Tax Transparency Report FY21

FY21 Tax Transparency Report

IGO Limited is pleased to present its Tax Transparency Report (Report) for the year ended 30 June 2021 (FY21). The Transparency Report is published on a voluntary basis, in line with the Company's Corporate Governance framework, and as part of IGO's ongoing commitment to provide a high level of financial and regulatory compliance and disclosure.

This Report has been prepared to conform with the recommendations of the Board of Taxation's Voluntary Tax Transparency Code (the Code), and the disclosures in this report are in accordance with the recommendations contained in Part A and Part B of the Code. Further information about the Voluntary code can be found at: **https://www.ato.gov.au/Business/Large-business/In-detail/Tax-transparency/Voluntary-Tax-Transparency-Code/**.

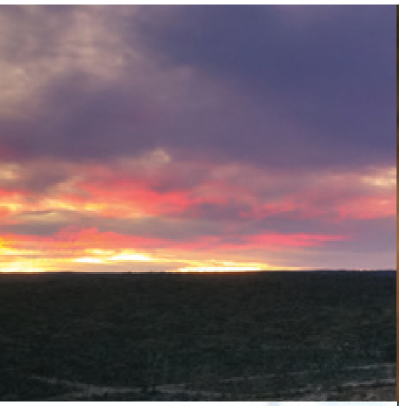
GROUP SUMMARY

IGO Limited (IGO or the Company or the Group) is an ASX 100 listed company (ASX:IGO / ADR:IIDY) focused on creating a better planet for future generations by discovering, developing and delivering products critical to clean energy. As a purpose-led organisation with strong, embedded values and a culture of caring for our people and our stakeholders, we believe we are Making a Difference by safely, sustainably and ethically delivering the products our customers need to advance the global transition to decarbonisation.

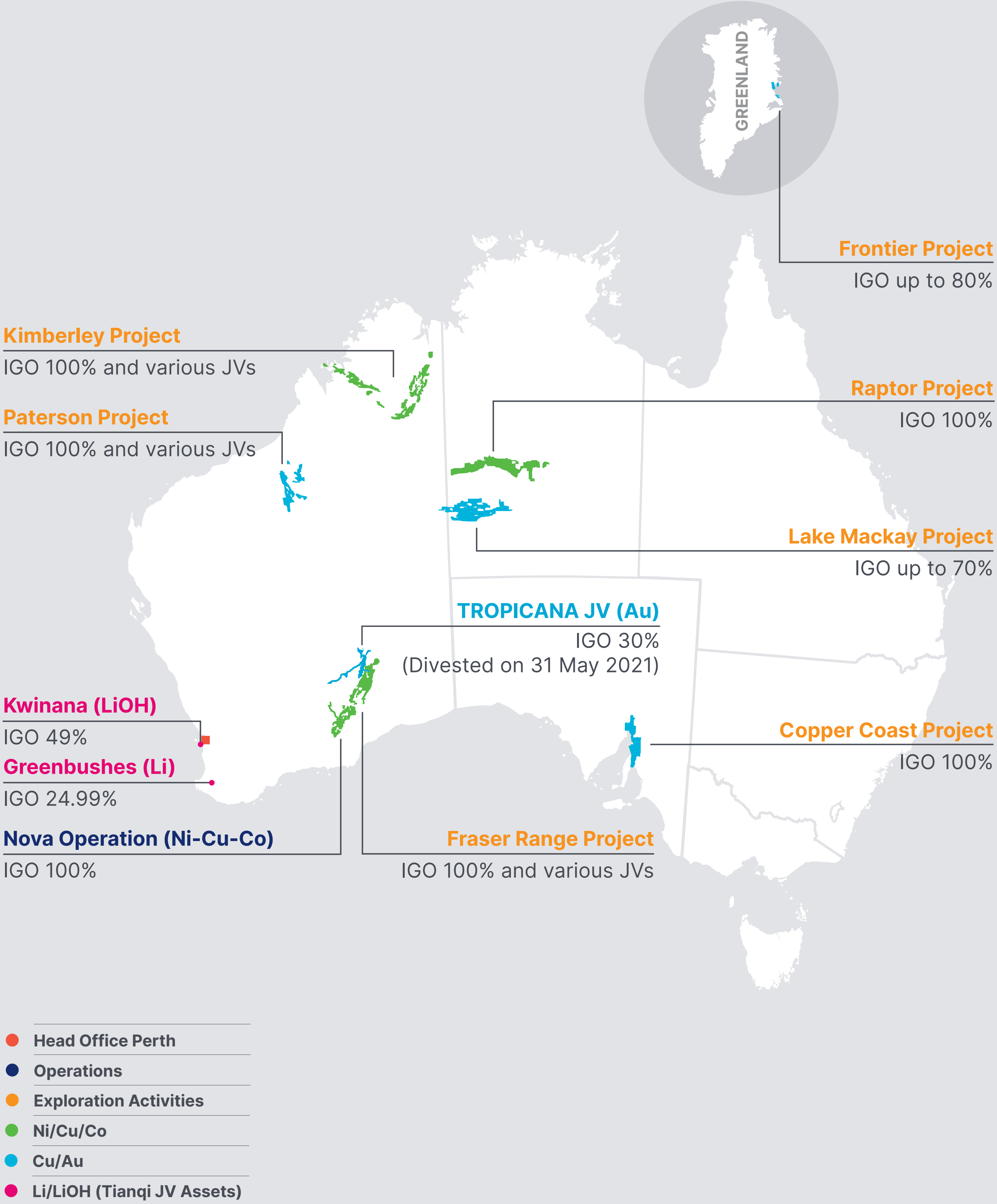
The Company's operations are primarily located in Western Australia and include the 100% owned Nova nickel-copper-cobalt Operation, and a 49% interest in a lithium focused joint venture (Tianqi Lithium Energy Australia Pty Ltd or TLEA), with Tianqi Lithium Corporation holding the remaining 51%. IGO acquired its interest in TLEA on 30 June 2021. TLEA is a tax resident of Australia and its investments comprise a 51% stake in the Greenbushes Lithium Mine and a 100% interest in a downstream processing facility at Kwinana in Western Australia to produce battery grade lithium hydroxide.

