Star Phoenix Group Ltd

(formerly Range Resources Limited)

ABN: 88 002 522 009

Half-Year Results

For the period ended

31 December 2019

An electronic version of this report is available on the Company's website

www.starphoenixgroup.com

Contents

About this Report

This half-year report (unaudited) is a summary of Star Phoenix Group Ltd ("Star Phoenix") operations, activities and financial position for the half-year ended 31 December 2019. It complies with Australian reporting requirements. Star Phoenix (ABN 88 002 522 009) is a company limited by shares and is incorporated and domiciled in Australia.

Unless otherwise stated in this report, all references to Star Phoenix, the Group, the Company, we, us and our, refer to its controlled entities as a whole. References to the half-year or period are to the half-year ended 31 December 2019. All dollar figures are expressed in United States currency unless otherwise stated.

Directors' Report

The Directors of Star Phoenix and the entities it controls (together, the "Group") present the financial report for the half-year ended 31 December 2019.

Directors

The persons who were Directors at any time during or since the end of the half-year are:

Name	Position
Mr Zhiwei (Kerry) Gu	Executive Chairman
Mr Lubing Liu	Executive Director and Chief Operating Officer
Dr Mu (Robin) Luo	Non-Executive Director
Ms Juan (Kiki) Wang	Non-Executive Director *(resigned 22 July 2019)*

The Directors were in office for the entire period unless otherwise stated.

Principal activities

The principal activity of the Group during the period was oil and gas exploration, development and production in Trinidad.

Dividends

No dividends have been declared, provided for or paid in respect of the half-year ended 31 December 2019 (half-year ended 31 December 2018: Nil).

Financial position

The loss for the financial half-year ended 31 December 2019 after providing for income tax amounted to US$5,517,131 (loss for half-year ended 31 December 2018: US$35,882,084).

At 31 December 2019, the Group had net liabilities of US$46,958,639 (30 June 2019: net liabilities of US$42,693,702), cash of US$2,325,128 (30 June 2019: US$880,681), and amortised borrowings of US$48,051,916 (30 June 2019: US$46,151,690).

Auditor's Independence Declaration

The Lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2019. This report is made in accordance with a resolution of the Board of Directors.

Operational and Corporate Review

Production

The Group's net oil production for the half-year was 95,435 barrels (average of 519 bopd), which is a 5% increase in production from the prior six months of 494 bopd. Production activities comprised low-cost workovers, reactivation and swabbing activities on the existing wells.

RRTL sale / debt restructuring

During the period, the Company signed a binding conditional Sale and Purchase Agreement with LandOcean Energy Services Co., Ltd ("LandOcean") for the sale of Range Resources Trinidad Limited ("RRTL") (the "SPA") in exchange for (i) offsetting all outstanding debt and payables (including the convertible note) due from Star Phoenix and its subsidiaries to LandOcean and its subsidiaries, and (ii) a cash consideration of US$2.5 million (the "Transaction"). RRTL holds interests in all of the Company's oil and gas licences in Trinidad, namely Morne Diablo, South Quarry, Beach Marcelle (where RRTL holds a 100% interest), and St Mary's (where RRTL holds an 80% interest).

On completion, all outstanding debt from Star Phoenix and its subsidiaries to LandOcean and its subsidiaries (including the US$20 million convertible note) will be fully repaid by offsetting against the consideration and all underlying debt agreements will be terminated.

All key conditions for completion of the SPA have been successfully completed.

During November 2019, LandOcean provided the first tranche of the cash consideration of US$0.5 million to the Company. As stipulated by the SPA, Star Phoenix procured mortgages over its workover and swabbing rigs as security, with such mortgages to be released upon completion or termination of the SPA.

Change of company name

Following approval at the AGM, the Company changed its name from Range Resources Limited to Star Phoenix Group Ltd. The TIDM code changed to "STA". The website address changed to www.starphoenixgroup.com.

Capital consolidation

Following approval at the AGM, the Company's share capital was consolidated on a 100:1 basis, effective 5 December 2019.

The Company's capital structure post consolidation is summarised in the table below:

Ordinary Shares	Options[1]	Convertible Notes[2]
117,806,629	300,000	200,000

Notes to the table above:

1. Options exercisable at £1.00 on or before on or before 30 March 2020.
2. Each convertible note with a face value of US$100, an annual interest rate of 8%, a conversion price of £0.88, and a maturity date of the earlier of 30 June 2020 and the date on

which completion occurs under the Transaction. The holder of the convertible note (LandOcean) agreed not to convert any convertible notes during the term of the SPA.
No options have been exercised during in the half-year ending 31 December 2019.

Voluntary delisting from the Australian Stock Exchange ("ASX")

The Company requested that ASX remove the Company from the official list of ASX pursuant to ASX Listing Rule 17.11. As a result, the Company's shares were removed from trading on ASX with effect from 25 November 2019. No change occurred to the quotation and trading of the Company's shares on the AIM market operated by the London Stock Exchange plc.

£0.75 million subscription

The Company completed a subscription for new ordinary shares to raise £0.75 million. As part of the subscription, the investor can nominate up to two non-executive directors to the Board of the Company and shall retain this ability for so long as it holds 10% or more of the Company's shares in issue.

Director resignation

Ms Juan Wang tendered her resignation as Non-Executive Director of the Company, effective 22 July 2019.

Drilling rigs sale

The Company signed a Sale and Purchase Agreement with Wilson Energy Services Inc., a private company incorporated in Canada (the "Buyer") for the sale of four drilling rigs and related equipment for a total cash consideration of US$3.6 million.

Indonesia divestment

The Company continues to explore disposal opportunities of its 23% interest in the Indonesian oil and gas project.

Events subsequent to reporting date

Drilling rigs sale termination

Subsequent to the period end, the Company terminated the previously proposed transaction with Wilson Energy Services Inc. for the sale of the four drilling rigs due to the failure by the buyer to provide the agreed cash consideration. The Company commenced a new sale process for the drilling rigs and related equipment, which is ongoing.

