Tax Transparency Report FY23

Tax Transparency Report FY23

IGO Limited (IGO or the Company or the Group) is pleased to present its Tax Transparency Report (Report) for the year ended 30 June 2023 (FY23). 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. Tianqi Lithium Energy Australia Pty Ltd (TLEA) Joint Venture (IGO: 49% interest in TLEA, a lithium focused corporate entity jointly owned 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 spodumene mine and a 100% interest in the Kwinana lithium hydroxide processing facility

2. Nova Operation (IGO: 100%, in production - nickel-copper-cobalt)

3. Forrestania Operation (IGO: 100%, in production - nickel-cobalt); and

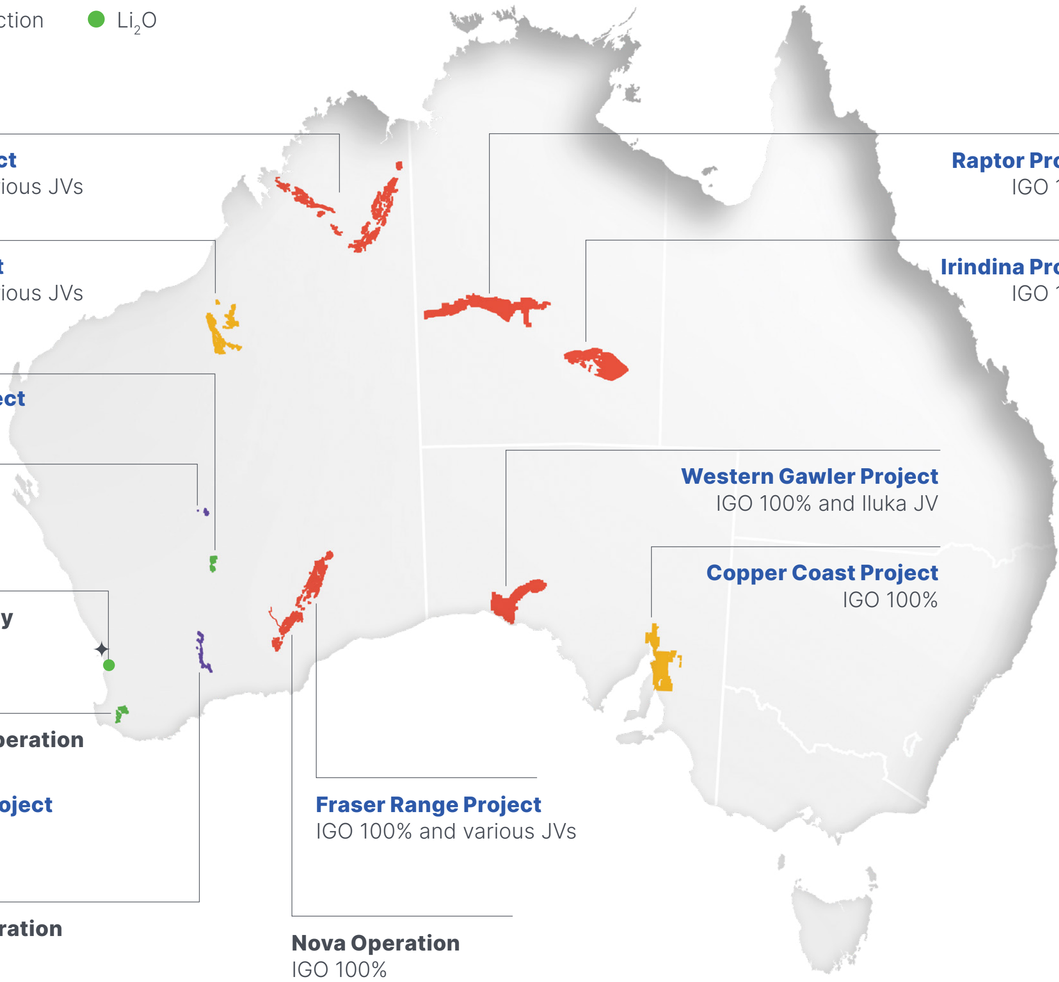
4. Cosmos Nickel Project (IGO: 100%, in development - nickel-cobalt).

