

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 ▶ Jason Whitley Date ▶ 11/02/2023

Paid Preparer Use Only	Print your name ▶ Jason Whitley	Preparer's signature	Title ▶ Chief Financial Officer	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Print/Type preparer's name					
	Firm's name ▶				Firm's EIN ▶	
	Firm's address ▶				Phone no.	

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 I, Box 9 & Box 10: Classification and Description; CUSIP Number.

The classification and description, as well as CUSIP numbers of the securities involved, are as follows:

Original Creditor Warrants: 69360B112

New Creditor Warrants: 693467136

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 September 8, 2023, the Board of Directors of PHI Group, Inc. (the “Company”) declared a cash dividend of \$2.47 per share of common stock (“Common Stock”) (the “Dividend”) payable on September 27, 2023, to holders of record of Common Stock as of September 19, 2023, 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”). On September 20, 2023 the conversion terms of the warrants were adjusted such that 1) each Original Creditor Warrant (CUSIP 69360B112) entitles the holder to acquire 1.54 (equal to the prior conversion ratio of 1.25 times the new conversion ratio in lieu of the September 2023 Dividend of 1.23) shares of Common Stock upon

the actual conversion into Common Stock and 2) each New Creditor Warrants (CUSIP 693467136) entitles the holder to acquire 1.23 (equal to the prior conversion ratio of 1.00 times the new conversion ratio in lieu of the September 2023 dividend of 1.23) shares of Common Stock upon the actual conversion into Common Stock. For the avoidance of doubt, the number of Creditor Warrants pre- and post-Dividend did not change; only the Common Stock conversion ratio changed.

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.

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 under section 301(d) of the Code by the amount of such dividend distribution. The amount of such dividend distribution and the increase to the basis of each Warrant is \$2.47 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)(i), the calculation of the deemed dividend amount (and the corresponding change to basis under section 301(d) of the Code and Treasury Regulations Section 1.301-1(g)) 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 by reference to the September 19, 2023, 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 September 19, 2023, 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

Sections 301(a) and (d) and 305(b) and (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 September 19, 2023. Consequently, the reportable taxable year for the holders of the Warrants for reporting the dividend income is the taxable year that includes September 19, 2023. The 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.