In addition, IGO has a significant portfolio of exploration projects located in Western Australia (including the Fraser Range, Kimberley and Paterson Projects), the Northern Territory (Lake Mackay JV and the Raptor Project), as well as an interest in the Frontier Project located in Greenland.

The Company previously owned 30% of the Tropicana Gold Operation (Tropicana), a joint venture with AngloGold Ashanti Australia Ltd, until its divestment to Regis Resources Limited on 31 May 2021. Accordingly, the information in this Report relating to Tropicana is for the period to 31 May 2021.




Key Operations & Projects



Financial and Tax Reporting

This Report provides information relating to Australian taxation activities for IGO for the 2021 and 2020 financial years.

IGO prepares a single consolidated set of financial statements that discloses the accounting profit before tax and income tax expense[1].

IGO has formed a tax consolidated group for income tax purposes, whereby a single consolidated income tax return is prepared and lodged by IGO with the Australian Taxation Office for all Australian wholly-owned subsidiaries. All IGO subsidiary companies are domiciled in Australia.

As at 30 June 2021, the Company has estimated current income tax payable of A$172 million (FY20: A$nil). This tax payable is due for payment during FY22, and has been brought forward from future years primarily as a result of the taxable gain on the sale of the Company's interest in Tropicana. The Company also utilised A$327 million of prior year revenue tax losses in FY21, with a further A$26 million of revenue tax losses available for offset against future taxable income (FY20: A$353 million). In addition, the Company has A$90 million of net capital losses to carry over to future income years (FY20: A$93 million).

The following information should be read in conjunction with the disclosures in the 2021 Annual Report.

RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE AND INCOME TAX PAYABLE

Income tax expense reported on the Company's income statement is calculated by multiplying the accounting profit for the year, adjusted for non-temporary differences, by the relevant corporate tax rate.

A reconciliation of accounting profit to income tax expense and income tax payable is provided as follows:

	2021 A$'000	2020 A$'000
Profit from continuing operations before income tax	**156,587**	219,512
Profit from discontinued operation before income tax (Tropicana divestment)	**624,087**	-
Total profit before income tax	**780,674**	219,512
Tax expense at the Australian tax rate of 30% (2020: 30%)	**234,202**	65,854
Tax effect of non-temporary amounts that are not deductible / (not taxable) in calculating taxable income:		
Share-based payments	**(250)**	789
Other non-deductible items	**43**	494
Capital losses not brought to account	**139**	466
Previously unrecognised capital losses brought to account	**-**	(145)
Difference in overseas tax rates	**5**	4
Overseas tax losses not brought to account	**13**	12
Adjustments for current tax of prior periods	**(244)**	-
Research and development tax credit of prior periods	**(232)**	(540)
Recoupment of tax losses not recognised	**(6,620)**	-
Adjustment for deferred tax asset not previously brought to account	**-**	(2,515)
Adjustment for write-off of deferred tax balances on disposal of joint venture	**4,957**	-
Income tax expense	**232,013**	64,419
Income tax payable	**172,428**	-

1. Further information can be found at Note 5 on page 86 of the IGO 2021 Annual Report: **https://www.igo.com.au/site/PDF/074058ae-a7b0-487b-b674-77f4dcf9412b/2021AnnualReporttoShareholders**

MATERIAL NON-TEMPORARY AND TEMPORARY DIFFERENCES

The items listed in the table above are non-temporary tax differences that are not, or will never be, assessable or deductible for tax purposes, based on existing tax legislation.

