Status: **legally binding**

Class Ruling

Strickland Metals Limited – reduction of share capital

Relying on this Ruling

This publication is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Table of Contents **Paragraph**

What this Ruling is about

1. This Ruling sets out the income tax consequences for holders of ordinary shares in Strickland Metals Limited (Strickland) who received a reduction of share capital (Capital Return) by way of a transfer of convertible preference shares in Gateway Mining Limited (Gateway) on 25 August 2025 (Payment Date).

2. Details of this scheme are set out in paragraphs 26 to 52 of this Ruling.

3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you:

- were registered as a holder of a Strickland ordinary share on the Strickland share register on 22 August 2025 (Record Date)
- received convertible preference shares in Gateway on 25 August 2025
- were a 'resident of Australia' as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936) (and not a 'temporary resident' as defined in subsection 995-1(1)), and
- held your Strickland shares on capital account on the Record Date – that is, your Strickland shares were neither held as a 'revenue asset' (as defined in section 977-50) nor as 'trading stock' (as defined in subsection 995-1(1)).

5. This Ruling does not apply to anyone who is subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 26 to 52 of this Ruling.

Note: Division 230 will not apply to individuals unless they have made an election for it to apply.

When this Ruling applies

6. This Ruling applies from 1 July 2025 to 30 June 2026.

Ruling

Reduction of share capital is not an assessable dividend

7. No part of the Capital Return will be included in your assessable income under subsection 44(1) of the ITAA 1936. This is because the entire amount of the Capital Return was debited to the share capital account of Strickland, meaning that it is not a 'dividend' under subsection 6(1) of the ITAA 1936.

Capital gains consequences

CGT event G1

8. CGT event G1 happened on the Payment Date when you were paid the Capital Return by Strickland in respect of each of your Strickland shares (section 104-135).

9. You made a capital gain from CGT event G1 happening if the Capital Return (1.4852 cents per share) was more than the cost base of the Strickland share. If so, the capital gain is equal to the amount of the excess.

10. You can treat a capital gain you made from CGT event G1 as a discount capital gain, provided that the conditions of Subdivision 115-A are satisfied. In particular, you must have acquired your Strickland shares at least 12 months before the Payment Date (excluding the date on which you acquired your Strickland shares and the Payment Date).

11. If the Capital Return was equal to or less than the cost base of the Strickland share, you do not make a capital gain from CGT event G1. Instead, you reduce the cost base and reduced cost base of the Strickland share by 1.4852 cents per share (subsection 104-135(4)).

12. You cannot make a capital loss from CGT event G1 happening (subsection 104-135(3)).

CGT event C2

13. CGT event C2 happened when Strickland paid the Capital Return to you in respect of the Strickland shares you owned on the Record Date but ceased to own before the Payment Date (section 104-25).

14. CGT event C2 happened because, by ceasing to own a Strickland share after the Record Date but before the Payment Date, you retained the right to receive the Capital Return (which is a separate CGT asset from the Strickland share). When the Capital

Return was paid to you, the right to receive the Capital Return (being an intangible CGT asset) ended by the right being discharged or satisfied.

15. You made a capital gain equal to the amount of the Capital Return (1.4852 cents per share).

16. You can treat a capital gain you made when CGT event C2 happened as a discount capital gain, provided that the conditions of Subdivision 115-A are satisfied. In particular, you must have acquired your Strickland shares at least 12 months before the Payment Date (excluding the date on which you acquired your Strickland shares and the Payment Date).

Specific anti-avoidance provisions will not apply to deem an assessable dividend

17. Section 45 of the ITAA 1936 will not apply to the Capital Return. This is because Strickland did not stream the provision of shares and the payment of minimally franked dividends to its shareholders. Therefore, you will not include any part of the Capital Return in your assessable income under subsection 44(1) of the ITAA 1936.

18. The Commissioner will not make a determination under subsection 45A(2) of the ITAA 1936 that section 45C of the ITAA 1936 applies in relation to the whole, or a part, of the capital benefits provided to you under the Capital Return. This is because Strickland did not stream the provision of capital benefits and the payment of dividends to its shareholders as required by subsection 45A(1) of the ITAA 1936. Therefore, you will not include any part of the Capital Return in your assessable income under subsection 44(1) of the ITAA 1936.

19. The Commissioner will not make a determination under paragraph 45B(3)(b) of the ITAA 1936 that section 45C of the ITAA 1936 applies in relation to the whole, or a part, of the capital benefit provided to you under the Capital Return. This is because the purpose condition in paragraph 45B(2)(c) of the ITAA 1936 was not satisfied. Therefore, you will not include any part of the Capital Return in your assessable income under subsection 44(1) of the ITAA 1936.

Convertible preference shares in Gateway Mining Limited converted into ordinary shares in Gateway Mining Limited

20. The convertible preference shares in Gateway were a ‘convertible interest’ in Gateway (as defined in subsection 995-1(1) and table item 4 of subsection 974-75(1)).

21. CGT event C2 happened when the convertible preference shares in Gateway were converted into ordinary shares in Gateway (paragraph 104-25(1)(f)).

22. You disregard any capital gain or capital loss you made from converting the convertible preference shares in Gateway (subsection 130-60(3)).

Cost base and reduced cost base of ordinary shares in Gateway Mining Limited

23. The first element of the cost base and reduced cost base of each ordinary share in Gateway you acquired (when the convertible preference shares in Gateway were converted into ordinary shares in Gateway on 26 August 2025) is the cost base and reduced cost base (respectively) of each convertible preference share in Gateway you acquired on the Payment Date of 25 August 2025 (table item 2 of subsection 130-60(1)).

