

CR 2026/36 - Red Metal Limited - in specie return of Maronan Metals Limited shares

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Status: **legally binding**

Class Ruling

Red Metal Limited – in specie return of Maronan Metals Limited shares

❗ 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.

(Note: this is a consolidated version of this document. Refer to the ATO Legal Database (ato.gov.au/law) to check its currency and to view the details of all changes.)

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What this Ruling is about

1. This Ruling sets out the income tax consequences for shareholders of Red Metal Limited (RDM) who received a return of capital from RDM by way of an in specie distribution of shares in Maronan Metals Limited (MML) on 15 May 2026 (Implementation Date).
2. Details of this scheme are set out in paragraphs 26 to 45 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:
 - held RDM shares on 14 May 2026 (Record Date)
 - held your RDM shares on capital account – that is, you did not hold your RDM shares as ‘revenue assets’ (as defined in section 977-50) or as ‘trading stock’ (as defined in subsection 995-1(1))
 - are not, for capital gains tax (CGT) purposes, taken to have acquired your RDM shares before 20 September 1985
 - were eligible to receive MML shares under the scheme described in paragraphs 26 to 45 of this Ruling

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- are either
 - 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)), or
 - a non-resident of Australia who does not carry on a business at or through a permanent establishment in Australia, and
- received the in specie distribution of shares in MML on the Implementation Date.

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 45 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

A demerger happened

7. A demerger, as defined in section 125-70, happened to the RDM demerger group, which included RDM and MML.

Capital gains tax consequences for Australian shareholders

CGT event G1

8. CGT event G1 happened when RDM made an in specie distribution of MML shares to you in respect of the RDM shares you owned on the Record Date and continued to own on the Implementation Date (section 104-135).

9. You made a capital gain from CGT event G1 happening if the reduction of share capital for each RDM share (\$0.0155353392 per share) was more than the cost base of the share (paragraph 104-135(1)(b) and subsection 104-135(3)). The capital gain is equal to the difference. You cannot make a capital loss from CGT event G1 (Note 1 to subsection 104-135(3)).

Demerger roll-over is available

10. You can choose to obtain a demerger roll-over for your RDM shares under subsection 125-55(1).

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Choosing demerger roll-over

11. If you choose demerger roll-over for your RDM shares:
- any capital gain you made when CGT event G1 happened to your RDM shares under the demerger is disregarded (subsection 125-80(1)), and
 - you must recalculate the first element of the cost base and reduced cost base of your RDM shares, and calculate the first element of the cost base and reduced cost base of the corresponding MML shares you acquired under the demerger (subsection 125-80(2)) – see paragraphs 13 to 15 of this Ruling for more details.

Not choosing demerger roll-over

12. If you do not choose demerger roll-over for your RDM shares, you:
- cannot disregard any capital gain you made when CGT event G1 happened to your RDM shares under the demerger, and
 - must recalculate the first element of the cost base and reduced cost base of your RDM shares, and calculate the first element of the cost base and reduced cost base of the corresponding MML shares you acquired under the demerger (subsections 125-85(1) and (2)) – see paragraphs 13 to 15 of this Ruling for more details.

Cost base and reduced cost base of your shares in Red Metal Limited and Maronan Metals Limited

13. The first element of the cost base and reduced cost base of each RDM share and corresponding MML share is worked out by:
- taking the total of the cost bases of your RDM shares just before the demerger, and
 - apportioning that total between your RDM shares and the MML shares you acquired under the demerger.
14. The apportionment is done on a reasonable basis, having regard to the market values of the RDM shares and MML shares just after the demerger or an anticipated reasonable approximation of those market values (subsections 125-80(2) and (3)).
15. We accept that a reasonable apportionment is to attribute:
- 66.09% of the total of the cost bases of your RDM shares just before the demerger to the RDM shares, and
 - 33.91% of the total of the cost bases of your RDM shares just before the demerger to the MML shares.

Acquisition date of your shares in Maronan Metals Limited for discount capital gain purposes

16. For the purpose of determining whether you can make a discount capital gain from a future CGT event that happens to an MML share you acquired under the demerger, you will be taken (for CGT purposes) to have acquired the MML share on the date you

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acquired the corresponding RDM share (table item 2 of subsection 115-30(1)). This will be the case whether or not you choose demerger roll-over.

Capital gains tax consequences for foreign resident shareholders

CGT event G1

17. CGT event G1 happened when RDM made an in specie distribution of MML shares to you in respect of the RDM shares you owned on the Record Date and continued to own on the Implementation Date (section 104-135).

18. You made a capital gain from CGT event G1 happening if the reduction of share capital for each RDM share (\$0.0155353392 per share) was more than the cost base of the share (paragraph 104-135(1)(b) and subsection 104-135(3)). The capital gain is equal to the difference. You cannot make a capital loss from CGT event G1 (Note 1 to subsection 104-135(3)).

19. However, any capital gain you made from CGT event G1 is disregarded, unless the RDM share is taxable Australian property (section 855-10). A RDM share is taxable Australian property if it:

- was used by you (foreign resident shareholder) 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).

Limited availability of demerger roll-over

20. If you are a foreign resident, you cannot choose to obtain demerger roll-over under subsection 125-55(1) for your RDM shares unless the MML shares you acquired under the demerger are taxable Australian property just after you acquired them (subsection 125-55(2)).