Temporary differences arise when income or expenses are recognised in different periods in the financial statements than for tax purposes due to differences in the timing of assessability or deductibility relative to accounting income or expense. They represent differences between the carrying amount of an asset or liability and its notional tax carrying amount (tax base), at the prevailing Australian company tax rate. In the table below, these differences are represented as either a deferred tax asset or a deferred tax liability, and as such they are recorded as assets or liabilities on the Company's balance sheet. A deferred tax liability arises when the tax base is lower than the amount carried on the financial statements. This could be due to accelerated tax deductibility of the expensing of an asset (e.g. certain mine properties) relative to the accounting expensing of the asset. The "Balance Sheet" columns of the table outline the temporary differences at balance date, and the "Profit or Loss" columns represent how those differences have changed and impacted the financial accounts (primarily Profit or Loss) during the relevant year.

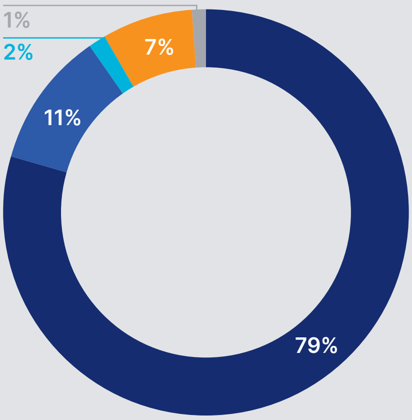
	BALANCE SHEET		PROFIT OR LOSS		EQUITY	
	2021 A$'000	2020 A$'000	2021 A$'000	2020 A$'000	2021 A$'000	2020 A$'000
Deferred tax assets						
Property, plant and equipment	225	-	(225)	-	-	-
Business-related capital allowances	4,463	1,441	1,978	390	(5,000)	-
Provision for employee entitlements	3,429	2,730	(699)	(820)	-	-
Provision for rehabilitation	13,375	19,980	6,605	(1,248)	-	-
Borrowing costs	4,239	-	(4,239)	-		
Leased assets	101	237	136	(237)	-	-
Carry forward tax losses	266	91,730	91,464	62,658	-	-
Other	4,623	3,616	(1,007)	(240)	-	-
Gross deferred tax assets	**30,721**	**119,734**	**94,013**	**60,503**	**(5,000)**	**-**
Deferred tax liabilities						
Capitalised exploration expenditure	(6,327)	(4,991)	1,336	2,828	-	-
Mine properties	(82,376)	(121,980)	(39,604)	(6,980)	-	-
Property, plant and equipment	-	(783)	(783)	(890)	-	-
Deferred gains and losses on hedging contracts	(825)	(104)	-	-	721	(41)
Trade receivables	(5,977)	(4,266)	1,711	1,414	-	-
Consumable inventories	(1,841)	(2,011)	(170)	196	-	-
Financial assets at fair value through profit or loss	(10,696)	(7,320)	3,376	7,320		
Other	(514)	(332)	182	28	-	-
Gross deferred tax liabilities	**(108,556)**	**(141,787)**	**(33,952)**	**3,916**	**721**	**(41)**
Net impact	**(77,835)**	**(22,053)**	**60,061**	**64,419**	**(4,279)**	**(41)**

As discussed above, the Group utilised approximately A$327 million of revenue tax losses during FY21, resulting in an estimated income tax payable of A$172 million as at 30 June 2021. The Group has remaining tax losses available of A$26 million, of which A$0.9 million (carrying value A$0.3 million) has been recognised as a deferred tax asset as at 30 June 2021. The remaining tax losses continue to be available to IGO in the future, however these have not been recognised as a deferred tax asset as their utilisation in the future is considered to be uncertain.

The Group income tax return has not been finalised for the 2021 Financial Year, however payment of current income tax payable is expected to be made in February 2022.

TOTAL TAX CONTRIBUTION 2021

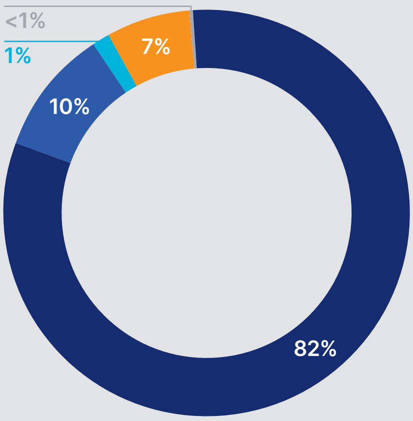
A$39.1M



- Government Royalties - **A$31.1M**
- Payroll Tax - **A$4.2M**
- Fringe Benefits Tax - **A$0.6M**
- Other Taxes and Levies - **A$2.8M**
- Government Stamp Duties - **A$0.4M**

