



# Tax Contribution Report 2018



# Message from our Chief Financial Officer

I am pleased to present the Tax Contribution Report for Newcrest for the Financial Year 2018. This report elaborates our tax position for the financial year ending 30 June 2018 (FY18) whilst highlighting the taxes and royalties paid in Australia and globally. Newcrest acknowledges the important role that tax transparency plays in improving community confidence in the tax system.

We recognise that Newcrest's long-term success is tied strongly to the contributions we make in the countries in which we operate. Our vision is to be a Miner of Choice and that involves paying our fair share of taxes in a timely fashion. Our policy is to comply with all tax obligations in our jurisdictions and to maintain a constructive and respectful relationship with tax authorities. Newcrest does not engage in aggressive tax practices and regularly reviews its governance and compliance practices.

This transparency initiative supplements our annual Sustainability Report which outlines our economic, environmental, social and governance performance in detail.

Newcrest seeks to act with integrity, honesty and transparency in all its business dealings. We are a supporting member of the [Extractive Industries Transparency Initiative \(EITI\)](#), a global coalition of governments, companies and societies working to improve openness and accountable management of revenue from natural resources.

We hope this publication contributes to a robust and well-informed community debate on the role of taxes and the need for tax reform.



Gerard Bond

Finance Director and Chief Financial Officer





## About Newcrest

Newcrest Mining Limited is the largest gold producer listed on the Australian Securities Exchange (ASX) and one of the largest gold producers in the world. During FY18, our mining operations were located in Australia, Papua New Guinea, Indonesia and Côte d'Ivoire. On 13 December 2017, Newcrest sold its interest in its Côte d'Ivoire mines.

Newcrest has a proud history of exploration, discovery, development and operation of gold mines. We focus on long-term value creation with an emphasis on three key value drivers: maintaining low costs, growing reserves and production and using capital efficiently. The Company is committed to sustainable practice – operating with integrity and transparency, maintaining a safe environment for our people, operating and developing mines in line with good environmental management, and building lasting relationships with the communities in which we operate.

### Our principal activities

Newcrest's principal activities are exploration, mine development, mine operations and the sale of gold bullion, gold doré and gold/ copper concentrate and other precious metals such as silver.

### Financial Year 2018 results

Newcrest reported a full-year profit after income tax of \$209 million<sup>(1)</sup> in FY18, underpinned by annual production of 2.346 million ounces of gold and 78 thousand tonnes of copper.

All operating sites contributed positive free cash flow.

More details are available in our 2018 Annual Report, which is available on our [website](#).

Refer Appendix 1 for the basis of the preparation of this report.

---

(1) On a 100% basis including non-controlling interests.

## Our operating assets as at 30 June 2018



### Cadia

Located in central west New South Wales, 25 kilometres south-west of Orange and 250 kilometres west of Sydney, Cadia has one of the deepest panel caves in the world and is 100 percent owned by Newcrest.



### Lihir

One of the world's largest gold deposits, Lihir is 100 percent owned by Newcrest and located on the island of Niolam which is part of the Lihir group of islands, 900 kilometres north-east of Port Moresby in the New Ireland Province of Papua New Guinea (PNG).



### Telfer

The Telfer gold-copper mine is located in the Great Sandy Desert in Western Australia, approximately 400 kilometres south-east of Port Hedland, and is 100 percent owned by Newcrest.

