


CR 2026/30 - FireFly Metals Ltd - reduction of share capital

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Class Ruling

FireFly Metals Ltd – 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.

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What this Ruling is about

1. This Ruling sets out the income tax consequences for holders of ordinary shares in FireFly Metals Ltd (FFM) who received a reduction of share capital (Capital Return) by way of a transfer of shares in Bellavista Resources Ltd (BVR) on 11 May 2026 (Payment Date).
2. Details of this scheme are set out in paragraphs 26 to 54 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 a holder of an FFM ordinary share on the FFM share register on 4 May 2026 (Record Date)
 - were not a ‘temporary resident’ of Australia (as defined in subsection 995-1(1)) on the Payment Date, and
 - held your FFM shares on capital account on the Record Date – that is, your FFM 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 54 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.

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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 *Income Tax Assessment Act 1936* (ITAA 1936). This is because the entire amount of the Capital Return was debited to the share capital account of FFM, meaning that it is not a 'dividend' as defined in 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 FFM in respect of each of your FFM shares (section 104-135).

9. You made a capital gain from CGT event G1 happening if the amount of the Capital Return for each FFM share (4.5 cents) was more than the cost base of the FFM 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 FFM shares at least 12 months before the Payment Date (excluding the date on which you acquired your FFM shares and the Payment Date).

11. If the amount of Capital Return for each FFM share was equal to or less than the cost base of the FFM share, you do not make a capital gain from CGT event G1. Instead, you reduce the cost base and reduced cost base of the FFM shares by 4.5 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 FFM paid the Capital Return to you in respect of the FFM 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 FFM 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 share in FFM). 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 (being 4.5 cents per FFM share).

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

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Foreign resident shareholders of FireFly Metals Ltd

17. If you are a foreign resident, any capital gain you make from CGT event G1 is disregarded unless your FFM share is taxable Australian property (section 855-10).

18. If you are a foreign resident, the capital gain you make from CGT event C2 is disregarded unless your right to receive the Capital Return is taxable Australian property (section 855-10).

19. Your FFM share or right to receive the Capital Return is 'taxable Australian property' if it:

- was used by you (the foreign resident) at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or
- is a CGT asset that is covered by subsection 104-165(3) (choosing to disregard a capital gain or capital loss on ceasing to be an Australian resident) (table item 5 of section 855-15).

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

20. Section 45 of the ITAA 1936 will not apply to the Capital Return. This is because FFM 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.

21. 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 FFM 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.

22. The Commissioner will not make a determination under paragraph 45B(3)(b) of the ITAA 1936 that section 45C of the ITAA 1936 applies to the whole, or any 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.

Cost base and reduced cost base of ordinary shares in Bellavista Resources Ltd

23. The first element of the cost base and reduced cost base of each ordinary share in BVR you acquired on the Payment Date is 58 cents (subsections 110-25(2) and 110-55(2)).

Acquisition date of ordinary shares in Bellavista Resources Ltd

24. You acquired your BVR shares on the Payment Date (table event A1 (case 1) of subsection 109-5(2)).

25. If you subsequently dispose of the BVR shares you acquired on the Payment Date and make a capital gain, you can treat it as a 'discount capital gain' under Subdivision 115-A, provided that you owned those BVR shares for at least 12 months (excluding the

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Payment Date and the date of disposal) and you satisfied the other conditions in Subdivision 115-A.

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.

FireFly Metals Ltd

27. FFM is a company that was incorporated in Australia on 3 August 2004.
28. FFM carries on a business of copper and gold exploration.
29. FFM has one class of shares on issue, being ordinary shares.
30. FFM is currently listed on both the Australian Securities Exchange (since 21 September 2005) and the Toronto Stock Exchange, under the code 'FFM'.
31. FFM is the head company of an income tax consolidated group under Part 3-90.
32. Immediately before the Payment Date, FFM had 768,785,998 fully paid ordinary shares and \$568,727,950 credited to its share capital account.

Canadian operations

33. Auteco Minerals (Canada) Pty Ltd (AMC) is a company that was incorporated in Australia and is a wholly owned subsidiary of FFM.
34. AMC holds 100% of the shares in Revel Resources (JV Projects) Ltd and Revel Resources Ltd, each of which is a company incorporated in Canada.
35. FFM indirectly (through AMC and its wholly owned Canadian subsidiaries) held interests in gold projects in the Province of Ontario (in Canada), consisting of a:
 - 70% interest in the Pickle Crow Project
 - 100% interest in the Additional Pickle Crow Tenements located in proximity to the Pickle Crow Project, and
 - 100% interest in the Sioux Lookout Project.
36. As of 29 April 2026, AMC owed approximately \$67.5 million under a loan made to it by FFM. AMC's key asset was approximately \$67.5 million of receivables in respect of loans it made to Revel Resources (JV Projects) Ltd and Revel Resources Ltd.

