

ASX ANNOUNCEMENT
17 August 2022

FIREFINCH

ATO RULING – LEO LITHIUM DEMERGER

Firefinch Limited (ASX: FFX) (Firefinch or the Company) advises that that the Australian Taxation Office has issued Class Ruling 2022/76 (Class Ruling) in respect of the Australian income tax implications on the demerger of Leo Lithium Limited (ASX:LLL) (Leo Lithium), (Demerger) for certain shareholders of Firefinch.

The Class Ruling applies to Firefinch shareholders who received an in-specie distribution of Leo Lithium shares, and:

- were registered on the Firefinch share register on 6 June 2022 (Record Date);
- held their Firefinch shares on capital account on the Record Date (as opposed to being held as revenue assets or as trading stock); and
- were residents of Australia on 9 June 2022 (Implementation Date).

The Class Ruling provides that a capital gains tax event happened upon the transfer of Leo Lithium shares to Firefinch shareholders on the Implementation Date. The effect of the Class Ruling is that Firefinch shareholders who choose demerger tax relief:

- will be able to disregard any capital gain that arises from the capital reduction that occurred in connection with the Demerger; and
- must recalculate the cost base and reduced cost base of their Firefinch shares and calculate the cost base and reduced cost base of the corresponding Leo Lithium shares they acquired under the Demerger.

The Commissioner accepts that a reasonable apportionment is to attribute 40.91% of the total cost base of the Firefinch shares to the Firefinch shares and 59.09% of the total cost base to the corresponding Leo Lithium shares.

The following is an illustrative example of how to calculate the cost bases for the purposes of the Class Ruling:

Olivia held 2,000 Firefinch shares that had a total cost base of \$1,000 just before the Demerger. She received 1,428 Leo Lithium shares under the Demerger, being one Leo Lithium share for every 1.4 Firefinch shares held (rounded down to the nearest share).

Olivia works out the cost bases of her Firefinch shares and Leo Lithium shares just after the Demerger as follows:

Firefinch shares = 2,000	Leo Lithium shares = 1,428
$\$1,000 \times 40.91\% = \409.10	$\$1,000 \times 59.09\% = \590.90
$\$409.10 \div 2,000 = \mathbf{\$0.2046 \text{ per share}}$	$\$590.90 \div 1,428 = \mathbf{\$0.4138 \text{ per share}}$

The Class Ruling also confirms that the receipt of Leo Lithium shares under the Demerger is not an assessable dividend.

The class ruling is available on the ATO Website – [click here](#). A copy of the Class Ruling is also attached to this announcement. Shareholders should review the Class Ruling and seek independent advice regarding the income tax implications. This announcement is a summary only and does not constitute tax advice or take into account individual circumstances of any shareholder.