RRTL sale / debt restructure

Subsequent to the period end, the Company and LandOcean signed an agreement in relation to the US$1 million cash consideration (the "Payment") by LandOcean. The parties have agreed an extension to the Payment on a rolling basis, subject to late fees of 8% interest per annum, calculated daily from 12 February 2020 until the date the Payment (and any accrued interest) is received by the Company.

Subsequently, the Company received additional US$0.5 million cash consideration from LandOcean. The remaining US$0.5 million plus late fees of 8% interest per annum, calculated daily from 12 February 2020 are expected to be paid by the end of March 2020. The final US$1 million will be paid within five business days of the completion date. The Company also advised that all key conditions for completion of the SPA have been successfully completed.

£0.52 million subscription

Subsequent to the period end, the Company signed a subscription agreement with a new investor Thesolia Ltd (the "Investor"), for new ordinary shares to raise approximately £520,000 (the "Subscription"). Pursuant to the Subscription, the Company will issue 23,561,326 new ordinary shares (the "Subscription Shares") at a price of 2.21 pence per new ordinary share.

As part of the Subscription, the Investor can nominate up to two non-executive directors to the Board of the Company and shall retain this ability for so long as it holds 10% or more of the Company's shares in issue.

On 26 February 2020, the Company was advised by the Investor of the continued delays it was experiencing with its bank. The Company agreed to provide a further extension to 31 March 2020, subject to a late fee payment of 8% per annum, calculated daily from 7 February 2020 until the date the funds (and any accrued interest) are actually received into the Company's account, in any event by no later than 31 March 2020.

Trinidad Tax Appeals

Subsequent to the period end, the Company provided an update in relation to the ongoing tax appeal matters that RRTL is involved in. Two of the appeals were heard by the Tax Appeal Board in Trinidad on 9 March 2020 and have now been set for trial on 26 and 27 May 2020. Two further tax appeal cases have been scheduled for hearing on 26 May 2020. The total amount of all liabilities in dispute against RRTL is approximately US$4.9 million.

Zhiwei Gu
Chairman

Dated this 13 day of March 2020

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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF STAR PHOENIX GROUP LIMITED

As lead auditor of Star Phoenix Group Limited for the period ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Star Phoenix Group Limited and the entities it controlled during the period.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Consolidated	
		31 December 2019 (US$)	**31 December 2018 (US$)**
Revenue from continuing operations	3	**31,579**	**619,374**
Operating expenses		(80,415)	(836,118)
Depreciation, depletion and amortisation		(771,722)	(1,617,857)
Cost of sales	4a	**(852,137)**	**(2,453,975)**
Gross loss		**(820,558)**	**(1,834,601)**
Other income and expenses from continuing operations			
Other income		-	33,029
Net finance costs	4b	(2,525,632)	(1,072,380)
General and administration expenses	4c	(2,352,288)	(1,989,848)
Other expenses		-	(981,435)
Impairment of non-current assets	4d	(2,138,196)	(9,319,345)
Exploration expenditure and land fees	4e	(351,392)	(908,202)
Loss before income tax expense from continuing operations		**(8,188,066)**	**(15,091,347)**
Income tax credit/(expense) from continuing operations		984,550	15,274
Loss after income tax expense from continuing operations		(7,203,516)	(15,076,072)
Gain/(loss) from discontinued operations, net of tax	7c	1,686,385	(20,806,012)
Loss for the period attributable to equity holders of Star Phoenix Group Ltd		**(5,517,131)**	**(35,882,084)**
Other comprehensive income Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		253,018	(788,499)
Other comprehensive income/(loss) for period, net of tax		253,018	(788,499)
Total comprehensive loss attributable to equity holders of Star Phoenix Group Ltd		**(5,264,113)**	**(36,670,583)**
Loss per share from continuing operations attributable to the ordinary equity holders of the Company			
Basic loss per share (cents per share)		(0.06)	(0.01)
Diluted loss per share (cents per share)		N/A	N/A
Loss per share from discontinued operations attributable to the ordinary equity holders of the Company			
Basic gain/(loss) per share (cents per share)		0.01	(0.01)
Diluted loss per share (cents per share)		N/A	N/A

