IAMGOLD®
CORPORATION

Tax Accounting for Financial Statement Purposes

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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.

Background

Three Principal Revenue Generators:

- Essakane
- Rosebel
- Westwood

Cash Taxes at Our Revenue Generators

- Essakane
  - Statutory rate: 17.5%
- Rosebel
  - Statutory rate: 36.0%
- Westwood
  - No cash income taxes due to large tax pools available
  - Minimum mining tax [2017 – $3 million]
- 2018 Consolidated Guidance:
  - $40 to $55 million cash taxes

Deferred Taxes

Only material deferred tax amounts are in respect of the three principal sites

- Westwood (IMG Corporation) has deferred taxes only with respect to mining taxes
- There are no deferred taxes recorded for exploration expenses and Corporate G&A

Adjusted Effective Tax Rates (ETRs) for IAMGOLD Consolidated

	Q1	Q2	Q3	Q4	Year
2016	-28%	-14%	38%	-21%	73%
2017	62%	55%	-21%	149%	59%

Tax-Related EPS Disruptors

1. Foreign exchange rates

2. Income mix

3. Permanent differences

4. Prior year taxes

1. Foreign Exchange Rates

- Deferred income tax issue:
  - Where non-USD functional currency for a foreign subsidiary
    - Net Book Value = historical foreign exchange rates
    - Tax Basis = closing FX rate at current Balance Sheet date
  - Completely unrelated to the Net Income Before Tax (NIBT) of the current period.

1. Foreign Exchange Rates

Exhibit "A"

An illustration of the FX issue re deferred tax: **DR / (CR)**

One asset	**Accounting carrying value**			**Tax carrying value**				**30% deferred tax**		
	Local currency	**Historic FX rate**	US$	Local currency	***Current FX rate***		US$	Balance Sheet	Income Statement	
			A				**B**	**(B-A)*30%**		
Asset acquired	1,000	20	50	1,000	20		50	-	n/a	
End of year 1	1,000	20	50	1,000	***15***	#	67	5	(5)	#
End of year 2	1,000	20	50	1,000	***10***	#	100	15	(10)	#
End of year 3	1,000	20	50	1,000	***30***	@	33	(5)	20	@
End of year 4	1,000	20	50	1,000	20	#	50	(15)	(5)	#
								-	-	

Entirely as a consequence of changes in FX rates, there is a significant DT provision in each of the four years, but no change in the accounting carrying value and no net change in the DT balance over the four year period.

local currency strengthened, producing a deferred tax recovery

@ local currency weakened, producing a deferred tax expense

1. Foreign Exchange Rates

- Issue exists principally at Essakane
  - Functional currency = West African CFA franc [fixed @ 655.957 euro]
  - Significant tax basis for Deferred Taxes
  - Overall, the CFA strengthened against the USD in 2017
  - However, the CFA also weakened in some periods during the year
  - Significant quarterly Deferred Tax impact for IAMGOLD Consolidated

2. Income Mix

- Consolidations effectively “average“ all results
    - Different mix of NIBT within consolidated group
        - No change in consolidated NIBT
        - Potential change in consolidated tax position

2. Income Mix

Exhibit "A"

Illustration of "Income Mix"

	Q1		Q2		NIBT impact Q2 vs Q1	Tax impact Q2 vs Q1
	NIBT	Tax	NIBT	Tax		
Sub #1 [tax 17.5%]	20.0	3.5	8.0	1.4	-12.0	-2.1
Sub #2 [tax 36.0%]	12.0	4.3	24.0	8.6	12.0	4.3
Combined	32.0	**7.8**	32.0	**10.0**	**0.0**	**2.2**
ETR		**24%**		**31%**		
					0%	**28%**

2. Income Mix

- For IAMGOLD Consolidated, minimal tax benefits exist for
  - Exploration expenditures
    - 2017: $38.4 million (2018 Guidance: $41.0 million)
  - General & Administrative expenditures
    - 2017: $40.3 million

3. Permanent Differences

- Permanent differences are amounts that are <u>excluded</u> from tax calculations
  - Examples include
    - Non-deductible interest expense
    - Unrealized FX gains/losses:
      - Concern: Forecast FX rate versus actual FX rate
      - Issue: Difference between forecast and actual FX rates affects current tax provision

4. Prior Year Taxes

- Re-assessments
- Refund claims
- Reserves [Uncertain Tax Positions (UTP)]
- All recognized in the quarter they become known

Appendix

IAMGOLD CORPORATION

TSX : IMG NYSE : IAG

IMG: TAX ACCOUNTING FOR FINANCIAL STATEMENT PURPOSES

Overview

The following provides further explanatory notes into particular matters that affect Iamgold Corporation's ("IMG Corp") quarterly and annual consolidated tax provisions ("IMG Consol") and the impact thereon on earnings per share ("EPS").

