



**NEWCREST**  
MINING LIMITED

# Tax Contribution Report 2019



# Message from our Chief Financial Officer

I am pleased to present the Tax Contribution Report for Newcrest for the Financial Year 2019. This report elaborates our tax position for the financial year ending 30 June 2019 (FY19) whilst highlighting the taxes and royalties paid by Newcrest in Australia and globally.

We recognise that Newcrest's long-term success is tied strongly to the contributions we make in the countries in which we operate. We are committed to high-quality governance, transparency and ethical business practices across the organisation. Our vision is to be a Miner of Choice and that involves paying our fair share of taxes in a timely manner. 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.

In FY19 we paid \$420 million globally in taxes and royalties and had a global effective tax rate of 33%; approximately 76% of the taxes and royalties were paid in Australia. Between FY16 and FY19, Newcrest paid approximately \$1.3 billion globally in taxes and royalties; approximately 60% of that has been paid in Australia, 24% in PNG and 14% in Indonesia.

Across the industry we are seeing an increased focus on transparency and the public sharing of corporate information. Investors, governments, communities and customers are seeking increased details about more aspects of our performance. By openly sharing information, including the taxes and royalties we pay, we have the opportunity to build increased trust with our communities. Strengthening and maintaining that trust over the long term is key to building a sustainable, resilient and profitable business.

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

We are also 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 meaningful tax reform.



**Gerard Bond**  
Finance Director and Chief Financial Officer







# About Newcrest

## Principal activities

The nature of the operations and principal activities of Newcrest Mining Limited and its controlled entities ('the Group') are exploration, mine development, mine operations and the sale of gold and gold/copper concentrate. Newcrest is the largest gold producer listed on the Australian Securities Exchange (ASX) and one of the largest gold producers in the world. During FY19, we had mining operations in Australia, Papua New Guinea and Indonesia. We also had a number of development projects and we are exploring around the globe.

Newcrest has a proud history of exploration, discovery, development and operation of gold/copper mines. We focus on long-term value creation for our shareholders.

## Our Purpose

Creating a brighter future for people through safe and responsible mining.

## Our vision

To be the Miner of Choice:

- Valued by our people and communities
- Respected by our partners, customers, suppliers and peers
- Celebrated by our owners

## Our Mission

To safely deliver superior returns to our stakeholders from finding, developing and operating gold/copper mines.

## Our Values

- Caring about people
- Integrity and honesty
- Working together
- Innovation and problem solving
- High performance

## Our Five Pillars

To achieve Newcrest's full potential for our stakeholders, our company strategy focuses on five key pillars, each with associated aspirations.

### Our Aspirations (by end 2025)

#### Safety & Sustainability

- Zero fatalities or life-changing injuries
- Top decile TRIFR
- No repeat SPIs
- Achieving our Greenhouse Gas emission intensity reduction and water efficiency targets
- Top decile performance for Metals & Mining in the Dow Jones Sustainability Index

#### People

- Top decile Organisational Health
- Top half of industry diversity metrics
- Year on year improvement in Organisational Health inclusion measures
- At least 50% of our appointments are internal candidates

#### Operating Performance

- Consistently meet or exceed Budget
- Performance v industry benchmarks and technical limits
- Top quartile Overall Equipment Effectiveness (OEE)
- Lowest quartile AISC per ounce
- No major unplanned operational interruptions

#### Technology & Innovation

- No major unexpected geotechnical events
- 15 Moz eq of innovation driven Reserve growth
- 20% improvement in operational efficiency and sustainability measures
- \$1 Bn of incremental NPV added through breakthroughs
- Add to our portfolio of Tier 1 and Tier 2 orebodies 2-3 greenfield discoveries
- Havieron in production
- Red Chris block cave nearing production
- Wafi-Golpu project approved and in development

#### Profitable Growth

- Add to our portfolio of Tier 1 and Tier 2 orebodies 2-3 greenfield discoveries
- Havieron in production
- Red Chris block cave nearing production
- Wafi-Golpu project approved and in development

## Our Edge

Collaboration, innovation and having an owner's mindset.