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	Consolidated	
		31 December 2019 (US$)	30 June 2019 (US$)
Assets			
Current assets			
Cash and cash equivalents		2,325,128	880,681
Trade and other receivables	8	225,221	157,827
Inventory		-	959,304
Other current assets	8	55,745	34,208
Assets of disposal group classified as held for sale	7a	103,648,369	83,609,947
Total current assets		**106,254,463**	**85,641,967**
Non-current assets			
Deferred tax asset		180,575	-
Property, plant and equipment	9	700,956	23,009,704
Other non-current assets		260,222	-
Total non-current assets		**1,141,753**	**23,009,704**
Total assets		**107,396,216**	**108,651,671**
Liabilities			
Current liabilities			
Trade and other payables	12a	47,325,991	799,974
Borrowings	13a	48,051,916	1,600,000
Liabilities directly associated with assets classified as held for sale	7b	58,666,275	59,071,174
Total current liabilities		**154,044,182**	**61,471,149**
Non-current liabilities			
Trade and other payables	12b	-	44,997,793
Borrowings	13b	-	44,551,690
Employee service benefits		310,673	324,742
Total non-current liabilities		**310,673**	**89,874,225**
Total liabilities		**154,354,855**	**151,345,373**
Net (liabilities)		**(46,958,639)**	**(42,693,702)**
Equity			
Contributed equity	14	387,725,242	386,726,067
Reserves		28,059,306	27,806,287
Accumulated losses		(462,743,187)	(457,226,056)
Total equity		**(46,958,639)**	**(42,693,702)**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Contributed equity (US$)	Accumulated losses (US$)	Foreign currency translation reserve (US$)	Share-based payment reserve (US$)	Option premium reserve (US$)	Non-controlling interests (US$)	Total equity (US$)
Balance at 1 July 2018	**383,918,397**	**(407,765,301)**	**4,341,219**	**8,424,371**	**12,057,362**	**3,517,873**	**4,493,922**
Exchange difference on translation of foreign operations	-	-	(788,499)	-	-	-	(788,499)
Loss for the half-year	-	(32,364,211)	-	-	-	(3,517,873)	(35,882,084)
Total comprehensive loss	**-**	**(32,364,211)**	**(788,499)**	**-**	**-**	**(3,517,873)**	**(36,670,583)**
Transactions with owners in their capacity as owners							
Issue of share capital	1,312,682	-	-	-	-	-	1,312,682
Value of share based payments issues	-	-	-	14,211	-	-	14,211
Balance at 31 December 2018	**385,231,079**	**(440,129,512)**	**3,552,720**	**8,438,582**	**12,057,362**	**-**	**(30,849,768)**
Balance at 1 July 2019	**386,726,067**	**(457,226,056)**	**7,432,461**	**8,316,464**	**12,057,362**	**-**	**(42,693,702)**
Exchange difference on translation of foreign operations	-	-	253,018	-	-	-	253,018
Loss attributable to the members of the company	-	(7,203,516)	-	-	-	-	(7,203,516)
Profit from discontinued operations	-	1,686,385	-	-	-	-	1,686,385
Total comprehensive loss	**386,726,067**	**(462,743,187)**	**7,685,479**	**8,316,464**	**12,057,362**	**-**	**(47,957,815)**
						-	
Transactions with owners in their capacity as owners							
Issue of share capital	999,176	-	-	-	-	-	999,176
Balance at 31 December 2019	**387,725,243**	**(462,743,187)**	**7,685,479**	**8,316,464**	**12,057,362**	**-**	**(46,958,639)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Consolidated	
	31 December 2019 (US$)	**31 December 2018 (US$)**
Receipts from customers	3,248,865	4,881,280
Payments to suppliers and employees	(6,406,937)	(5,909,501)
Income taxes paid	1,198,763	(207,395)
Interest (paid)/received and other finance costs received/(paid)	(2,596)	18,555
Net cash outflow from operating activities	**(1,961,905)**	**(1,217,061)**
Payment for property, plant & equipment	-	(191,232)
Payments for exploration and evaluation expenditure	-	(559,673)
Acquisitions	-	(20,000)
Proceeds from disposal of property, plant and equipment	28,109	14,487
Net cash inflow/(outflow) from investing activities	**28,109**	**(756,418)**
Receipts from share issue	999,176	1,260,173
Interest and other finance costs	-	(52,507)
Net cash inflow from financing activities	**999,176**	**1,207,666**
Net decrease in cash and cash equivalents	(934,620)	(765,813)
Net foreign exchange differences	22,251	57,627
Cash and cash equivalents at beginning of period	**3,237,497**	**3,945,683**
Cash and cash equivalents at end of period	**2,325,128**	**3,237,497**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Consolidated Financial Statements

Note 1: Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting. These accounts were authorised for issue on 13 March 2020.

The half-year financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Star Phoenix and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Reporting basis and conventions

The half-year financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New and amended accounting standards

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting periods beginning on or after 1 July 2019. As a result of this review, the Group has applied AASB 16 from 1 July 2019.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying AASB 107 Statement of Cash Flows. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

AASB 16 is effective from annual reporting periods beginning on or after 1 January 2019. A lessee can choose to apply the Standard using a full retrospective or modified retrospective approach. There is no material impact to profit or loss or net assets on the adoption of this new standard in the current or comparative periods.

Standards and Interpretations in issue not yet adopted

The Directors have also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

Going concern

The Group recorded a loss of of US$5.3 million for the period ending 31 December 2019. The Group also reports a net liability position of US$47.0 million. At the reporting date, the Company had US$2.3 million of unrestricted cash at bank.

The Directors believe that sufficient funds will be available to meet the Group's working capital requirements as at the date of this report as the conclusion of the sale of Range Resources Trinidad Limited to LandOcean as described in note 7 which will subsequently result in its debt restructuring, is expected to be concluded by 30 June 2020.

If for any unforseen reasons the transaction with LandOcean is abandoned, there will be a material uncertainty that may cast a signficiant doubt about the Group's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current asset, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately on the face of the consolidated statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
- is a subsidiary acquired exclusively with a view to resale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

Note 2: Significant estimates and judgements

Star Phoenix owns 65% of the issued share capital of Strait Oil & Gas Limited ("SOG"). This is achieved by interest through a 45% shareholding held by Star Phoenix itself plus a 20% shareholding through its full ownership of Georgian Oil Pty Ltd. This has been consolidated and is now held through 65% by Star Phoenix itself. Despite owning a majority of the issued share capital, management do not view this as control and the principal rationale for that view is as follows:

- Star Phoenix has not appointed directors of SOG so exercises no effective control over the company. The sole director of SOG is a different corporate entity;
- All shareholders must agree to any termination of the management agreement which governs the role of the appointed director.
- The Articles of Association of SOG are silent on the ability of shareholders to appoint directors. To appoint a director, management believe that the articles would need to be amended. To amend the articles requires a special resolution which needs 75% votes (Star Phoenix only controls 65%) and management do not believe they would get support from the other shareholders to do this;

In practice all decision making and corporate activities require consent of all the shareholders resulting in Star Phoenix have no demonstrable control over SOG.

The Group therefore intends to continue to account for this as an other asset with a carrying value equal to the US$20,000 cost of acquiring Georgian Oil Pty Ltd. All previous costs incurred by Star Phoenix in relation to SOG have been impaired and the Company will continue to expense any ongoing expenses which are incurred.