The Company acquired the Forrestania Operation and Cosmos Project, together with its portfolio of nickel exploration assets and listed investments, through the acquisition of Western Areas Limited (Western Areas) on 20 June 2022.

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), the Northern Territory (Lake Mackay JV and the Raptor Project), and in South Australia (Copper Coast Project and Mt Gawler).

Key Operations and Projects

✦ Head Office Perth
● Operations
● Exploration projects
● Study/Construction
● Ni-Co
● Cu-Co
● Ni-Cu-Co
● Li_2O



Kimberley Project
IGO 100% and various JVs

Paterson Project
IGO 100% and various JVs

Henderson Project
IGO up to 70%

Cosmos Project
IGO 100%

Kwinana Refinery
IGO 49%

Greenbushes Operation
IGO 24.99%

Greenbushes Project
IGO up to 100%

Forrestania Operation
IGO 100%

Forrestania Project
IGO 100%

Raptor Project
IGO 100%

Irindina Project
IGO 100%

Western Gawler Project
IGO 100% and Iluka JV

Copper Coast Project
IGO 100%

Fraser Range Project
IGO 100% and various JVs

Nova Operation
IGO 100%

Nova Operation
Nickel, Copper, Cobalt
IGO 100%

Forrestania Operation
Nickel, Cobalt
IGO 100%

Cosmos Project
Nickel, Cobalt
IGO 100%

Greenbushes Operation
Lithium (Spodumene)
IGO 24.99%

Kwinana Refinery
Lithium (Hydroxide)
IGO 49%

Financial and Tax Reporting

This Report provides information relating to Australian taxation activities for IGO for the 2023 and 2022 financial years (FY23 and FY22, 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 exploration entity that is domiciled in British Columbia, Canada.

The Company has estimated current income tax receivable of $74 million at 30 June 2023 (FY22: $75 million payable). This tax receivable comprises income tax payable on current year profits of $30 million, offset by income tax instalments paid and losses recouped during the year of $103 million and $1 million, respectively. The Company has a further $13 million of revenue tax losses available to be offset against future taxable income (FY22: $18 million). In addition, the Company has $63 million of net capital losses to carry over to future income years (FY22: $90 million).

The following information should be read in conjunction with the disclosures in the 2023 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:

	2023 $M	2022 $M
Profit from continuing operations before income tax	680.3	463.5
Tax expense at the Australian tax rate of 30% (2022: 30%)	204.1	139.0
Tax effect of non-temporary amounts that are not deductible / (not taxable) in calculating taxable income:		
Share-based payments	(0.4)	(1.1)
Non-deductible costs associated with acquisition of subsidiary and associate	(1.9)	21.3
Other non-deductible items	0.6	0.2
Deferred tax unwind of investment in associate	(355.3)	(21.2)
Adjustments for current tax of prior periods	0.1	(3.4)
Research and development tax credit of prior periods	-	(0.2)
Recoupment of tax losses not recognised	(1.4)	(2.0)
Recoupment of capital losses not recognised	(8.3)	-
Deferred tax assets relating to impairment not brought to account	293.7	-
Income tax expense	**131.2**	**132.6**

1. Further information can be found at Note 5 on page 95 of the IGO 2023 Annual Report: **IGO Annual Report - Note 5 Income Tax.**