## Financial Year 2019 results

Newcrest reported a full-year statutory profit after income tax of \$561 million in FY19, underpinned by annual production of 2.5 million ounces of gold and 106 thousand tonnes of copper. All operating sites contributed positive free cash flow. Please refer to our 2019 Annual Report that is available on our [website](#) for further details.

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

## Our operating assets as at 30 June 2019



### 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.



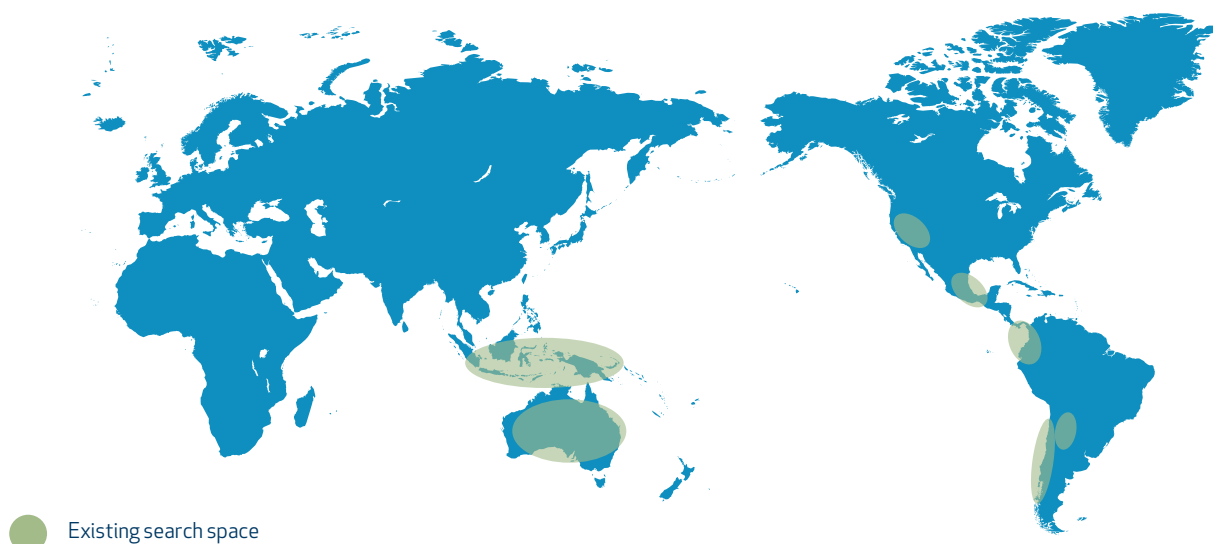
### Gosowong

Located on Halmahera Island, Indonesia, Gosowong is operated by PT Nusa Halmahera Minerals which was owned by Newcrest (75 percent interest) and PT Aneka Tambang (25 percent interest). In FY20, Newcrest divested its interest in the Gosowong mine.

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



## Our global search for new gold/copper mines as at 30 June 2019



In FY19 the 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 additional exploration ground in fertile gold/copper districts including the Paterson Province (Western Australia), Tanami (Northern Territory/Western Australia), Mt Isa region (Queensland), Jarbidge (Nevada), Northern Andes (Ecuador) and the Central Andes (Chile).

First drill results from the Havieron Project in the Paterson Province in Western Australia confirmed the presence of higher grade copper-gold mineralisation.

Exploration continued at all brownfield sites, with drilling ongoing at Telfer and Cadia.

At Telfer, mine corridor activities focussed on drill testing the Thomsons and Camp Dome prospects in the north. A detailed review and targeting study in the south identified the Ironclad Prospect (previously known as Backdoor West and Backdoor). In the immediate Telfer mine area, a focus on potential extensions to mineralisation in the West Dome South area continues.