Non-current assets classified as held for sale and discontinued operations

Towards the end of the financial year ended 30 June 2019, the Group undertook a review of the oil and gas business culminating in the decision to sell Range Resources Trinidad Limited to LandOcean. The Board of Directors have judged that as a result of this review, the assets and associated liabilities of Range Resources Trinidad Limited should be classified as held for sale as at 30 June 2019 and all operations of Range Resources Trinidad Limited to be classified as discontinued. In reaching this judgement, the Board of Directors have considered that the requirements of AASB 5: Non-current assets held for sale and discontinued operations have been met.

During the half-year period, the Company signed a Sale and Purchase Agreement for the sale of four drilling rigs and related equipment which was terminated as explained in note 17. Following that, the Group commenced a new sale process for the drilling rigs and related equipment. The Board of Directors have judged that as a result of this, the corresponding assets of Range Resources Drilling Services Ltd should be classified as held for sale as at 31 December 2019.

Producing asset expenditure

The classification of exploration and evaluation expenditure to producing assets is based on the time of first commercial production. Producing asset expenditure for each area of interest is carried forward as an asset provided certain conditions are met and depreciated on a unit of production basis on P1 reserves. P1 reserves have been determined by an independent expert. Producing assets are assessed for impairment when facts and circumstances suggest that the carrying amount of a production asset may exceed its recoverable amount. These timings, calculations and reviews require the use of assumptions and judgement.

Reserves and resources

Estimates of reserves requires judgement to assess the size and quality of reservoirs and their anticipated recoveries. Estimates of reserves are used to calculate depreciation, depletion and amortisation charges.

Impairment of goodwill and assets

The Group tests whether goodwill or the producing/fixed assets have suffered any impairment in accordance with its accounting policies. The recoverable amount of the cash-generating unit to which the assets belong is estimated based on the present value of future cash flows. The expected future cash flow estimation is always based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices and costs. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates. A change in the modelled assumptions in isolation could materially change the recoverable amount. Refer to note 4 for details of these key assumptions.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Deferred tax liability

Upon acquisition of SOCA Petroleum Ltd in June 2011, in accordance with the requirement of AASB 112 Income Taxes, a deferred tax liability of US$46,979,878 was recognised in relation to the difference between the carrying amount for accounting purposes of deferred development assets and their actual cost base for tax purposes.

In the event that the manner by which the carrying value of these assets is recovered differs from that which is assumed for the purpose of this estimation, the associated tax charges may be significantly less than this amount.

Recoverability of deferred tax assets

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future profits.

Share based payments transactions

The Group measures the cost of equity-settled share-based payment transactions with employees by reference to the fair value of the equity instruments at the grant date. The fair value is determined using a Black-Scholes model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and derivative liability.

Contingent liabilities

The Directors are of the opinion that no provision is required to be raised in respect to any of the matters disclosed in note 5 as the likely outcome of any outflow is considered to be remote.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored. The Group’s exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations and discount rates could affect the carrying amount of this provision.

Note 3: Revenue

	Consolidated	
	31 December 2019 (US$)	**31 December 2018 (US$)**
From continuing operations		
Revenue from services to third parties recognised over time	31,579	619,374
Total revenue from continuing operations	**31,579**	**619,374**
From discontinued operations		
Revenue from sale of oil recognised at a point in time	5,444,010	6,368,004
Total revenue from discontinued operations	**5,444,010**	**6,368,004**

Note 4: Expenses

	Consolidated	
	31 December 2019 (US$)	**31 December 2018 (US$)**
a: Cost of sales – continuing operations		
Costs of operations	80,415	836,118
Depreciation and amortisation	771,722	1,617,857
Total cost of sales from continuing operations	**852,137**	**2,453,975**
a: Cost of sales – discontinued operations		
Costs of production	1,436,074	1,606,883
Royalties	2,030,022	2,384,866
Staff costs	674,046	903,123
Depreciation and amortisation	704,483	793,189
Total cost of sales from discontinued operations	**4,844,625**	**5,688,061**

b: Finance costs/(income) – continuing operations		
Fair value movement of derivative liability	(113)	(241,113)
Fair value movement of option liability	-	(51,218)
Interest expense/(income)	1,286,040	(45,228)
Interest on convertible note	1,239,705	1,409,939
Total finance costs from continuing operations	**2,525,632**	**1,072,380**
b: Finance costs/(income) – discontinued operations		
Other expenses	393,225	343,461
Foreign exchange loss	209,519	-
Total finance costs from discontinued operations	**602,744**	**343,461**
c: General and administration expenses – continuing operations		
Directors' and officers' fees and benefits	954,938	421,214
Share based payments – employee, director and consultant options	-	32,714
Foreign exchange	-	620,302
Other expenses	1,397,350	915,618
Total general and administration expenses from continuing operations	**2,352,288**	**1,989,848**
c: General and administration expenses – discontinued operations		
Other expenses	324,962	311,130

	Consolidated	
	31 December 2019 (US$)	31 December 2018 (US$)
Total general and administration expenses from discontinued operations	**324,962**	**311,130**
d: Asset values written down – continuing operations		
Impairment (i)	2,138,196	9,319,345
d: Asset values written down from discontinued operations		
Impairment (i)	-	47,880,505
Total assets written down	**2,138,196**	**57,199,850**
e: Exploration expenditure – continuing operations		
Trinidad	351,392	348,530
Indonesia	-	559,673
Total exploration expenditure from continuing operations	**351,392**	**908,202**

(i) Impairment

Impairment testing was performed during the prior period half-year as impairment indicators were identified and an impairment was recorded. The impairment was due to a combination of lower assumed long-term oil prices together with a deferred work programme. In line with the announced work plans for 2019, Star Phoenix did not anticipate any material production growth during 2019 and when updating the models for the revised production profiles resulted in a lower NPV. This was exasperated by lower oil prices assumption when compared to the impairment review in September 2018. The long term WTI forward price had settled into a band of between US$53 - $55/bbl which was just above the level at which Supplemental Petroleum Tax takes effect. This had a materially negative impact on the NPV calculation and Star Phoenix believes this highlighted the regressive nature of this particular tax. As a result, a goodwill impairment of US$3,241,472 and Trinidad asset impairment of US$47,880,505 were recorded.