Material Non-Temporary and Temporary Differences

The items listed in the table on the previous page 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 2023 and 2022 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		Acquisition of Subsidiary	
	2023 $M	2022 $M	**2023 $M**	2022 $M	**2023 $M**	2022 $M	**2023 $M**	2022 $M
Deferred tax assets								
Property, plant and equipment	4.6	-	(4.6)	0.2	-	-	-	-
Capitalised development expenditure	-	28.9	28.9	-	-	-	-	(28.9)
Trade receivables	-	2.1	2.1	(2.1)	-	-	-	-
Accrued expenses	6.4	4.7	(1.7)	(0.2)	-	-	-	-
Business-related capital allowances	6.2	8.4	2.2	0.8	-	-	-	(4.7)
Provision for employee entitlements	8.0	5.5	(2.5)	(1.0)	-	-	-	(1.1)
Provision for rehabilitation	25.8	24.3	(1.5)	2.1	-	-	-	(13.0)
Financial assets	13.7	-	(0.5)	-	(13.2)	-	-	-
Borrowing costs	-	-	-	4.2	-	-	-	-
Leased assets	1.1	0.2	(0.9)	(0.1)	-	-	-	-
Carry forward tax losses	-	-	-	0.3	-	-	-	-
Other	3.7	0.2	(3.5)	(0.1)	-	-	-	-
Gross deferred tax assets	**69.5**	**74.3**	**18.0**	**4.1**	**(13.2)**	**-**	**-**	**(47.7)**
Deferred tax liabilities								
Capitalised exploration expenditure	(16.5)	(8.7)	7.8	2.4	-	-	-	-
Mine properties	(41.1)	(65.1)	(24.0)	(17.3)	-	-	-	-
Property, plant and equipment	-	(0.1)	(0.1)	0.1	-	-	-	-
Deferred gains and losses on hedging contracts	(0.4)	(14.7)	(10.8)	11.2	(3.5)	2.7	-	-
Trade receivables	(1.2)	-	1.2	(6.0)	-	-	-	-
Consumable inventories	(2.3)	(2.4)	(0.1)	0.6	-	-	-	-
Financial assets	-	(13.8)	(13.8)	3.4	-	(0.6)	-	-
Investments in associates	(157.6)	(31.8)	125.8	31.8	-	-	-	-
Other	(0.4)	(0.4)	-	0.2	-	-	-	-
Gross deferred tax liabilities	**(219.5)**	**(137.0)**	**86.0**	**26.4**	**(3.5)**	**2.1**	**-**	**-**
Net impact	**(150.0)**	**(62.7)**	**104.0**	**30.5**	**(16.7)**	**2.1**	**-**	**(47.7)**

Income Tax Paid

A reconciliation of the Australian income tax (receivable)/payable per the audited statutory accounts to the Australian income tax paid in the year ended 30 June 2023 and 30 June 2022 is set out below.

	2023 $M	2022 $M
Income tax payable at 1 July	**83.3**	171.9
Income tax expense		
- Current year	133.1	134.9
- Prior year adjustments	(1.9)	(2.3)
Total income tax expense	**131.2**	132.6
Movement in deferred tax balances (temporary differences)	(104.0)	(30.5)
Current year income tax payable	**27.2**	102.1
Balances acquired on acquisition of subsidiary	**-**	8.3
Tax payments made during the year[1]	(184.8)	(199.0)
Income tax (receivable)/payable at 30 June	**(74.3)**	83.3

1. Agrees to income tax payments as per the Consolidated Statement of Cash Flows in the 2023 and 2022 Annual Report.

As discussed above, the Group has remaining revenue tax losses of $13 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. Further, the Group did not bring to account the deferred tax asset of $294 million relating to the impairment charge on the Forrestania and Cosmos assets recorded during FY23.

Accounting Effective Company Tax Rate

The Australian company tax rate remains unchanged at 30% of taxable income for the 2023 and 2022 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 2023 and 30 June 2022 were as follows:

	2023	2022
Total profit before income tax ($M)	680.3	463.5
Income tax expense ($M)	131.2	132.6
Australian effective tax rate (ETR)	19.3%	28.6%
Global effective tax rate (ETR)	19.3%	28.6%

The Company's ETR reflects the rate calculated for the entire accounting consolidated group, which includes worldwide operations. The Group's effective ETR is lower than the prior year, primarily due to the treatment of IGO's investment in TLEA, which is discussed in more detail below, and the impact of the deferred tax assets on the impairment of the Cosmos and Forrestania assets of $294 million not being brought to account.

Tax Treatment of IGO's Investment in TLEA

As a non-controlling shareholder of TLEA, IGO accounts for its investment in TLEA in accordance with AASB 128 *Investments in Associates*. AASB 128 provides that IGO's initial investment in TLEA is recorded at cost, with the carrying amount then adjusted for the following:

- The carrying amount is increased/decreased to recognise IGO's share of net profit/losses from TLEA for each reporting period; and
- Dividend distributions from TLEA (once received) are deducted from the carrying amount of the investment in TLEA.

The Group's profit before income tax includes IGO's share of net profit after tax (NPAT) from TLEA. However, for income tax purposes, this amount is not assessable and excluded from the calculation of income tax payable. However, the dividends received by IGO from TLEA will be treated as assessable income and give rise to a current tax liability (to the extent that the dividend is unfranked).