Target generation testing was undertaken at Cadia and data compilation, target definition and reconnaissance exploration continued within extensions of the Cadia Mine Corridor including the Junction Reefs JV and the Cadia northeast area.

In August 2019, Newcrest announced it had completed the joint venture transaction with Imperial Metals to acquire 70% of the Red Chris mine in British Columbia, Canada. Red Chris is a copper-gold porphyry with an operating open-pit mine. We believe Red Chris has the potential to be transformed into a Tier One orebody through the application of our technical expertise.



# Our Tax Policy and governance

Newcrest makes the following commitments:

## 1. Tax Risk Management and Governance

Newcrest is committed to a robust risk management and governance framework to manage its tax risks and processes. Newcrest upholds this commitment through compliance with Newcrest Code of Conduct, the Group-wide Risk Management Framework and the Tax Governance Framework.

## 2. Revenue Authority and Government Engagement

Newcrest will act with integrity and respect in all dealings with Revenue Authorities or Government bodies. Newcrest will engage proactively and communicate constructively with all Revenue Authorities and Governments to positively contribute to efficient, effective and competitive tax systems in all jurisdictions in which Newcrest carries on its business.

## 3. Transparency

Newcrest acknowledges the important role that tax transparency plays in improving community confidence in the tax system. Newcrest will be transparent about the taxes and royalties paid to Governments in a timely manner.

## 4. Compliance

Newcrest will fully comply with all applicable tax laws in the jurisdictions where it has a presence. Newcrest will manage its tax affairs in a responsible manner to ensure all required tax lodgements and payments are always made in accordance with local laws and regulations and in a timely manner.

## 5. Commercial Objectives

Newcrest will only engage in transactions or business dealings that are aligned with the commercial objectives of Newcrest and will not pursue transactions or dealings that are solely driven by tax reasons.

## Tax Governance Framework

Newcrest also has a robust Tax Governance 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.





# Relationships with tax authorities

In Australia, Newcrest was part of the Top 1,000 Tax Performance Program conducted by the Australian Taxation Office (ATO). The ATO issued Newcrest's Streamlined Tax Assurance Report for the 2014 to 2017 income years, setting out the outcomes of the Streamlined Assurance Review. The purpose of the review by the ATO was to obtain greater confidence that Newcrest has paid the right amount of income tax or to identify areas of income tax risk in respect of the years reviewed.

In October 2019, the ATO issued Newcrest with an overall Medium assurance rating, with no red flag ratings. The rating reflects that the ATO has obtained assurance on some but not all areas of review.

We received a Stage 2 rating for Tax Risk Management and Governance which means that we demonstrated that a tax control framework exists and has been designed effectively.

Overall, the outcome is a validation of the controls, processes and governance adopted by Newcrest in determining its tax position and tax liability.

Newcrest's commitment to voluntary tax transparency has been commended by the ATO as part of their review.

We maintain a constructive and respectful relationship with tax authorities in the jurisdictions we operate.





# Our Income Taxes - Financial Year 2019

Newcrest 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>
	US\$m	US\$m
<b>Total Revenue</b>	<b>3,742</b>	<b>2,265</b>
<b>Total Expenses<sup>(3)</sup></b>	<b>(2,912)</b>	<b>(1,635)</b>
<b>Accounting Profit Before Tax</b>	<b>830</b>	<b>630</b>
<b>Adjusted Accounting Profit Before Tax (I)</b>	<b>249</b>	<b>189</b>
- Non-deductible exploration and business development expenditure	8	4
- Net unrecognised deferred tax assets	8	-
- Non-deductible tax effect of loss from equity accounted investments	5	1
- Other	2	(1)
<b>Adjustments (B)</b>	<b>23</b>	<b>4</b>
<b>Income Tax Expense (II) = (A) + (B)</b>	<b>272</b>	<b>193</b>
<b>Effective Tax Rate (II) / (I)</b>	<b>33%</b>	<b>31%</b>

The income tax expense rate for the Australian tax consolidated group is 31% which is higher than the Australian corporate tax rate mainly due to adjustments to add back non-assessable/deductible foreign exchange gains/losses and the impairment of investments in offshore exploration entities.