In Indonesia, despite continued efforts by the operator of the project to establish stable and continuous production from the field, no material production had been achieved from the work programme to date. As a result, a decision was made to fully impair the asset related to Indonesia exploration, which resulted to an impairment of US$6,077,873 in the prior year.

Impairment testing was not performed at half-year, although impairment indicators were identified, due to the fact that the book value of the producing assets was supported by the consideration of the SPA signed between the Group and LandOcean. Please refer to note 7 for further information on the agreement.

The impairment of US$2.1 million relates to the rigs, for further information refer to notes 6 and 9.

Note 5: Contingent liabilities

Geeta Maharaj: There have been no updates since June 2019 on this case. There are no other changes to report on contingent liabilities.

Note 6: Discontinued operations

Towards the end of the financial year ended 30 June 2019, the Group entered negotiations with LandOcean to sell Range Resources Trinidad Limited. On 2 September 2019, the parties successfully signed a binding conditional Sale and Purchase Agreement for the sale of Range Resources Trinidad Limited to LandOcean in exchange for offsetting all outstanding debt and payables (including the convertible note) due from Range and its subsidiaries to LandOcean and its subsidiaries, and a cash consideration of US$2,500,000.

The Board of Directors decided that Range Resources Trinidad Limited will be presented on the Statement of Financial Position as held for sale as at 30 June 2019. The long stop date of the transaction is 30 June 2020 therefore the entity will also be presented as held for sale for the half-year ended 31 December 2019.

Total debt and payables as at 31 December 2019, which do not form part of the assets held for sale and associated liabilities are detailed below.

	Debtor	**Creditor**	**Amount (US$)**
Agreement Regarding Amounts Outstanding between the Purchaser and RRDSL dated 30 November 2017	RRDSL	LandOcean Energy Services	1,878,458
Agreement Regarding Amounts Outstanding between EPT and RRDSL dated 30 November 2017	RRDSL	EPT	1,306,958
Agreement Regarding Amounts Outstanding between GPN and RRDSL dated 30 November 2017	RRDSL	GPN	487,447
Agreement Regarding Amounts Outstanding between LOPCL and RRDSL dated 30 November 2017	RRDSL	LOPCL	22,167,122
Agreement Regarding Amounts Outstanding between CWUPET and RRDSL dated 30 November 2017	RRDSL	CWUPET	612,564
Purchase Order No. 9 in respect of the IMSC dated 31 January 2018	RRL	Hong Kong Fu Tong International Petroleum Technology Ltd	553,012
Letter Agreement to the IMSC and Purchase Orders entered into by the Purchaser, RRDSL, CWUPET, and PST Service Corp. (together as the Contractor) and the Seller, Range Resources GY Shallow Limited and the Company dated 6 April 2017	RRL	LandOcean Energy Services	45,045,913
Sale and Purchase Agreement between SOCA and LOPCL dated 27 April 2017	SOCA	LOPCL	502,704
Convertible note deed between the Seller and the Purchaser date 31 December 2019	RRL	LandOcean Energy Services	21,600,000
Grand total			**94,154,178**

Note 7a: Assets of disposal group classified as held for sale

	Note	Consolidated	
		31 December 2019 (US$)	**30 June 2019 (US$)**
Current assets			
Cash and cash equivalents		474,316	967,140
Trade and other receivables		3,103,230	4,320,067
Other current assets		2,102,695	2,064,575
Inventory related to rigs		832,021	959,304
Total current assets		**6,512,262**	**7,351,782**
Non-current assets			
Deferred tax asset		17,762,045	15,439,010
Rigs		20,456,291	21,836,990
Property, plant and equipment		1,191,150	1,159,235
Producing assets		57,463,009	58,986,034
Exploration assets		673,169	673,886
Total non-current assets		**97,545,664**	**76,258,165**
Total held for sale assets		**104,057,926**	**83,609,947**

Disposal of Range Resources Trinidad Limited

On 2 September 2019, Star Phoenix and LandOcean successfully signed a binding conditional Sale and Purchase Agreement for the sale of Range Resources Trinidad Limited (disposal group classified as held for sale) to LandOcean in exchange for offsetting all outstanding debt and payables (including the convertible note) due from Star Phoenix Group and its subsidiaries to LandOcean and its subsidiaries, and a cash consideration of US$2,500,000.

The first tranche of the cash consideration of US$500,000 ("Deposit") has already been received by the Company. Further US$1,000,000 was due to be paid within five business days of the approval of the shareholders' meeting of LandOcean ("First payment") and US$1,000,000 is to be paid within five business days of the completion date ("Final payment"). The First Payment was delayed due to coronavirus outbreak in China. LandOcean and the Company agreed an extension to the First Payment on a rolling basis, subject to late fees of 8% interest per annum, calculated daily from 12 February 2020 until the date the First Payment (and any accrued interest) is received by the Company.

The completion was subject to shareholder and government approvals which have all been obtained. The agreed long stop date for the Transaction is 30 June 2020.

If the key conditions for completion were not satisfied by 30 June 2020, the deposit and the first payment (together with interest accrued at 8% per annum) would be repaid to LandOcean. If all conditions are satisfied but LandOcean chooses not to proceed with completion for any reason, the Deposit and the First Payment would be retained by Star Phoenix Group.

Star Phoenix provided mortgages over its workover and swabbing rigs as security, with such mortgages to be released upon completion or termination of the SPA. This was to provide comfort to LandOcean in case the key conditions for completion are not satisfied by 30 June 2020. The book value of the rigs mortgaged is US$1,539,370.