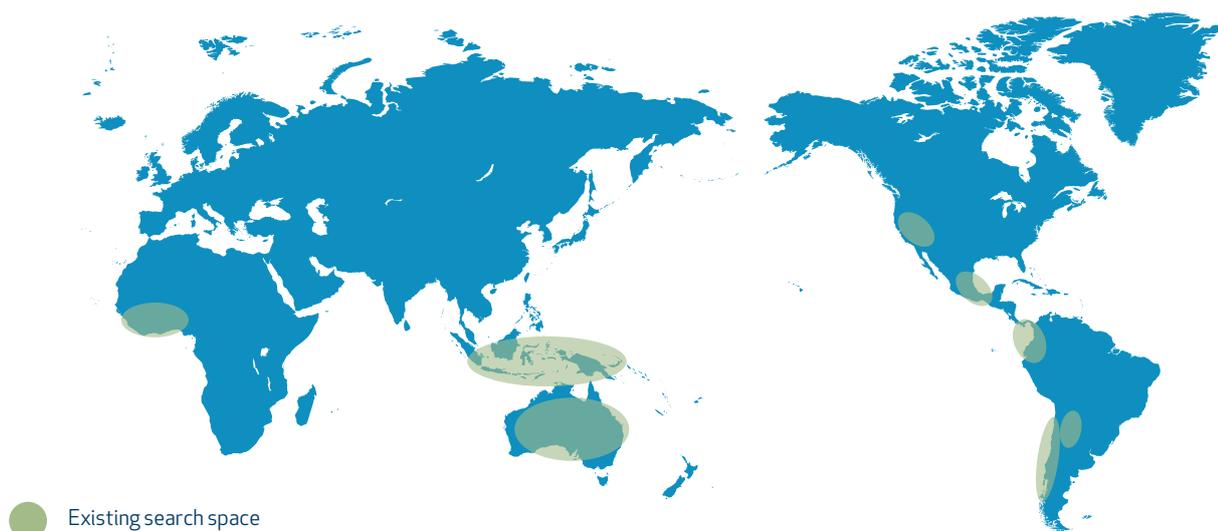


### Gosowong

Located on Halmahera Island, Indonesia, Gosowong is operated by PT Nusa Halmahera Minerals which is owned by Newcrest (75 percent interest) and PT Aneka Tambang (25 percent interest).



## Our global search for new gold/copper mines as at 30 June 2018



Newcrest's greenfield growth pipeline was enhanced with new exploration projects entered into in Australia, Ecuador, Chile and the USA, and a number of wholly-owned exploration tenements granted in Australia and Ecuador. This has delivered substantial exploration ground in proven fertile gold/copper districts including Tanami (Northern Territory/Western Australia), Mt Isa (Queensland), Jarbidge (Nevada), Northern Andes (Ecuador) and the Southern Andes (Chile/Argentina).

Exploration also continued at all brownfield sites. At Gosowong, exploration focused on delivering incremental resource growth around the existing operation. At Telfer, exploration focused on various targets for resource growth including Main Dome, West Dome, M-Reefs and geological testing of the block cave concept. Target generation testing was undertaken at Cadia, including drilling at Rowan Brae.

A maiden Mineral Resource was declared at the Antenna Prospect within the Séguéla Project in West Africa. On 12 February 2019 Newcrest entered into an agreement with Roxgold Inc. for the sale of its Séguéla Project and its portfolio of regional exploration tenements in Côte d'Ivoire.



# Our Tax Policy and governance

Newcrest's tax strategy is to support Newcrest's global business through proactive tax advice, efficient tax compliance and active management of tax risks and disputes.

In delivering its strategy, it is Newcrest's policy to:

- Pay all tax it is legally obliged to pay, as and when it becomes payable;
- Fully comply with relevant tax laws in all jurisdictions in which it has a tax presence;
- Proactively manage tax reviews, audits and litigation while maintaining constructive and respectful relationships with Revenue Authorities;
- Implement and maintain an effective control environment in relation to identified tax risks; and
- Identify, monitor, document and, where possible, mitigate tax risks in relation to key transactions and operations.

## Tax Risk Management Framework

Newcrest also has a robust Tax Risk Management Framework whose purpose is to:

- Appropriately manage tax considerations that arise in the course of Newcrest's business; and
- Provide a framework for due consideration by the relevant levels of management (including the Board).

Newcrest has a strong risk management culture which enables all risks, including tax risks, to be evaluated, deliberated on and communicated with our stakeholders. Newcrest has a skilled and diverse Board which monitors tax risks.

At all times, Newcrest operates within the tax laws that apply to it.



