Tax Transparency Report FY22

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IGO Limited (IGO or the Company or the Group) is pleased to present its Tax Transparency Report (Report) for the year ended 30 June 2022 (FY22). 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.

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 Code can be found at: **https://www.ato.gov.au/Business/Large-business/Corporate-Tax-Transparency/Voluntary-Tax-Transparency-Code/**.

Group Summary

IGO 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.

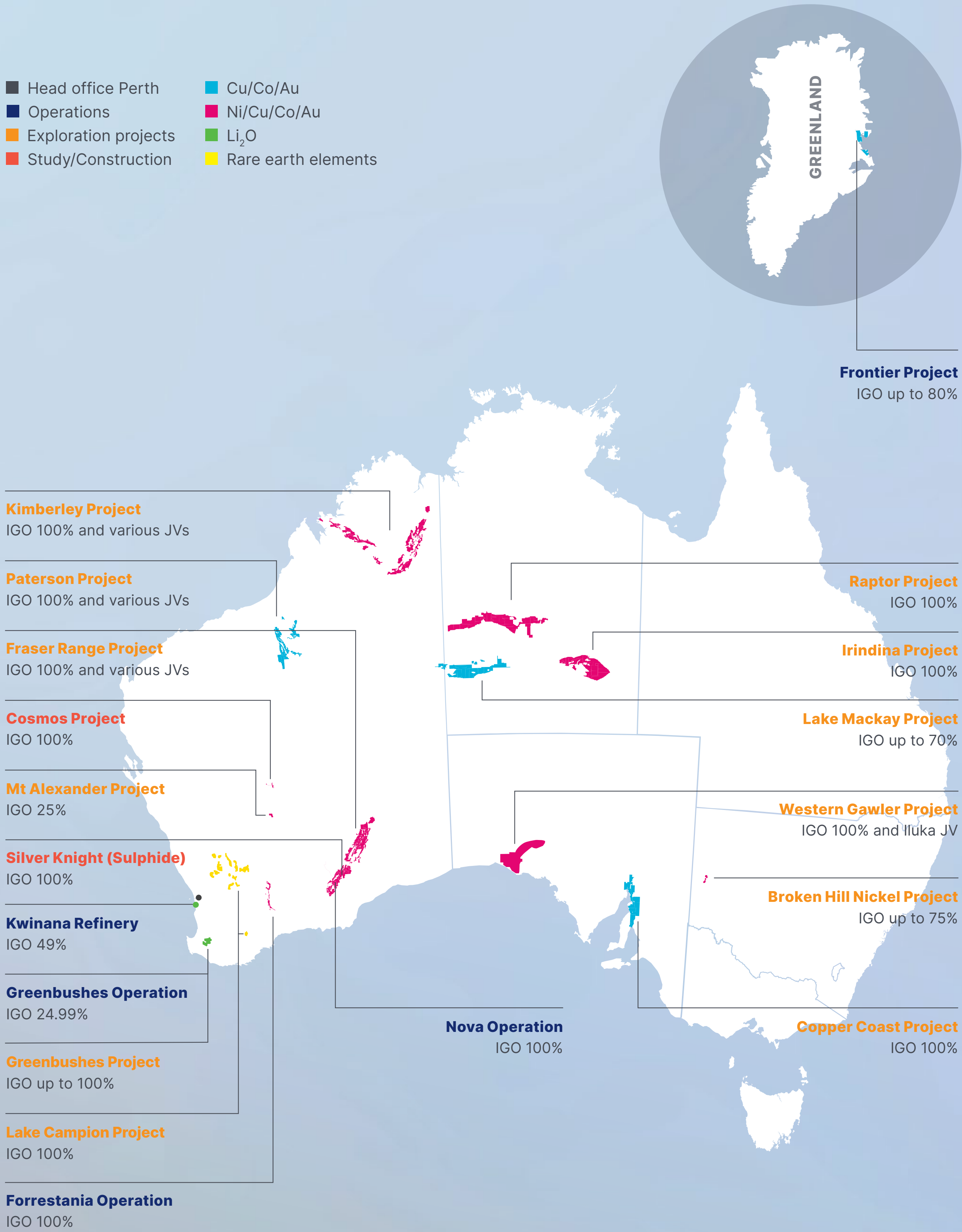
The Company's operations are primarily located in Western Australia and include:

1. Nova nickel-copper-cobalt Operation (IGO: 100%, in production)
2. 49% interest in a lithium focused corporate entity (Tianqi Lithium Energy Australia Pty Ltd – TLEA) with Tianqi Lithium Corporation holding the remaining 51%. 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
3. Forrestania Operation consisting of the Flying Fox and Spotted Quoll underground nickel mines and the Cosmic Boy processing facility (IGO: 100%, in production); and
4. Cosmos Nickel Project (IGO: 100%, in development).

The Company acquired the above Forrestania Operation and Cosmos Project, together with investments and an exploration portfolio, through the acquisition of Western Areas Limited (Western Areas) on 20 June 2022. Following the acquisition, Western Areas was de-listed from the Australian Securities Exchange.

In addition, IGO has a significant portfolio of exploration projects located in Western Australia (including the Albany Fraser Range, the Kimberley region, Mt Goode and the Paterson Province), in the Northern Territory (Lake Mackay JV and the Raptor Project), and in South Australia (Copper Coast Project and Mt Gawler).

Key Operations and Projects



Financial and Tax Reporting

This Report provides information relating to Australian taxation activities for IGO for the 2022 and 2021 financial years (FY22 and FY21, respectively).

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, with the exception of a minor entity that is domiciled in Canada to assess in-country exploration and business development opportunities.

The Company has estimated current income tax payable of A$75 million at 30 June 2022 (FY21: A$172 million). This tax payable comprises income tax payable on current year profits of A$109 million, offset by tax losses recouped and income tax instalments paid during the year of A$4 million and A$29 million, respectively. The prior year income tax payable primarily related to the taxable gain on the sale of the Tropicana joint venture, which was divested on 31 May 2021.

The Company has a further A$18 million of revenue tax losses available for offset against future taxable income (FY21: A$26 million). In addition, the Company has A$90 million of net capital losses to carry over to future income years (FY21: A$90 million).

The following information should be read in conjunction with the disclosures in the 2022 Annual Report.

Reconciliation of Accounting Profit to Income Tax Expense

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 is provided as follows:

	2022 A$M	2021 A$M
Profit from continuing operations before income tax	463.5	156.6
Profit from discontinued operation before income tax	-	624.1
Total profit before income tax	463.5	780.7
Tax expense at the Australian tax rate of 30% (2021: 30%)	139.0	234.2
Tax effect of non-temporary amounts that are not deductible / (not taxable) in calculating taxable income:		
Share-based payments	(1.1)	(0.2)
Non-deductible costs associated with acquisition of subsidiary and associate	21.3	-
Other non-deductible items	0.2	-
Deferred tax unwind of investment in associate	(21.2)	-
Capital losses not brought to account	-	0.2
Adjustments for current tax of prior periods	(3.4)	(0.3)
Research and development tax credit of prior periods	(0.2)	(0.2)
Recoupment of tax losses not recognised	(2.0)	(6.6)
Adjustment for write-off of deferred tax balances on disposal of joint venture	-	4.9
Income tax expense	**132.6**	**232.0**

1. Further information can be found at Note 5 on page 98 of the IGO 2022 Annual Report: **IGO Annual Report - Note 5 Income Tax.**

Material Non-Temporary and Temporary Differences

The items listed in the table on page four 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, on the other hand, 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 (for example, certain mine properties) relative to the accounting expensing of the asset.

The following table sets out the movements in temporary differences of the Group for the 2022 and 2021 financial years. The "Balance Sheet" columns of the table outline the temporary differences at balance date, and the "Profit or Loss" and "Equity" columns represent how those differences have changed and impacted the financial accounts during the relevant year.