Disposal of rigs and related inventory held by Range Resources Drilling Services

The Company signed a Sale and Purchase Agreement with Wilson Energy Services Inc., a private company incorporated in Canada (the "Buyer") for the sale of four drilling rigs and related equipment for a total cash consideration of US$3.6 million during the period.

Subsequent to the period end, due to the Buyer failing to provide the Company with the agreed cash consideration, the Company terminated the proposed transaction with the Buyer and commenced a new sale process for the drilling rigs and related equipment.

In addition, the Company engaged a third party with specific knowledge and experience in rigs similar to those of the company, in order to provide a valuation of its rigs, which are included under "Property equipment and access roads", resulting in a valuation of US$21.8 million. During the period, the rigs were impaired by US$2,138,196.

Note 7b: Liabilities directly associated with assets classified as held for sale

	Note	Consolidated	
		31 December 2019 (US$)	**30 June 2019 (US$)**
Current liabilities			
Trade and other payables		18,619,837	18,694,044
Deferred tax liabilities		39,050,301	40,090,332
Other liabilities		996,137	286,798
Total current liabilities		**58,666,275**	**59,071,174**
Total held for sale liabilities		**58,666,275**	**59,071,174**

Note 7c: Discontinued operations

The financial performance of Range Resources Trinidad Limited is shown below.

	Note	Consolidated	
		2019 (US$)	**2018 (US$)**
Financial Performance and cash flow information			
Revenue from sale of oil	3	5,444,010	6,368,004
Royalties	4a	(2,030,022)	(2,384,866)
Operating expenses		(2,110,121)	(2,510,006)
Oil and gas properties depreciation, depletion and amortisation		(704,483)	(793,189)
Administrative expenses	4c	(324,962)	(311,130)
Impairment expense		-	(47,880,505)
Finance expenses	4b	(602,744)	(343,461)
Taxation (charge)/benefit		2,014,707	27,049,142
Total gain/(loss) after tax		**1,686,385**	**(20,806,012)**

Note 8: Trade and other receivables

	Note	Consolidated	
		31 December 2019 (US$)	30 June 2019 (US$)
Current			
Trade receivables		105,169	157,827
Taxes receivable		120,052	-
Total trade and other receivables		**225,221**	**157,827**

Fair value approximates the carrying value of trade and other receivables at 31 December 2019 and 30 June 2019.

Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Trade receivables are neither past due nor impaired.

	Note	Consolidated	
		31 December 2019 (US$)	30 June 2019 (US$)
Current			
Prepayments		55,745	34,208
Other current assets		**55,745**	**34,208**

Note 9: Property, plant & equipment

Consolidated	Production equipment and access roads (US$)	Gathering station and field office (US$)	Leasehold improvement (US$)	Motor vehicle, furniture, fixtures & fittings (US$)	Total (US$)
At 31 December 2019					
Cost	22,588,551	-	-	1,153,280	23,741,831
Accumulated depreciation	(2,541,817)	-	-	(452,324)	(2,994,141)
Classified as held for sale	(20,046,734)	-	-	-	(20,046,734)
Net book amount	**-**	**-**	**-**	**700,956**	**700,956**
Half-year ended 31 December 2019					
Opening net book amount	22,297,641	-	-	712,063	23,009,704
Foreign currency movement	(44,737)	-	-	12,548	(32,189)
Disposals	(2,986)	-	-	-	(2,986)
Impairment	(2,138,196)	-	-	-	(2,138,196)
Depreciation charge	(748,067)	-	-	(23,655)	(771,722)
Other movement	683,079	-	-	-	683,079
Classified as held for sale	(20,046,734)	-	-	-	(20,046,734)
Closing net book amount	**-**	**-**	**-**	**700,956**	**700,956**
At 30 June 2019					
Cost	24,091,391	76,001	181,490	1,140,732	25,489,614

Consolidated	Production equipment and access roads (US$)	Gathering station and field office (US$)	Leasehold improvement (US$)	Motor vehicle, furniture, fixtures & fittings (US$)	Total (US$)
Accumulated depreciation	(1,793,750)	(76,001)	(181,490)	(428,669)	(2,479,910)
Net book amount	**22,297,641**	**-**	**-**	**712,063**	**23,009,704**

Note 10: Exploration assets

	Note	Consolidated	
		31 December 2019 (US$)	**30 June 2019 (US$)**
Opening balance		-	6,744,977
Acquisition		-	-
Impairment (i)		-	(6,077,873)
Foreign exchange		-	6,782
Classified as held for sale (note 7a)			(673,886)
Total exploration assets		**-**	**-**

(i) Impairment

In Indonesia, despite continued efforts by the operator of the project to establish stable, continuous production from the field, no material production had been achieved from the work programme to 30 June 2019. As a result, a decision was made to fully impair the asset related to Indonesia exploration during that period.

The value of exploration assets as per 31 December 2019 relates to the Group's interests in the Guayaguayare and St Mary's blocks in Trinidad and are classified as held for sale. Refer to note 7 for more information.

Note 11: Producing assets

	Consolidated	
	31 December 2019 (US$)	**30 June 2019 (US$)**
Cost	-	46,006,207
Accumulated amortisation	-	(46,006,207)
Net book value	**-**	**-**
Opening net book amount	-	109,091,650
Foreign currency movement	-	1,053,641
(Disposals)/additions	-	1,407,974
Impairment (Note 9a)	-	(51,320,529)
Amortisation charge	-	(1,246,702)
Classified as held for sale (note 7a)		(58,986,034)
Closing net book amount	**-**	**-**

The net book amount of producing assets is US$57,463,009 classified as held for sale. Refer to note 7a for more information.

