.

The IFRS adjustments below relate to changes in interests in a subsidiary occurring after January 1, 2010.

#### *La Arena transaction*

Canadian GAAP – Consideration received as part of the farm-out arrangement resulted in a dilution in the Company's interest of a subsidiary. Refer to note 5 relating to the La Arena project for more information. Non-controlling interests were adjusted to reflect the reduction in the Company's interest in net assets of the subsidiary with a corresponding proportionate reduction recognized in the value of the related goodwill and a gain for the difference between these amounts and the consideration received.

IFRS – The difference between the amount by which the non-controlling interests are adjusted and the consideration received is recognized directly in equity. No adjustment was made to the carrying amount of the assets and liabilities of the subsidiary, including goodwill.

### **iii. Exploration and evaluation assets**

Canadian GAAP – Exploration expenses incurred prior to the date of establishing that a property has mineral resources with the potential of being economically recoverable were charged against earnings. Costs incurred subsequent to this date were capitalized until such time as the projects were brought into production or were deemed economically unfeasible.

IFRS (IFRS 6, Exploration and Evaluation of Mineral Resources) – The Company's policy is such that all exploration expenditures are charged to earnings. Evaluation expenditures, representing those activities that relate to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource, are capitalized.

As a result, certain exploration costs capitalized under Canadian GAAP have been expensed under IFRS, resulting in a decrease in mining assets. This change had an impact only on transition. There was no impact to earnings in the first, second and third quarters of 2010 and the year ended December 31, 2010.

As part of the adoption of IFRS, the term "exploration and development" was replaced with "exploration and evaluation assets" in respect of capitalized exploration and evaluation projects.

### **iv. Asset retirement obligations**

#### *Discount rate*

Canadian GAAP – The discount rate used was the entity's credit-adjusted risk-free rate. In addition, changes in the discount rate were not reflected in the measurement of the provision. The unwinding of the discount was presented as an operating expense. At the end of 2010, the average credit-adjusted risk-free interest rate was between 4.03% and 6.43% for all the Company's mines and sites.

IFRS (IAS 37, Provisions, Contingent Liabilities and Contingent Assets) – The discount rate used reflects the risks specific to the obligation. Changes to the discount rate require re-measurement of the provision. The unwinding of the discount is presented as a financing cost. The impact is mainly related to these changes in the discount rate. Total projected undiscounted cash outflow has not changed materially. At the end of 2010, the average discount rate was between 1.49% and 2.52% for all the Company's mines and sites.

#### *Measurement of obligation*

Canadian GAAP – The obligation is measured based on fair value using third-party market assumptions.

IFRS – Asset retirement obligations are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

*IFRS 1 election – Decommissioning Liabilities Included in the Cost of Property, Plant and Equipment*

Management has elected to use the IFRS 1 exemption which provides relief from the application of IFRIC 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities, and prescribes an alternative treatment in determining the adjustment to the corresponding asset and retained earnings at the transition date for changes in the estimate of the liability that occurred before the transition date to IFRS.

**v. Financial instruments**

*Unquoted marketable securities*

Canadian GAAP – Investments in equity instruments classified as available-for-sale that did not have a quoted market price in an active market were measured at cost.

IFRS (IAS 39, Financial Instruments: Recognition and Measurement) – These assets are recognized at fair value where fair value can be reliably measured.

**vi. Warrants**

Canadian GAAP – Contracts to deliver a fixed number of equity instruments in exchange for a fixed amount of foreign currency were considered equity instruments and were accounted for at cost.

IFRS – The Company's warrants have a Canadian dollar exercise price which differs from the Company's functional currency. As a result, these warrants are treated as a liability and measured at fair value with changes in fair value recognized through net earnings.

In addition, in 2009, some warrants expired without being exercised and were allocated to contributed surplus under Canadian GAAP. Under IFRS, the value of these warrants was transferred to retained earnings.

**vii. Flow-through shares**

Canadian GAAP – Flow-through shares were recorded at their face value, net of related issuance costs. On the date the tax credits were renounced, a future tax liability was recognized as a cost of issuing the shares.

IFRS – Flow-through shares are recognized based on the quoted price of the existing shares on the date of the issue. The difference between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain which is reversed into earnings as eligible expenditures are incurred. The deferred tax impact is recorded as eligible expenditures are incurred, provided the Company has the intention to renounce the related tax benefits.

**viii. Employee benefits**

Canadian GAAP – The recognition of actuarial gains and losses was deferred. In each period, the portion of actuarial gains and losses that exceeds 10% of the greater of the accrued benefit obligation at the beginning of the year, and the fair value of plan assets at the beginning of the year, was amortised ("corridor approach").

IFRS – Actuarial gains and losses are recognized immediately in the statement of other comprehensive income, and are reported directly in retained earnings in the same period.