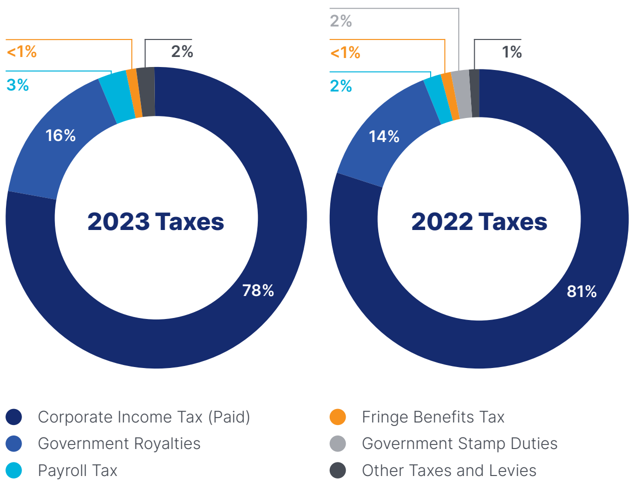
Further, IGO is also required to consider the impact of AASB 112 *Income Taxes* on its share of NPAT from TLEA and the dividends received from TLEA. AASB 112 provides that an entity is required to recognise a deferred tax liability for all taxable temporary differences connected with investments in associates, subject to certain exceptions. This results in IGO recognising a deferred tax liability on its investment in TLEA on the difference between its share of NPAT from TLEA and the dividends received from TLEA, with a corresponding adjustment to income tax expense. During FY23, this resulted in a net debit to income tax expense of $125.8 million (FY22: $31.8 million).

Tax Contribution Summary

The table below outlines the major taxes and government charges paid (i.e. cash basis) by IGO during the 2023 and 2022 financial years. The table does not include payments made by TLEA and its controlled operations.

	Tax Authority	2023 $M	2022 $M
Income Tax	Federal	184.8	199.0
Government Royalties	State	37.6	33.3
Payroll Tax	State	6.8	3.9
Fringe Benefits Tax	Federal	2.5	0.5
Other Taxes and Levies	State	4.7	3.8
Government Stamp Duties	State	-	4.9
Total		**236.4**	**245.4**

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 31 August 2023, 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.

In line with good corporate governance principles and the Company's commitment to properly manage tax risks, IGO has an established Audit and Risk Committee (ARC) to assist the Board to fulfil its responsibilities in relation to tax risk management by overseeing, monitoring, reviewing and reporting to the Board on the Company's tax risk management framework.

Furthermore, and in accordance with the ARC's Charter, the ARC's responsibilities also include considering the appropriateness of material tax judgements applied in the preparation of financial reports of the Group, considering the implications of unexpected changes in prevailing tax laws to the Group's operating business and reviewing the findings of any examination by regulatory agencies of the Group's tax governance and practices.

Taxation Policy

IGO is committed to contributing to the communities in which we operate and taxes are an important mechanism through which our contribution is made. At IGO, we are committed to full and timely compliance with the letter and intent of the prevailing tax laws of all jurisdictions in which we operate.

In addition to having a tax risk management and internal control framework, IGO also commits to:

- Comply with all applicable tax laws and regulations of each country in which we operate
- Ensure that all taxes are paid as and when they become due and payable
- Enter into transactions based on commercial merit, not for the purpose of avoiding tax
- Maintain open and constructive relationships with all relevant taxation authorities
- Operate in good faith through appropriate transfer pricing and not undertaking 'profit shifting' activities
- Allocate the necessary resources to continually improve our approach to tax risk management; and
- Ensure public disclosures are transparent, timely, accurate and meet stakeholder expectations.

International Related Party Dealings

As stated above, IGO is one of two shareholders of TLEA. 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.

IGO also has a minor incorporated subsidiary domiciled in British Columbia, Canada, which was set up in 2022 to establish a Canadian presence and consider growth opportunities. Furthermore, IGO previously entered into an earn-in joint venture agreement with Greenfields Exploration Limited to explore the east coast of Greenland, with the tenements relating to this project relinquished in FY23.

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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