Note 12: Trade and other payables

	Consolidated	
	31 December 2019 (US$)	30 June 2019 (US$)
a: Current		
Trade payables – non-interest bearing	699,505	648,693
Trade payables – interest bearing	42,798,904	-
Other payables – interest bearing	3,780,142	-
Sundry payables and accrued expenses	27,688	133,809
Tax liabilities	19,752	17,472
Total current trade and other payables	**47,325,991**	**799,974**
b: Non-current		
Interest bearing trade payables	-	44,395,944
Other payables - interest bearing	-	482,886
Other payables – non-interest bearing	-	118,963
Total non-current trade and other payables	**-**	**44,997,793**

Non-interest bearing trade payables are suppliers payables under the normal course of business. Interest bearing trade payables are amounts due to LandOcean for previous work performed. Interest bearing other payables relate to the consideration due to LandOcean Petroleum Corp Ltd for RRDSL acquisition, interest bearing at 6% on net balance outstanding, as well as US$0.5 million due to LandOcean interest bearing at 8% which would be payble if the transaction was cancelled in case the relevant approvals for the transaction are not obtained. Refer to note 7a for full details of the transaction with LandOcean.

Note 13: Borrowings

	Consolidated	
	31 December 2019 (US$)	30 June 2019 (US$)
a. Borrowings - current		
Convertible note liability	19,999,521	-
Convertible note liability (interest)	1,600,000	1,600,000
Borrowings at amortised cost (i)	26,452,395	**-**
Total current borrowings	**48,051,916**	**1,600,000**

	Consolidated	
	31 December 2019 (US$)	30 June 2019 (US$)
b. Borrowings - non-current		
Borrowings at amortised cost (i)	-	25,791,724
Convertible note liability	-	18,759,966
Interest due on outstanding balance	**-**	**44,551,690**

(i) Borrowings at amortised cost

These are payables to EPT, Unionpetro, GPN and LO Petroleum, which all belong to the LandOcean group of companies. Interest is charged at 6% on net balance outstanding. All payables in this note form part of the transaction and will be written off when the transaction completes.

Note 14: Contributed equity

	Consolidated	
	31 December 2019 (US$)	**30 June 2019 (US$)**
117,806,629 (30 June 2019: 10,243,998,615) fully paid ordinary shares	408,769,645	407,770,469
Share issue costs	(21,044,403)	(21,044,402)
Total contributed equity	**387,725,242**	**386,726,067**

	Consolidated	
	31 December 2019 Number	**30 June 2019 Number**
Fully Paid Ordinary Shares		
At the beginning of reporting period	10,243,998,615	7,595,830,782
Shares issued during the period	1,536,599,792	2,648,167,833
Consolidation	(11,662,791,778)	-
Total contributed equity	**117,806,629**	**10,243,998,615**

	Consolidated	
	31 December 2019 Number	**30 June 2019 Number**
Options		
At the beginning of reporting period	404,643,137	781,844,977
Options expired	(367,143,136)	(377,201,840)
Consolidation	(37,200,001)	-
Total options	**300,000**	**404,643,137**

Note 15: Related parties

There have been no significant related party transactions during the half-year ended 31 December 2019.

No new share-based payments occurred during the half-year ended at 31 December 2019.

Employee option plan

No options were issued during the half-year ended at 31 December 2019.

Note 16: Segmental reporting

	Consolidated	
	31 December 2019 (US$)	30 June 2019 (US$)
117,806,629 (30 June 2019: 10,243,998,615) fully paid ordinary shares	408,769,645	407,770,469
Share issue costs	(21,044,403)	(21,044,402)
Total contributed equity	**387,725,242**	**386,726,067**

31 December 2019	Trinidad - Oil & Gas Produciton (US$)	Trinidad - Oilfield Services (US$)	Indonesia (US$)	Unallocated (US$)	Total (US$)
Segment revenue					
Total revenue	**5,444,010**	**1,451,231**	**-**	**-**	**6,895,241**
Intersegment revenue	-	(1,419,652)	-	-	(1,419,652)
Revenue from external customers	5,444,010	31,579	-	-	5,475,589
Segment result					
Profits/(loss) before income tax	(328,332)	(8,188,066)	-	-	(8,516,388)
Income tax	2,014,707	984,550	-	-	2,999,257
Profit/(loss) after income tax	1,686,385	(7,203,516)	-	-	(5,517,131)
Segment assets					
Total assets	**82,769,614**	**22,609,411**	**-**	**2,017,191**	**107,396,216**

31 December 2018	Trinidad - Oil & Gas Produciton (US$)	Trinidad - Oilfield Services (US$)	Indonesia (US$)	Unallocated (US$)	Total (US$)
Segment revenue					
Total revenue	**6,368,234**	**2,384,155**	**-**	**4,622**	**8,757,011**
Intersegment revenue	-	(1,712,532)	-	-	(1,712,532)
Revenue from external customers	6,339,827	675,446	-	-	7,015,273
Other income	28,407	-	-	4,622	33,029
Segment result					
Profits/(loss) before income tax	(57,474,440)	(1,570,720)	(6,637,545)	2,736,205	(62,946,500)
Income tax	27,020,238	44,178	-	-	27,064,416
Profit/(loss) after income tax	(30,454,202)	(1,526,542)	(6,637,545)	2,736,205	(35,882,084)
Segment assets					
Total assets	**82,844,555**	**29,742,019**	**-**	**29,091,565**	**114,678,139**

30 June 2019	Trinidad - Oil & Gas Produciton US$	Trinidad - Oilfield Services US$	Indonesia US$	Unallocated US$	Total US$
Segment assets					
Total assets	**83,609,947**	**24,244,249**	**-**	**797,474**	**108,651,670**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, plant and equipment and exploration and development expenditure. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

(i) Unallocated assets

	31 December 2019 (US$)	30 June 2019 (US$)
Cash	1,689,584	797,474
Other	327,607	-
Total unallocated assets	**2,017,191**	**797,474**

Intersegment transfers

Segment revenues, expenses and results do not include any transfers between segments. Other unallocated assets relate to assets of Star Phoenix and Star Phoenix Group UK Ltd.