	Balance Sheet		Profit or loss		Equity	
	2022 A$M	2021 A$M	**2022 A$M**	2021 A$M	**2022 A$M**	2021 A$M
Deferred tax assets						
Property, plant and equipment	-	0.2	0.2	(0.2)	-	-
Trade receivables	2.1	-	(2.1)	-	-	-
Business-related capital allowances	3.7	4.5	0.8	2.0	-	(5.0)
Provision for employee entitlements	4.4	3.4	(1.0)	(0.7)	-	-
Provision for rehabilitation	11.3	13.4	2.1	6.6	-	-
Borrowing costs	-	4.2	4.2	(4.2)	-	
Leased assets	0.2	0.1	(0.1)	0.1	-	-
Carry forward tax losses	-	0.3	0.3	91.4	-	-
Other	4.9	4.6	(0.3)	(1.0)	-	-
Gross deferred tax assets	**26.6**	**30.7**	**4.1**	**94.0**	**-**	**(5.0)**
Deferred tax liabilities						
Capitalised exploration expenditure	(8.7)	(6.3)	2.4	1.4	-	-
Mine properties	(65.1)	(82.4)	(17.3)	(39.6)	-	-
Property, plant and equipment	(0.1)	-	0.1	(0.8)	-	-
Deferred gains and losses on hedging contracts	(14.7)	(0.8)	11.2	-	2.7	0.7
Trade receivables	-	(6.0)	(6.0)	1.7	-	-
Consumable inventories	(2.4)	(1.8)	0.6	(0.2)	-	-
Financial assets at fair value through profit or loss	(13.8)	(11.0)	3.4	3.4	(0.6)	-
Investments in associates	(31.8)	-	31.8	-	-	-
Other	(0.4)	(0.2)	0.2	0.2	-	-
Gross deferred tax liabilities	**(137.0)**	**(108.5)**	**26.4**	**(33.9)**	**2.1**	**0.7**
Net impact	**(110.4)**	**(77.8)**	**30.5**	**60.1**	**2.1**	**(4.3)**

Income Tax Paid

A reconciliation of the Australian income tax payable per the audited statutory accounts to the Australian income tax paid in the year ended 30 June 2022 and 30 June 2021 is set out below.

	2022 A$M	2021 A$M
Income tax payable at 1 July	**171.9**	-
Income tax expense		
- Current year	134.9	232.3
- Prior year adjustments	(2.3)	(0.3)
Total income tax expense	**132.6**	232.0
Movement in deferred tax balances (temporary differences)	(30.5)	(60.1)
Current year income tax payable	**102.1**	171.9
Tax payments made during the year[1]	(199.0)	-
Income tax payable at 30 June	**75.0**	171.9

1. Agrees to income tax payments as per the Consolidated Statement of Cash Flows in the 2022 Annual Report. No income tax payments were made by the Group in 2021 as the Group utilised carry forward tax losses to offset any income tax payable relating to the 2020 financial year.

The total income tax paid in 2022 is significantly higher than the current tax expense for the year. This is due to income tax payable for the 2021 year that primarily related to the sale of Tropicana being paid in the 2022 year. The payment relating to the 2022 year will be paid upon finalisation of the Group's 30 June 2022 tax return and paid in the 2023 financial year. This payment will therefore be reported in our 2023 Tax Transparency Report.

As discussed above, the Group has remaining revenue tax losses of A$18 million available to IGO in the future, however these tax losses have not been recognised as a deferred tax asset as their utilisation in the future is considered to be uncertain.