# Our Income Taxes - Financial Year 2018

Newcrest operates and accounts for taxes in a number of jurisdictions around the world. The wholly-owned Australian subsidiaries of Newcrest are part of an Australian tax consolidated group, of which Newcrest Mining Limited is the head entity.

## Reconciliation of accounting profit to income tax expense

	Global group <sup>(1)</sup>	Australian tax consolidated group <sup>(2)</sup>
	FY18 US\$m	FY18 US\$m
<b>Total Revenue</b>	<b>3,562</b>	<b>1,874</b>
<b>Total Expenses<sup>(3)</sup></b>	<b>(3,235)</b>	<b>(1,865)</b>
<b>Accounting Profit Before Tax</b>	<b>327</b>	<b>9</b>
<i>Items not subject to tax under Australian tax rules</i>		
Dividends from wholly owned foreign subsidiaries	-	(55)
Other excluded items <sup>(4)</sup>	-	331
<b>Adjusted Accounting Profit Before Tax (I)</b>	<b>327</b>	<b>285</b>
Income Tax Expense calculated at 30% <b>(A)</b>	<b>98</b>	<b>86</b>
- Net investment hedge (gain)/loss	(9)	-
- Write-down of property, plant and equipment	26	-
- Impairment loss on investment in associate	2	-
- Write-down of tax asset	8	-
- Other	(7)	1
- Non assessable FX	-	(6)
- Non-deductible overseas exploration	-	4
- Prior period adjustments	-	(12)
- Share of profits in associates	-	1
<b>Adjustments (B)</b>	<b>20</b>	<b>(12)</b>
<b>Income Tax Expense (II) = (A) + (B)</b>	<b>118</b>	<b>74</b>
<b>Effective Tax Rate (II)/(I)</b>	<b>36%</b>	<b>26%</b>

The income tax expense rate for the Australian tax consolidated group is 26% which is slightly lower than the Australian corporate tax rate mainly due to a prior period adjustment that was discussed and agreed with the ATO.

- (1) Based on Newcrest's 2018 Annual Report. Profit before tax has been reported on a 100% basis including non-controlling interests.
- (2) Profit before tax based on lodged 2018 Australian consolidated income tax return.
- (3) Expenses mainly relate to cost of sales, exploration, corporate administration and finance costs.
- (4) Significant items are comprised of the following accounting items:
  - Impairment loss on property, plant and equipment in relation to Telfer
  - Loss from the divestment of Bonikro operations
  - FX gain on net investment hedges in relation to Bonikro operations.

# Income Taxes - Financial Year 2018 (continued)

## Reconciliation of income tax expense to income tax payable

	Global group <sup>(1)</sup>	Australian tax consolidated group <sup>(2)</sup>
	FY18 US\$m	FY18 US\$m
<b>Income Tax Expense</b>	<b>118</b>	<b>74</b>
Timing differences		
- Property, plant & equipment <sup>(3)</sup>	66	10
- Other <sup>(4)</sup>	(16)	46
- Carry forward losses utilised <sup>(5)</sup>	(8)	(17)
Total timing differences	42	39
<b>Income Tax Payable</b>	<b>160</b>	<b>112</b>

- (1) Based on Newcrest's 2018 Annual Report. Profit before tax has been reported on a 100% basis including non-controlling interests.
- (2) Based on Newcrest's lodged 2018 Australian consolidated income tax return.
- (3) As is standard across the mining industry, Newcrest's major timing difference arises from the differences in depreciation of fixed assets between accounting and tax.
- (4) 'Other' adjustments primarily relate to taxation of realised foreign exchange gains/losses and changes in provision balances.
- (5) The Australian tax consolidated group utilised carry-forward tax losses from prior periods in FY18. Whilst the Newcrest Australian tax consolidated group has a pool of carry-forward tax losses, the rate of utilisation of these tax losses to offset future taxable income is low due to the application of Australian tax law.



# Taxes Paid - Financial Year 2018

Newcrest is proud of the economic, fiscal and social contribution it makes to the communities and countries in which it operates through a range of taxes, royalties and levies.