In very broad terms, one might expect that tax expense is directly related to the operating results for any given period. *In fact, for many consolidated groups, including IMG Consol, a number of factors beyond the consolidated operating results can impact consolidated tax expense*.

These non-operational variables impact both current and deferred tax provisions. *For IMG Consol, four such variables can affect taxes and therefore EPS for a particular quarter; namely (i) fx rates, (ii) income mix, (iii) unanticipated "permanent differences", and (iv) adjustments to prior year taxes.* [1]

Finally, just for Q4, a particular feature of IFRS tax accounting can itself produce distortions of EPS. That is, at the three interim quarters, **interim tax provisions are based on *forecast tax provisions for the full year* which themselves are *based on full-year accounting forecasts* generated at each quarter**. In turn, for each legal entity, **those full-year forecast tax provisions are allocated to the year-to-date, before-tax results, on the basis of the year-to-date accounting income/loss versus the full-year forecast accounting income/loss of that legal entity**. At the end of the year, tax provisions are based on the actual year-to-date accounting data. It follows that *Q4 necessarily reflects some true-ups of the forecasted full-year tax provisions at Q3 as compared to the actual tax provisions for the year.*

Looking forward

We have seen most clearly of late that these factors can have unforeseen effects on IMG Consol's EPS for any given quarter. As most of those effects cannot be quantified until the quarter has ended, looking to the future, those factors pose a challenge in forecasting the quarter's EPS prior to the quarter-end.

For IMG Consol, this is particularly true with respect to any significant movement in the exchange rate between the Euro and the US$. In that regard, a weakening in the EURO/US$ rate typically results in an additional tax expense, with a consequential reduction in EPS, and vice versa.

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[1] In H2 2017, IMG experienced something of a "perfect storm" in respect of these variables. That is, these tax variables drove the Q3 2017 EPS in a significantly positive direction and then had the opposite effect in Q4, driving the EPS into negative territory, despite the solid operational results in Q4.

Background

1. Currently, from a revenue generating perspective, the three most significant legal entities in IMG Consol are located in:

    - Canada (IMG Corp., in particular Westwood);
    - Suriname ("Rosebel"); and
    - Burkina Faso ("Essakane").

2. Cash income taxes ("current tax") arise for those three entities as follows:

    - IMG Corp. : existing deductible tax pools serve to eliminate both income tax and regular mining tax, but minimum mining taxes are payable each year [2017 - US$ 3 million].
    - Rosebel: a statutory income tax rate of 36.0%; and
    - Essakane: a reduced mining tax rate of 17.5%.

3. For IFRS purposes, deferred tax accounting applies to all of the companies in IMG Consol. However, in general, material deferred tax impacts are only recognized in the consolidated financial statements in respect of the three principal entities. In particular, except for Rosebel and Essakane, no income tax recognition is given to net losses.

4. For IMG Consol, the following four factors may disrupt expectations regarding quarterly EPS and consolidated effective tax rates:

    (a) changes in the exchange rate between the Euro and the US$;
    (b) the mix of income and losses that makes up the consolidated NIBT;
    (c) changes in "permanent differences"; and
    (d) assessments and refunds re prior years.

The four potential tax-related EPS disruptors

1. The Euro - US$ exchange rate and deferred taxes

Deferred tax accounting for a given period is a balance sheet-based determination and, consequently, a deferred tax provision for a given period may bear little relationship to the NIBT for the period.

Essentially, that balance sheet approach provides that a deferred tax provision is based on any change during a period in the difference between (i) the carrying value of an asset or liability for accounting purposes [“NBV”] and (ii) the value of an asset or liability for tax purposes [“tax basis”].

In determining the deferred tax provision, the disruptor is the requirement that

(a) the NBV measure should reflect *historical foreign exchange rates*; that is, the undepreciated portion of the original cost in local currency, where applicable converted to the reporting currency using the fx rate at the time the asset/liability was recorded;

whereas,

(b) the tax basis should reflect the *current* foreign exchange rate; that is, the undepreciated portion of the original cost in local currency, where applicable converted to the reporting currency using the *closing fx rate at the current balance sheet date*.

Consequently, where the functional currency of a foreign subsidiary is not the financial statement reporting currency of the consolidating parent, IFRS deferred tax accounting rules can have a significant impact on EPS and especially on the measure referred to as the “effective tax rate”.

Essakane determines income taxes on the basis of the Communauté Financière Africaine (“CFA”), rather than the US$, and the exchange rate for the CFA is fixed to the Euro [1 Euro = 655.957 CFA].

Consequently, movements in the Euro/US$ exchange rate produce varying degrees of deferred tax impacts for IMG Consol. [2] This was particularly impactful in 2017, during which, overall, the Euro appreciated against the US$ but, in the short term, weakened against the US$ in the fall.