(1) Based on Newcrest Mining Limited 2019 Annual Report. Profit before tax has been reported on a 100% basis including non-controlling interests.

(2) Profit before tax based on lodged 2019 Australian consolidated income tax return. 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.

(3) Expenses mainly relate to cost of sales, exploration, corporate administration and finance costs.



# Income Taxes - Financial Year 2019 (continued)

## Reconciliation of income tax expense to income tax payable

	Global group <sup>(1)</sup>	Australian tax consolidated group <sup>(2)</sup>
	US\$m	US\$m
<b>Income Tax Expense</b>	<b>272</b>	<b>193</b>
Timing differences		
- Property, plant & equipment <sup>(3)</sup>	(21)	(6)
- Other <sup>(4)</sup>	2	38
- Carry forward losses utilised <sup>(5)</sup>	(6)	(6)
Total timing differences	(25)	27
<b>Income Tax Payable</b>	<b>247</b>	<b>220</b>

(1) Based on Newcrest's 2019 Annual Report. Profit before tax has been reported on a 100% basis including non-controlling interests.

(2) Based on Newcrest's lodged 2019 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 FY19. Whilst the Newcrest Australian tax consolidated group has a pool of carry-forward tax losses, the rate of utilisation of these tax losses is low due to the application of Australian tax law.





# Taxes Paid - Financial Year 2019

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<sup>1</sup> in FY19 by Newcrest across the jurisdictions in which it operates:

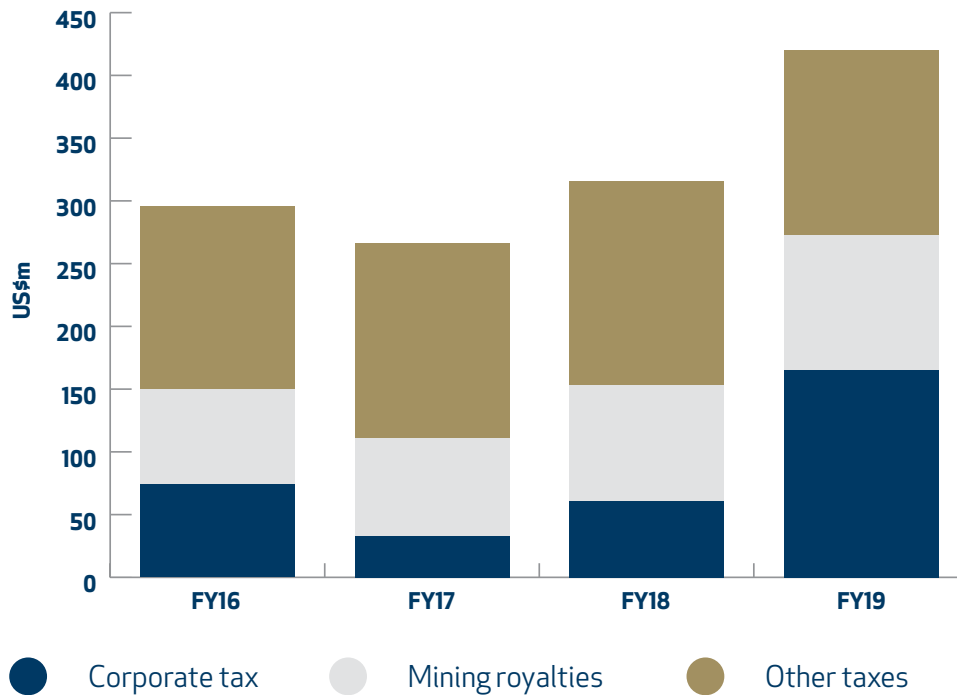
	Australia FY19 US\$m	PNG FY19 US\$m	Indonesia FY19 US\$m	Côte d'Ivoire FY19 US\$m	Total FY19 US\$m
Corporate tax	161 <sup>(2)</sup>	3 <sup>(3)</sup>	0 <sup>(4)</sup>	1	165
Mining royalties	69 <sup>(5)</sup>	29	10	0	108
Employee taxes collected on behalf of Government	65	44	6	0	115
Employee taxes paid by Newcrest	11 <sup>(6)</sup>	0	0	0	11
Other taxes and levies	11 <sup>(7)</sup>	5	4	0	21
<b>Total Taxes</b>	<b>318</b>	<b>82</b>	<b>20</b>	<b>1</b>	<b>420</b>