IFRS 1 provides the option to retrospectively apply the corridor approach under IAS 19, Employee Benefits, for the recognition of actuarial gains and losses, or recognize all cumulative gains and losses deferred under Canadian GAAP in opening retained earnings at the transition date. The Company elected to recognize a cumulative actuarial loss that existed at its transition date in opening retained earnings for all of its employee benefit plans.

**ix. Income and mining taxes**

*Deferred tax on translation gains and/or losses on non-monetary assets and liabilities*

Canadian GAAP – The tax effect of temporary differences related to translation gains or losses were specifically exempted from being recognized.

IFRS (IAS 12, Income Taxes) – There is no such exemption under IFRS. A translation gain or loss will arise where the local tax currency is not the same as the functional currency. Deferred tax is recognized on the difference between the book value of the non-monetary assets and the underlying tax basis, translated to the functional currency using the current foreign exchange rate.

*Deferred tax on intercompany transactions*

Canadian GAAP – Recognition of a deferred tax asset or liability for a temporary difference arising from intercompany transactions was prohibited. Such temporary differences may arise when the tax base of the asset in the buyer's jurisdiction differs from the carrying amount of the asset in the consolidated financial statements. Further, cash taxes paid or recovered as a result of a transfer of an asset were recorded as a deferred tax asset or liability in the financial statements and recognized through tax expense when the asset was leaving the Company or was otherwise utilized.

IFRS – There are no such exceptions under IFRS. Therefore, deferred tax is recognized for temporary differences arising on intercompany transactions measured at the tax rate of the buyer, and cash tax paid or recovered on intercompany transactions is recognized in the period incurred.

*Classification of deferred tax*

Canadian GAAP – Deferred taxes were split between current and non-current components on the basis of either the underlying asset or liability, or the expected reversal of items not related to an asset or liability.

IFRS – All deferred tax assets and liabilities are classified as non-current.

*Other adjustments*

Other adjustments from Canadian GAAP to IFRS have been tax affected.

**x. Non-controlling interests**

Canadian GAAP – Non-controlling interests in the equity of a consolidated affiliate were classified as a separate component between liabilities and equity in the consolidated balance sheet and as a component of net earnings within the consolidated statement of earnings.

IFRS – Non-controlling interests are classified as a component of equity separate from the equity of the parent and are not included in net earnings, but rather presented as an allocation of net earnings.

**xi. Impairment of property, plant and equipment**

*Recoverable amount*

Canadian GAAP – A recoverability test was performed by first comparing the undiscounted expected future cash flows to be derived from the asset to its carrying amount. If the asset did not recover its carrying value, an impairment loss was calculated as the excess of the asset's carrying amount over its fair value.

IFRS (IAS 36, Impairment of Assets) – The impairment loss is calculated as the excess of the asset's carrying amount over its recoverable amount, where the recoverable amount is defined as the higher of the asset's fair value less costs to sell ("FVLCS") and its value in use. Under the FVLCS calculation, expected future cash flows from the asset are discounted to their net present value less an estimate of the cost to sell the asset.

The change in measurement methodology did not have an impact on transition or the year ended December 31, 2010.

*Reversal of impairment*

Canadian GAAP – A reversal of impairment losses was not permitted.

IFRS (IAS 39, Financial Instruments: Recognition and Measurement) – A reversal of impairment losses is required for assets other than goodwill if certain criteria are met.

On the transition date and in the year ended December 31, 2010, no reversal of impairment was recognized.

**xii. Other IFRS 1 exemptions and exceptions**

*IFRS 1 optional exemptions*

Below are the remaining applicable optional exemptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

- (i) Borrowing costs – IFRS 1 permits the application of IAS 23, Borrowing Costs, which requires an entity to capitalize the borrowing costs related to all qualifying assets, retrospectively or prospectively from a date that is no later than the transition date. This is consistent with the Company's policy under Canadian GAAP. As a result, no adjustment was required on transition to IFRS.
- (ii) Fair value as deemed cost – IFRS 1 permits the measurement of any item of property, plant and equipment at the item's fair value on the date of transition as the item's deemed cost. The Company elected to deem the cost of certain assets at their fair value on the date of transition. The selected assets had fair values that approximated their carrying values on January 1, 2010 and as a result, no transition adjustment was recorded.

*IFRS Mandatory exceptions*

As an applicable mandatory exception in IFRS 1 relevant to the Company's conversion from Canadian GAAP to IFRS for estimates, hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.



IAMGold Corporation  
401 Bay Street, Suite 3200, PO Box 153  
Toronto, Ontario, Canada M5H 2Y4  
T: 416 360 4710 Toll-Free: 1 888 IMG 9999  
[www.iamgold.com](http://www.iamgold.com)