

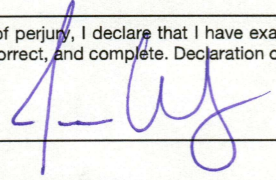
Part II Organizational Action (continued)


17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attachment

18 Can any resulting loss be recognized? ▶ See attachment

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attachment

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶  Date ▶ 1/3/2022
Print your name ▶ Jason Whitley Title ▶ Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN
	<u>Brian Angstadt</u>		<u>01/03/2022</u>		<u>P00849610</u>
	Firm's name ▶ <u>Grant Thornton LLP</u>	Firm's EIN ▶ <u>36-6660555</u>		Phone no. <u>(404) 330-2000</u>	
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Statement of PHI Group, Inc.

Disclaimer: The information contained herein is being provided pursuant to the requirements of section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the transactions described below. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may be relevant to particular categories of holders of Warrants (as defined below). Further, this information does not constitute tax advice and may not be applicable to holders of Warrants who are not citizens or residents of the United States. You are urged to consult your own tax advisor regarding the particular consequences of the Warrant Adjustment (as defined below) to you, including the applicability and effect of all U.S. federal, state, and local and foreign tax laws.

The following summary is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the Internal Revenue Service (the “IRS”) as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

Part II, Box 14: Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action

On November 2, 2021, the Board of Directors of PHI Group, Inc. (the “Company”) declared a cash dividend of \$3.00 per share of common stock (“Common Stock”) (the “Dividend”) payable on November 19, 2021 to holders of record of Common Stock as of November 12, 2021, the record date for the Dividend.

Pursuant to the terms of that certain Creditor Warrant Agreement, dated as of September 4, 2019, between the Company and American Stock Transfer & Trust Company, LLC as warrant agent (the “Creditor Warrant Agreement”), which sets forth the terms of the warrants to purchase shares of Common Stock with an exercise price of \$0.001 per share of Common Stock (each, a “Warrant”), if the Company declares a cash dividend payable to holders of Common Stock, such as the Dividend, certain Warrant provisions automatically adjust to prevent any resulting dilution to Warrant holders (the “Warrant Adjustment”). Specifically, pursuant to the Warrant Adjustment, the number of shares of Common Stock underlying each Warrant (each, a “Share”) was proportionately increased as of the Dividend record date to reflect the value of the Dividend (the “Warrant Adjustment” and such additional Shares resulting from the Warrant Adjustment, the “Adjustment Shares”). On November 12, 2021, a Warrant with the right to acquire one (1) Share was adjusted to provide a Warrant holder with the right to acquire one-and-a-quarter (1.25) Shares per Warrant.

In connection with the Warrant Adjustment, the Company’s Board of Directors decided to provide Warrant holders with an opportunity for liquidity. Specifically, the Company offered to pay Warrant holders the same cash Dividend amount of \$3.00 per Warrant as consideration to forgo the right to receive Adjustment Shares.

By way of example, if a Warrant holder with the right to acquire 100 Shares prior to the Warrant Adjustment participated in this offer, the holder would receive a cash payment from the Company in the amount of \$300.00 (equal to \$3.00 per Warrant) and such holder's Warrants would continue to represent the right to acquire 100 Shares. Alternatively, if the holder did not participate in the offer, such holder would not receive any cash payment from the Company and, following the payment of the Dividend, such holder's Warrants would reflect the Warrant Adjustment and represent the right to acquire 125 Shares following the Warrant Adjustment (equal to the Shares plus the Adjustment Shares).

Part II, Box 15: Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis

The Company has been advised that the Warrant Adjustment should be treated for U.S. federal income tax purposes under section 305(c) of the Code as a taxable dividend distribution in an amount equal to the fair market value of the Adjustment Shares attributable to the Warrant Adjustment.

For Form 1099-DIV reporting purposes, although there is no clear guidance from the IRS, the Company has decided to report this deemed dividend distribution as a qualified dividend distribution. Warrant holders who are U.S. taxpayers would need to determine if they met the required holding period to recognize the deemed distribution as a qualified dividend.

As a result of the treatment of the Warrant Adjustment as a dividend distribution, a holder's tax basis in his, her, or its Warrants should increase by the amount of such dividend distribution. The amount of such dividend distribution and the increase to the basis of each Warrant is \$3.00 per Warrant.

Part II, Box 16: Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates

Consistent with the Proposed Treasury Regulations Section 1.305-7(c)(4), the calculation of the deemed dividend amount and the corresponding change to basis per Warrant is determined to be the excess of (i) the fair market value of a Warrant immediately after the Warrant Adjustment over (ii) the fair market value of a Warrant as if no Warrant Adjustment had occurred.

The fair market value of a Warrant immediately after the Warrant Adjustment is determined in reference to the November 12, 2021 adjustment date calculated price using a Black-Scholes option pricing model with pricing inputs, including volatility, the risk-free return, the Company's stock price, dividend yield, and the exercise price and remaining term of the Warrants as of November 12, 2021, including the Warrant Adjustment.

The fair market value of a Warrant without the applicable Warrant Adjustment is determined in reference to that same model with the option pricing inputs held constant but without the Warrant Adjustment.

Part II, Box 17: List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based

Section 305(c) of the Code.

Part II, Box 18: Can any resulting loss be recognized?

No loss can be recognized.

Part II, Box 19: Provide any other information necessary to implement the adjustment, such as the reportable tax year

The warrant adjustment was effective immediately after November 12, 2021. Consequently, the reportable taxable year for the holders of the Global Warrants for reporting the dividend income is the taxable year that includes November 12, 2021. Basis adjustment occurs in the same year, but the effect of the basis adjustment will be recognized in the year in which the holder disposes of the Warrants or the Warrants lapse.

The CUSIP numbers of the Warrants, with the Warrant Adjustment, and the CUSIP numbers of the Warrants without the Warrant Adjustment (i.e., Warrants held by persons who elected to receive the cash payment), are as follows:

Warrants held by non-accredited investors, with Warrant Adjustment: 69360B112

Warrants held by non-accredited investors, no Warrant Adjustment: 693467136

Warrants held by accredited investors, with Warrant Adjustment: 693467128

Warrants held by accredited investors, no Warrant Adjustment: 693467144