Exhibit “A” illustrates the point.

[2] The same potential for deferred tax provisions that are not connected to NIBT exists re Euro Ressources SA, for which the Euro is the functional currency. However, the relevant tax bases for Euro Ressources SA are substantially less than the relevant tax bases in Essakane, so the impact of movements in the Euro/US$ exchange rate are normally less material for IMG’s deferred tax purposes.

Exhibit "A"

An illustration of the FX issue re deferred tax: **DR / (CR)**

One asset	**Accounting carrying value**			**Tax carrying value**				**30% deferred tax**		
	Local currency	**Historic FX rate**	US$ **A**	Local currency	***Current FX rate***		US$ **B**	Balance Sheet **(B-A)*30%**	Income Statement	
Asset acquired	1,000	20	50	1,000	20		50	-	n/a	
End of year 1	1,000	20	50	1,000	$\boxed{15}$	#	67	5	(5)	#
End of year 2	1,000	20	50	1,000	$\boxed{10}$	#	100	15	(10)	#
End of year 3	1,000	20	50	1,000	$\boxed{30}$	@	33	(5)	20	@
End of year 4	1,000	20	50	1,000	20	#	50	(15)	(5)	#
Entirely as a consequence of changes in FX rates, there is a significant DT provision in each of the four years, but no change in the accounting carrying value and no net change in the DT balance over the four year period.								-	-	

#	local currency strengthened, producing a deferred tax recovery
@	local currency weakened, producing a deferred tax expense

The four potential tax-related EPS disruptors

2. Income Mix

MD&A commentaries often refer to "income mix" as a factor in explaining changes in tax provisions between reporting periods. The issue is that consolidations create the equivalents of average incomes/losses and average taxes. That is, while there may be no material change in the consolidated NIBT between periods, significant changes may have arisen between the periods in the components of those consolidated NIBT results. Where the applicable tax rate or tax treatment differs among those NIBT components, a significant change in the consolidated tax provision can arise, even though there is no significant change in the consolidated NIBT. Exhibit "B" illustrates the point.

Exhibit "B"

Illustration of "Income Mix"

	Q1		Q2		NIBT impact Q2 vs Q1	Tax impact Q2 vs Q1
	NIBT	Tax	NIBT	Tax		
Sub #1 [tax 17.5%]	20.0	3.5	8.0	1.4	-12.0	-2.1
Sub #2 [tax 36.0%]	12.0	4.3	24.0	8.6	12.0	4.3
Combined	32.0	**7.8**	32.0	**10.0**	**0.0**	**2.2**
ETR		**24%**		**31%**		
					0%	**28%**

Where current or anticipated future revenue streams for particular legal entities do not meet IFRS requirements for the recognition of tax benefits, a similar income mix issue arises in respect of non-capitalized exploration costs and G&A. Consequently, where such expenditures serve to reduce the consolidated NIBT, there is no related reduction of consolidated tax.

Like many international mining companies, IMG Consol is impacted by such shifts in income mix, particularly between quarters and when exploration programs are being expanded.

The four potential tax-related EPS disruptors

3. The Euro - US$ exchange rate and "permanent differences"

For tax provisioning purposes, "permanent differences" typically represent amounts for accounting purposes that are (a) non-deductible expenses for tax purposes or (b) incomes / losses not recognized for tax purposes. Examples can include non-deductible interest expense and unrealized fx gains or losses.

Because such amounts produce neither a current tax nor a deferred tax result, it follows that permanent differences can distort any relationship between NIBT and the tax provision.

More importantly, where such amounts are difficult to estimate, their eventual occurrence can generate unanticipated impacts on EPS. One such permanent difference for IMG Consol is unrealized fx gains or losses, when such amounts are not included in taxable income for local tax purposes.

It goes without saying that one cannot actually know the impact of such unrealized fx gains or losses for any given year until the year has ended. However, in order to estimate the impact of such amounts for tax provisioning purposes at interim quarters, it is necessary to forecast fx rates for nine, six, and three months hence. At each quarter-end, IMG Consol forecasts of year-end fx rates reflect market consensus rates. When actual fx volatility does not reflect market consensus, the difference can have a significant impact on current tax expense, particularly in Q4.

The four potential tax-related EPS disruptors

4. Prior year taxes

Tax amounts recognized in the current year in respect of prior years can include

(i) re-assessments by the tax authorities,
(ii) refund claims filed by the taxpayer based on new information regarding prior year tax costs, and
(iii) reserves, largely in respect of prior years, recognized or adjusted in the current period (referred to as “uncertain tax positions” or “UTP’s”).

It goes without saying that the recognition of such amounts can only take place in the same quarter that a taxpayer becomes aware of the matter. Consequently, prior year tax amounts can sometimes be a significant EPS disruptor for the current year.

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