The table below is a summary of the key taxes paid in FY18 by Newcrest across the jurisdictions in which it operates:

	Australia FY18 US\$m	PNG FY18 US\$m	Indonesia FY18 US\$m	Côte d'Ivoire FY18 US\$m	Total FY18 US\$m
Corporate tax	33 <sup>(1)</sup>	3 <sup>(2)</sup>	24 <sup>(3)</sup>	0 <sup>(4)</sup>	61
Mining royalties	54 <sup>(5)</sup>	27	6	5	92
Employee taxes collected on behalf of Government	64 <sup>(6)</sup>	39	6	6	115
Employee taxes paid by Newcrest	12 <sup>(7)</sup>	0	0	0	12
Other taxes and levies	10 <sup>(8)</sup>	14	7	5	36
<b>Total Taxes</b>	<b>173</b>	<b>84</b>	<b>44</b>	<b>16</b>	<b>316</b>

- (1) The tax paid in Australia in FY18 relates to the corporate tax liability for FY17 and monthly tax instalments paid. The corporate tax liability in respect of FY18 (US\$100m) was paid in FY19 on lodgement of the 2018 income tax return.
- (2) Newcrest's PNG operations did not pay any corporate tax in FY18 due to the application of tax depreciation on capital investments and tax credits available. The tax paid relates to expenditure incurred under the infrastructure tax credit scheme.
- (3) The tax paid in Indonesia relates to monthly tax instalments and tax offsets net of tax refunds received.
- (4) Newcrest's Cote d'Ivoire operations did not pay any material tax in FY18 due to the application of carry-forward tax losses and tax incentives.
- (5) In FY18 Newcrest paid mining royalties in Western Australia (A\$23m) and New South Wales (A\$46.8m), totalling A\$69.8m (US\$54m).
- (6) Newcrest is required to withhold taxes from salaries of its employees. In Australia, Newcrest withheld and paid employee taxes of A\$83m (US\$64m) in FY18.
- (7) Newcrest is liable for payroll tax in New South Wales, Western Australia, Queensland and Victoria. In FY18 Newcrest paid payroll tax of A\$15m (US\$12m).
- (8) Other taxes and levies cover a range of taxes such as withholding taxes, Customs Duty, rates and levies. In Australia, Newcrest paid Fringe Benefits Tax, Customs Duty and other State and local taxes and levies of A\$13m (US\$10m).



# International dealings

In FY18 Newcrest operated mines in four countries, with growth opportunities in several others.

The following is a summary of the key international related party transactions for Newcrest in FY18:

- **Intra-group Services** – Back-office and technical services provided by Newcrest from Australia to related parties in Fiji, Indonesia and PNG.
- **Captive Insurance** – Insurance premiums charged between Newcrest and a related party in Singapore. The captive insurance company is managed by an independent third party insurance broker, derives a modest profit and is subject to Australian tax under the Australian controlled foreign company rules.
- **Intercompany loans** – Various loans between Newcrest and related parties in PNG and Côte d'Ivoire.

Newcrest maintains appropriate documentation in relation to its related party dealings and the dealings are conducted in a manner consistent with Australian and international tax and transfer pricing laws. Newcrest does not operate any marketing hubs in foreign jurisdictions.

The above related party dealings do not have a material impact on Newcrest's Australian taxable income.



# Appendix 1: Basis of preparation

This appendix explains the basis of the presentation and reporting of data in this report.

## Source of information

The disclosures have been prepared based on 2018 Newcrest Annual Report, 2018 Australian income tax return and data from the 2018 Sustainability Report.

## Reporting currency

All financial data presented in this report is quoted in US Dollars unless otherwise stated. As the Australian income tax return is prepared in Australian Dollars, for this report we have converted these amounts to US Dollars using the yearly average exchange rate.

## Approach to materiality

Countries where the taxes paid during the year were less than US\$1 million have been excluded from this report.

## Taxes paid

The taxes paid table represents amounts rounded to the nearest million.