The reduction of share capital

37. On 2 February 2026, FFM announced that it agreed to sell all of its shares in AMC (and thus its Ontario gold assets), and assign its rights and interests in the loan receivable (owed by AMC to FFM), to Bellavista Resources Ltd (BVR).
38. The total consideration received by FFM consisted of a nominal amount of \$1 in money, 60 million ordinary shares in BVR and 50 million performance rights in BVR (which confer an entitlement to be issued with 50 million ordinary shares in BVR if certain

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conditions are satisfied or, in respect of the second and third tranches of the performance rights only, to receive cash in lieu of BVR ordinary shares in certain circumstances).

39. The directors of FFM decided to distribute the 60 million ordinary shares in BVR which FFM would receive to the shareholders of FFM. This was undertaken by an equal reduction of share capital under section 256B of the *Corporations Act 2001* (Capital Return).

40. FFM has retained the 50 million contingent performance rights in BVR.

41. On 22 April 2026, the shareholders of FFM approved an ordinary resolution under section 256C of the *Corporations Act 2001* to reduce the share capital of FFM by an amount equal to the market value of FFM's 60 million ordinary shares in BVR.

42. The date for determining the entitlement of the shareholders of FFM to receive BVR ordinary shares was 4 May 2026 (Record Date).

43. On 11 May 2026 (Payment Date), FFM transferred all of its 60 million ordinary shares in BVR (other than 2,883 rounding shares) to the shareholders of FFM in satisfaction of the shareholders' entitlement to receive the Capital Return.

44. Under the Capital Return, the eligible shareholders of FFM received one BVR ordinary share for approximately every 12.8 FFM shares they held on the Record Date.

45. As a result of the Capital Return, shareholders of FFM (other than ineligible shareholders) owned shares in both FFM and BVR.

46. An ineligible shareholder is a shareholder of FFM:

- whose address on the FFM share register on the Record Date is in any jurisdiction other than an Eligible Jurisdiction (being Australia, Canada, New Zealand, certain States of the United States of America, the United Kingdom, Hong Kong, Singapore, Japan, most nations in the European Union, Switzerland, the United Arab Emirates and any other jurisdiction if FFM reasonably believes that it is not prohibited from distributing, and it would not be unduly onerous or impractical to distribute, BVR shares to a FFM shareholder with a registered address in such jurisdiction), or
- who would be entitled to receive ordinary shares in BVR which would not constitute a marketable parcel (being a market value of at least \$500) of BVR shares as of the Record Date.

47. The BVR ordinary shares to which an ineligible shareholder was entitled were instead sold by the sale agent on behalf of the ineligible shareholder under a sale facility after the Payment Date, with the net sale proceeds to be paid to the ineligible shareholder. The 2,883 rounding shares were also sold by the sale agent.

48. The Capital Return equated to 4.5 cent for each share in FFM.

49. To account for the Capital Return, FFM debited its share capital account by \$34.8 million.

50. No shares in FFM were cancelled or redeemed as a result of the Capital Return.

Other matters

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

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52. FFM has never previously paid a dividend or undertaken a reduction of share capital.

53. As of 31 December 2025, FFM had accumulated accounting losses of \$77,440,937 and a nil franking account balance.

54. On the Payment Date, the sum of the market values of the assets of FFM 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 FFM that were not taxable Australian real property.

Commissioner of Taxation

3 June 2026

Status: **not legally binding**

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
 - ITAA 1997 104-135
 - ITAA 1997 104-135(3)
 - ITAA 1997 104-135(4)
 - ITAA 1997 104-165(3)
 - ITAA 1997 109-5(2)
 - ITAA 1997 110-25(2)
 - ITAA 1997 110-55(2)
 - ITAA 1997 Subdiv 115-A
 - ITAA 1997 Div 197
 - ITAA 1997 Div 230
 - ITAA 1997 Pt 3-90
 - ITAA 1997 855-10
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 - ITAA 1997 855-20
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 - Corporations Act 2001 256B
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ATO references

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