Cost base and reduced cost base of your shares in Red Metal Limited and Maronan Metals Limited

21. Whether or not you choose demerger roll-over, or demerger roll-over is available to you, you must work out the first element of the cost base and reduced cost base of each RDM share and corresponding MML share in the same way as described in paragraphs 13 to 15 of this Ruling (subsections 125-80(2) to (3), and 125-85(1) to (2)).

Value of Maronan Metals Limited shares not included in your assessable income

22. No part of the value of an MML share transferred to you under the demerger will be included in your assessable income under subsection 44(1) of the ITAA 1936. Although the part of the market value of an MML share that is not debited to the share capital account of RDM is a 'dividend' under subsection 6(1) of the ITAA 1936, it will be a 'demerger dividend' under subsections 44(3) to (5) of the ITAA 1936. A demerger dividend is non-assessable non-exempt income for you.

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23. If you are a foreign resident, no part of the value of an MML share transferred to you under the demerger will be subject to dividend withholding tax (subsection 128B(3D) of the ITAA 1936).

Integrity provisions will not apply to deem an amount of assessable dividend

24. We 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 any part, of the distribution of share capital. This is because all shareholders of RDM participated in the distribution of share capital based on the number of RDM shares they held on the Record Date so that there was no streaming of capital benefits.

25. As the purpose test in paragraph 45B(2)(c) of the ITAA 1936 is not satisfied, we will not make a determination under subsection 45B(3) of the ITAA 1936 that:

- section 45BA of the ITAA 1936 applies to the whole, or any part, of the demerger benefit provided to you under the demerger, or
- section 45C of the ITAA 1936 applies to the whole, or any part, of the capital benefit provided to you under the demerger.

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.

Background to Red Metal Limited and Maronan Metals Limited

27. RDM is an Australian-resident mineral exploration company, targeting copper and rare earths deposits, whose shares are listed on the Australian Securities Exchange (ASX).

28. RDM acquired the 'Maronan project' in Queensland (Project) in October 2003. RDM incurred expenditure exploring and advancing the Project up until 2018.

29. In March 2012, MML was incorporated as a wholly owned subsidiary of RDM. On 8 April 2019 as part of a corporate restructure, RDM sold the Project to MML.

30. On 19 April 2022, RDM completed a spin-out of MML, which included an initial public offering for MML shares. Following the spin-out, RDM held 50% of the MML shares on issue.

31. On 29 April 2022, MML commenced trading on the ASX under the ASX code 'MMA'.

32. Following subsequent capital raising activities by MML and immediately prior to the implementation of the current scheme, RDM held 35.20% of the ordinary shares in MML (88.5 million ordinary shares).

Red Metal Limited divestment of Maronan Metals Limited

33. The core activities of MML are developing its own wholly owned copper-gold and lead-silver projects.

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34. MML operates and is managed independently of RDM. RDM is not involved in any of MML's activities, including capital raising activities.

35. As the core activities of MML do not align with RDM's current objectives, in early 2026 RDM made the decision to divest 82.55% of its interests in MML, subject to approval by RDM shareholders.

Demerger of Maronan Metals Limited

36. The demerger of MML was undertaken by a reduction of share capital under section 256B of the *Corporations Act 2001*.

37. On 8 May 2026, RDM shareholders voted in favour of an ordinary resolution under section 256C of the *Corporations Act 2001* to reduce the share capital of RDM by an amount equal to the invested capital value of 82.55% of the MML shares held by RDM.

38. As RDM debited its share capital account by \$5,958,496 and there were 383,544,633 RDM shares on issue, the capital reduction amount was \$0.0155353392 per RDM share and was satisfied by the in specie distribution of MML shares.

39. The date for determining the entitlement of RDM shareholders to receive MML shares was the Record Date.

40. On the Implementation Date, RDM shareholders who were residents of Australia or New Zealand received one MML share for every 5.25 RDM shares held at that time, and nothing else.

Sale facility for Ineligible Shareholders

41. RDM shareholders who were not resident of Australia or New Zealand were ineligible to receive MML shares (Ineligible Shareholders). Under the sale facility, Ineligible Shareholders had the MML shares to which they were entitled sold by a sale nominee on the ASX who remitted the net sale proceeds to the relevant shareholders. The MML shares of Ineligible Shareholders were transferred to the sale nominee on the Implementation Date.

Other matters

42. Immediately before the Implementation Date, RDM's share capital account was not tainted (within the meaning of Division 197).

43. RDM did not elect under subsection 44(2) of the ITAA 1936 that subsection 44(3) and (4) of the ITAA 1936 will not apply to the demerger dividend for all RDM shareholders.

44. Just after the demerger, CGT assets owned by MML and its subsidiaries, representing at least 50% by market value of all the CGT assets owned by those entities, were used in carrying on a business by those entities (subsection 44(5) of the ITAA 1936).

45. For the purposes of the cost base and reduced cost base apportionment under subsections 125-80(2) and (3), a reasonable approximation of the market values of a RDM share and an MML share just after the demerger were:

- \$0.1302 for each RDM share, being the volume-weighted average price of RDM shares as traded on the ASX over the first 5 trading days from (and including) the Implementation Date, and

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- \$0.3507 for each MML share, being the volume-weighted average price of MML shares as traded on the ASX over the first 5 trading days from (and including) the Implementation Date.

Commissioner of Taxation

24 June 2026

Status: **not legally binding**

References

Legislative references:

- | | |
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| - ITAA 1936 44(1) | - ITAA 1997 115-30(1) |
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| - ITAA 1936 45A(2) | - ITAA 1997 125-80(2) |
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| - ITAA 1936 45B(2)(c) | - ITAA 1997 125-85(1) |
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