TOTAL TAX CONTRIBUTION 2020

A$36.4M



- Government Royalties - **A$29.7M**
- Payroll Tax - **A$3.7M**
- Fringe Benefits Tax - **A$0.5M**
- Other Taxes and Levies - **A$2.4M**
- Government Stamp Duties - **A$0.03M**

ACCOUNTING EFFECTIVE COMPANY TAX RATE

The Australian company tax rate remains unchanged at 30% of taxable income for the 2021 and 2020 financial years. The Australian and Global Effective Company Tax Rate (ETR) is calculated as income tax expense divided by accounting profit before tax. The ETR will differ from the company tax rate due to non-temporary differences explained above. The ETRs for IGO for the years ended 30 June 2021 and 30 June 2020 were as follows:

	2021	2020
Australian Effective Tax Rate (ETR)	29.7%	29.3%
Global Effective Tax Rate (ETR)	29.7%	29.3%

The Company's ETR reflects the rate calculated for the entire accounting consolidated group and includes global operations.

TAX CONTRIBUTION SUMMARY

The table below outlines the major taxes and government charges paid by IGO during the 2021 and 2020 financial years. These amounts include IGO's share of Tropicana's employment taxes paid (payroll tax and fringe benefits tax) until its divestment on 31 May 2021.

	TAX AUTHORITY	2021 A$'000	2020 A$'000
Government Royalties	State	31,058	29,729
Payroll Tax	State	4,188	3,687
Fringe Benefits Tax	Federal	598	528
Other Taxes and Levies	State	2,834	2,384
Government Stamp Duties	State	419	25
Total		**39,097**	**36,353**

Please note, these figures exclude taxes withheld from employees and goods and services tax (GST) that are collected by the Company and paid to the Australian Taxation Office.

IGO's approach to Tax Strategy and Governance

IGO's Board of Directors (the Board) recognise tax risk management and governance as a subset of corporate governance. IGO's risk management system is designed to ensure that the Company identifies, documents, communicates and proactively manages risks in a systematic way. At IGO, risk management remains fundamentally embedded within the culture of its business.

On 31 August 2021, IGO released its annual Corporate Governance Statement that details IGO's approach to corporate governance. The Board has a clear understanding of its responsibility for corporate governance and recognises the importance of its corporate governance framework in establishing accountabilities, guiding and regulating activities, monitoring and managing risks and optimising the Company's performance.

IGO has processes in place to regularly review internal controls via internal audit plans which are tested by both independent assurance providers, as well as internal resources. These plans are authorised by the Board and findings are reported by management to the Board or its delegated committee, the Audit and Risk Committee (ARC), which has responsibility for overseeing the management of risk. In accordance with the ARC's Charter, the ARC oversees and reviews the Company's Tax Risk Management framework and also considers the appropriateness of material tax judgements applied in the preparation of financial reports of the Company. This also includes an assessment of the risk of perceived or actual non-compliance with IGO's statutory regulations including taxation obligations (tax risk).

The identification and management of tax risks are included in the Group's overarching risk management framework that has been endorsed by the Board. The Company's strategy for managing tax risk is as follows:

- To maintain open and constructive relationships with all relevant taxation authorities;
- To ensure that all taxes are paid as and when they become due and payable;
- To comply with the relevant tax laws in all jurisdictions in which it operates;
- To consider tax risks as part of the commercial assessment of any transaction, and to not enter into transactions that are purely motivated by tax outcomes;
- To ensure it has supportable positions in relation to its carry forward tax loss positions;
- To engage with tax authorities where clarity is required;
- To provide evidence that tax positions are valid and legally sustainable in the event of a request for information from a taxation authority; and
- To seek advice from external specialist tax consultants as and when required.

INTERNATIONAL DEALINGS WITH RELATED PARTIES

As stated above, IGO is one of two shareholders of TLEA, an incorporated joint venture entity focused on upstream and downstream lithium operations. Tianqi Lithium Corporation is the other shareholder and is domiciled in the People's Republic of China. Other than this, IGO does not have material international related party dealings nor material operations located outside of Australia. IGO's regular tax obligations from its investment in TLEA will arise from the receipt of future expected dividends to be sourced from cashflows and profits that are expected to be generated by TLEA's operations. IGO previously had a minor incorporated subsidiary domiciled in Sweden which was set up in 2014 to advance an exploration opportunity in that country, however this entity was divested during FY21. Furthermore, IGO has entered into an earn-in joint venture agreement with Greenfields Exploration Limited to explore the east coast of Greenland, specifically the Frontier Copper Project. With the exception of the above, IGO does not have any international related party dealings. Hence, IGO's Global Effective Tax Rate is the same as its Australian Effective Tax Rate.

MAKING A DIFFERENCE

ENQUIRIES

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igo.com.au