Accounting Effective Company Tax Rate

The Australian company tax rate remains unchanged at 30% of taxable income for the 2022 and 2021 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 2022 and 30 June 2021 were as follows:

	2022	2021
Total profit before income tax (A$M)	463.5	780.7
Income tax expense (A$M)	132.6	232.0
Australian effective tax rate (ETR)	28.6%	29.7%
Global effective tax rate (ETR)	28.6%	29.7%

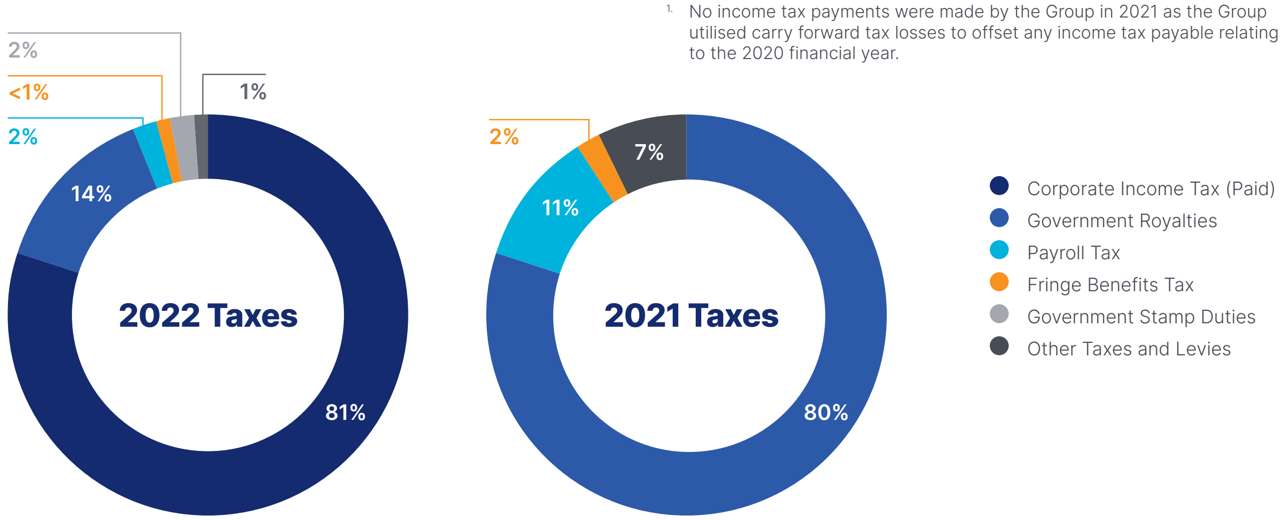
The Company's ETR reflects the rate calculated for the entire accounting consolidated group, which includes worldwide operations.

Tax Contribution Summary

The table below outlines the major taxes and government charges paid (i.e. cash basis) by IGO during the 2022 and 2021 financial years. The amounts for the 2021 financial year include IGO's share of Tropicana's employment taxes paid (payroll tax and fringe benefits tax) until its divestment on 31 May 2021. The table does not include payments made by TLEA and its controlled operations.

	Tax Authority	2022 A$M	2021 A$M
Income Tax	Federal	199.0	-[1]
Government Royalties	State	33.3	31.1
Payroll Tax	State	3.9	4.2
Fringe Benefits Tax	Federal	0.5	0.6
Other Taxes and Levies	State	3.8	2.8
Government Stamp Duties	State	4.9	0.4
Total		**245.4**	**39.1**

1. No income tax payments were made by the Group in 2021 as the Group utilised carry forward tax losses to offset any income tax payable relating to the 2020 financial year.



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.

Approach to Tax Strategy and Governance

The Board of Directors of IGO 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 30 August 2022, IGO released its annual Corporate Governance Statement that details IGO's approach to corporate governance. The Board of Directors of IGO have 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 of Directors and findings are reported by management to the Board or its delegated committee (Audit and Risk Committee – ARC). A function of the ARC is to oversee 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 Related Party Dealings

As stated above, IGO is one of two shareholders of a corporate lithium joint venture entity. Tianqi Lithium Corporation is the other shareholder and is domiciled in 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. Furthermore, IGO has entered into an earn-in joint venture agreement with Greenfields Exploration Limited to explore the east coast of Greenland (the prospective 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.

Enquiries

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igo.com.au

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