- (1) Amounts include income taxes paid determined on a cash basis, consistent with the Group's audited Statement of Cash Flows, and other payments to governments, determined on an accruals basis, consistent with the Group's audited Income Statement.
- (2) The tax paid in Australia in FY19 relates to the corporate tax liability for FY18 and monthly tax instalments paid for FY19. A portion of the corporate tax liability in respect of FY19 (US\$130m) was paid in FY20 on lodgement of the 2019 income tax return and is not included in the above figures.
- (3) Newcrest's PNG operations paid corporate tax instalments (US\$1m) and US\$2m via the infrastructure tax credit scheme in FY19. A portion of the corporate tax liability in respect of FY19 (US\$11m) was paid in FY20 and is not included in the above figures.
- (4) The net tax position in Indonesia relates to monthly tax instalments net of tax offsets and tax refunds received.
- (5) In FY19 Newcrest paid mining royalties in Western Australia (A\$24m) and New South Wales (A\$73m), totalling A\$97m (US\$69m).
- (6) Newcrest is liable for payroll tax in New South Wales, Western Australia, Queensland and Victoria. In FY19 Newcrest paid payroll tax of A\$15m (US\$11m).
- (7) Other taxes and levies cover a range of taxes such as withholding taxes, Customs Duty, rates and levies. In Australia, Newcrest paid withholding taxes and other State and local taxes and levies of A\$17m (US\$12m).

# Taxes Paid from FY16-FY19

Newcrest's tax transparency journey commenced in FY14 when it published its first Taxes Paid Report. We subsequently signed up to the Voluntary Tax Transparency Code and started publishing our Tax Contribution Report from FY16. The chart below set out the profile of taxes paid by tax type from FY16 to FY19. Our Tax Contribution Reports for each year are available on our website and provide context for the tax payments.

FY16 to FY19 – Tax Types over time





# International dealings

The following is a summary of the key international related party transactions for Newcrest in FY19:

- **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 and hedging** – Various loans and fuel hedges between Newcrest and related parties in PNG and Indonesia.

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.





# 2019 Financial Statements

The below is intended to help users understand the link between Newcrest's 2019 Tax Contribution Report and 2019 Financial Statements.

## **Tax expense**

The tax expense in our 2019 Financial Statements differs to the amount of tax paid disclosed in this Tax Contribution Report.

The numbers are calculated on a different basis and at different times of the year. The income tax expense in our 2019 Financial Statements provides an estimation of the amount of tax that we expect to pay for the financial year.

The amount of tax paid disclosed in this report reflects the actual cash tax payments or refunds during the financial year. Cash tax paid during the year includes final payments or refunds which relate to the prior financial years, and excludes payments or refunds which relate to the financial year but which occur in the following year.

## **Effective tax rate**

The effective tax rate is calculated as total income expense divided by accounting profit. Our global effective tax rate will not be the same as the corporate tax rate in any particular country. The tax rate is different in each country. The tax rate applies to the taxable income derived in a country, and any deductions or other adjustments specific to that country.





# 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 the 2019 Newcrest Annual Report, 2019 Australian income tax return and data from the 2019 Sustainability Report.

## Reporting currency

All financial data presented in this report is quoted in US Dollars unless otherwise stated.

## 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.





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