24. The cost base and reduced cost base of each convertible preference share in Gateway you acquired on the Payment Date was 2.8 cents (subsections 110-25(2) and 110-55(2)).

Acquisition date of ordinary shares in Gateway Mining Limited

25. You are taken to have acquired the ordinary shares in Gateway on 26 August 2025 (subsection 130-60(2)). This is the date on which the convertible preference shares in Gateway were converted into ordinary shares in Gateway.

Scheme

26. The following description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

Strickland Metals Limited

27. Strickland is a company that was incorporated in Australia on 2 June 2004.

28. Strickland has one class of shares on issue (ordinary shares).

29. Strickland has been listed on the Australian Securities Exchange (ASX) since 6 April 2006. The shares in Strickland trade under the ASX code ‘STK’.

30. Strickland is the head company of an income tax consolidated group under Part 3-90.

31. Strickland carries on a business of gold and base metals exploration in Australia and Serbia.

32. Immediately before the Payment Date, Strickland had 2,262,359,797 fully paid ordinary shares and $119,273,190 credited to its share capital account.

33. As of 30 June 2025, Strickland had accumulated losses of $193,135 on an accounting consolidated basis.

The reduction of share capital

34. On 26 June 2025, Strickland and 2 of its wholly owned subsidiaries entered into a contract to sell their interests in the tenements, contracts, samples and mining information making up the Yandal Project in Western Australia to a wholly owned subsidiary of Gateway.

35. Strickland received 1.5 billion convertible preference shares in Gateway as consideration for the sale of the Yandal Project.

36. Strickland made an accounting loss from the sale of the Yandal Project.

37. The directors of Strickland decided to distribute 1.2 billion convertible preference shares in Gateway to the shareholders of Strickland. This was undertaken by an equal reduction of share capital under section 256B of the *Corporations Act 2001*.

38. Strickland retained the other 300 million convertible preference shares in Gateway.

39. At an extraordinary general meeting on 18 August 2025, the shareholders of Strickland approved an ordinary resolution under section 256C of the *Corporations*

Act 2001 to reduce the share capital of Strickland by an amount equivalent to the market value of 1.2 billion convertible preference shares in Gateway.

40. The Record Date for determining the entitlement of the shareholders of Strickland to receive the Capital Return was 22 August 2025.

41. On the Payment Date (25 August 2025), Strickland paid the Capital Return to the Eligible Shareholders of Strickland who were registered on the Strickland share register on the Record Date by transferring convertible preference shares in Gateway to the shareholders of Strickland.

42. Under the Capital Return, the shareholders of Strickland received approximately 53 convertible preference shares in Gateway for every 100 shares in Strickland they held on the Record Date.

43. Eligible Shareholders were the shareholders of Strickland whose address as shown in the Strickland share register on the Record Date was in Australia, the United Kingdom, New Zealand (if certain conditions are satisfied) or any other jurisdiction in respect of which Strickland reasonably believes that it is not prohibited (and not unduly onerous or impractical) to transfer Gateway shares to a Strickland shareholder with a registered address in such a jurisdiction.

44. The shareholders of Strickland who were not Eligible Shareholders had the convertible preference shares in Gateway to which they were entitled transferred to a Sale Agent, who sold those convertible preference shares and paid the relevant part of the net sale proceeds to each of those Strickland shareholders.

45. The Capital Return equated to 1.4852 cents per share in Strickland.

46. Strickland debited its share capital account by $33.6 million.

47. No shares in Strickland were cancelled or redeemed as a result of the Capital Return.

Conversion of convertible preference shares in Gateway Mining Limited into ordinary shares in Gateway Mining Limited

48. Under the terms of the convertible preference shares issued by Gateway to Strickland to acquire the Yandal Project, the 1.2 billion convertible preference shares that were transferred by Strickland to the shareholders of Strickland on 25 August 2025 were automatically converted into fully paid ordinary shares in Gateway on 26 August 2025 on a one-for-one basis.

49. Gateway is a company listed on the ASX. The shares in Gateway trade under the ASX code 'GML'.

Other matters

50. Strickland has never previously paid a dividend or undertaken a reduction of share capital.

51. Immediately before the Payment Date, Strickland's share capital account (as defined in section 975-300) was not tainted (within the meaning of Division 197).

52. On the Payment Date, the sum of the market values of the assets of Strickland that were 'taxable Australian real property' (as defined in section 855-20) did not exceed the

sum of the market values of the assets of Strickland that were not taxable Australian real property.

Commissioner of Taxation
24 June 2026

References

Legislative references:

- ITAA 1936 6(1)
- ITAA 1936 44(1)
- ITAA 1936 45
- ITAA 1936 45A(1)
- ITAA 1936 45A(2)
- ITAA 1936 45B(2)(c)
- ITAA 1936 45B(3)(b)
- ITAA 1936 45C
- ITAA 1997 104-25(1)(f)
- ITAA 1997 104-135
- ITAA 1997 104-135(3)
- ITAA 1997 104-135(4)
- ITAA 1997 110-25(2)
- ITAA 1997 110-55(2)
- ITAA 1997 Subdiv 115-A
- ITAA 1997 130-60(1)
- ITAA 1997 130-60(2)
- ITAA 1997 130-60(3)
- ITAA 1997 Div 197
- ITAA 1997 Div 230
- ITAA 1997 Pt 3-90
- ITAA 1997 855-20
- ITAA 1997 974-75(1)
- ITAA 1997 975-300
- ITAA 1997 977-50
- ITAA 1997 995-1(1)
- Corporations Act 2001 256B
- Corporations Act 2001 256C

ATO references

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