Note 17: Events after the reporting date

Drilling rigs sale termination

The buyer failed to provide Star Phoenix Group with the agreed cash consideration for the sale of four drilling rigs and related equipment and a decision was taken to terminate the transaction with the buyer. Star Phoenix commenced a new sale process for the drilling rigs and related equipment.

RRTL sale / debt restructuring

The Company and LandOcean signed an agreement in relation to the US$1 million cash consideration (the "Payment") by LandOcean. The parties have agreed an extension to the Payment on a rolling basis, subject to late fees of 8% interest per annum, calculated daily from 12 February 2020 until the date the Payment (and any accrued interest) is received by the Company.

Subsequent to the period end, the Company received additional US$0.5 million cash consideration from LandOcean. The remaining US$0.5 million plus late fees of 8% interest per annum, calculated daily from 12 February 2020 are expected to be paid by the end of March 2020. The final US$1 million will be paid within five business days of the completion date.

The Company also advised that all key conditions for completion of the SPA have been successfully completed.

Subscription agreement

The Company signed a subscription agreement with a new investor (the “Investor”), for new ordinary shares to raise approximately £520,000 (the "Subscription"). Pursuant to the

Subscription, the Company will issue 23,561,326 new ordinary shares (the "Subscription Shares") at a price of 2.21 pence per new ordinary share.

As part of the Subscription, the investor can nominate up to two non-executive directors to the Board of the Company and shall retain this ability for so long as it holds 10% or more of the Company's shares in issue. Any director appointment will be subject to the satisfactory completion of regulatory due diligence checks.

On 26 February 2020, the Company was advised by the Investor of the continued delays it was experiencing with its bank. The Company agreed to provide a further extension to 31 March 2020, subject to a late fee payment of 8% per annum, calculated daily from 7 February 2020 until the date the funds (and any accrued interest) are actually received into the Company's account, in any event by no later than 31 March 2020.

Acquisition of a related party entity

The Company signed a share purchase agreement to acquire 100% of Shanghai AusQuality International Trading Co. Ltd a Company incorporated under the laws of the People's Republic of China for AU$20,000. Mr Lubing Liu, the Company's Executive Director held 50% of the shares previously. Shanghai AusQuality International Trading Co. Ltd holds no assets or liabilities.

Trinidad Tax Appeals

Subsequent to the period end, the Company provided an update in relation to the ongoing tax appeal matters that its Trinidad subsidiary Range Resources Trinidad Limited ("RRTL") is involved in. Two of the appeals were heard by the Tax Appeal Board in Trinidad on 9 March 2020 and have now been set for trial on 26 and 27 May 2020. There are no other changes to report on Trinidad tax appeals. Two further tax appeal cases have been scheduled for hearing on 26 May 2020.

Director’s Declaration

The directors of the company declare that:

The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

a) comply with Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
b) give a true and fair view of the consolidated entity’s financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

In the Directors’ opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Zhiwei Gu
Chairman

13 March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Star Phoenix Group Limited

Report on the Half-Year Financial Report

Qualified conclusion

We have reviewed the half-year financial report of Star Phoenix Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, with the exception of the matters described in the Basis for qualified conclusion section, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001 including:

Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for qualified conclusion

Comparatives

Attention is drawn to the comparative figures in the consolidated statement of financial position as at 30 June 2019. As disclosed in Note 9 to the financial report, the Company held drill rigs with a carrying value of $21,836,990 included in the Property, plant and equipment balance of $23,009,704 and related inventory with a carrying value of $959,304, the drill rigs and related inventory had deteriorating operating and economic performance which created an indication of impairment. The directors did not undertake an impairment assessment as at 30 June 2019 in accordance with the requirements of the Australian Accounting Standards. Consequently, we were unable to determine whether any adjustments to the carrying value of the drill rigs included in Property, plant and equipment and related inventory was necessary. Our audit opinion on the financial report for the year ended 30 June 2019 was modified accordingly.

Current interim period 31 December 2019

As disclosed in Note 7 of the half-year financial statements, drill rigs and related inventories with a carrying value of $20,456,291 and $832,021 were held for sale.

The drill rigs were tested for impairment in accordance with AASB 136 Impairment of Assets and management have adopted the valuation of a third party expert to estimate its recoverable amount of $21.8 m. Due to the inconsistency between the valuation by the expert and the offer for sale of $3.6m received during the year, we were unable to satisfy ourselves of the reliability of the recoverable amount adopted by management for the drill rigs as at 31 December 2019. Consequently, we were unable to obtain sufficient appropriate evidence about the carrying amount of drill rigs as at 31 December 2019.

The directors did not undertake an impairment assessment on the related inventories in accordance with the requirements of the Australian Accounting Standards as at 31 December 2019. Consequently, we were unable to obtain sufficient appropriate evidence about the carrying amount of related inventories as at 31 December 2019.

Because of the matters stated above, we were unable to determine whether any adjustments to the carrying value of the drill rigs and related inventories in the consolidated statement of financial position might have been necessary for the period ended 31 December 2019.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien

Director

Perth, 13 March 2020

Corporate Directory

Directors	**Zhiwei Gu**	Executive Chairman
	Lubing Liu	Executive Director and COO
	Mu Luo	Non-Executive Director

Company Secretary	Evgenia Bezruchko and Sara Kelly
Registered office & principal place of business	c/o Edwards Mac Scovell, Level 7, 140 St Georges Terrace Perth WA 6000, Australia Telephone: +61 8 6205 3012
Share Registry (Australia)	Computershare Investor Services Pty Ltd Level 11, 172 St Georges Terrace, Perth WA 6000 Telephone: +61 3 9415 4000
Share Registry (United Kingdom)	Computershare Investor Services plc PO Box 82, The Pavilions, Bridgwater Road, Bristol, UK BS99 6ZZ Telephone: +44 370 702 0000
Auditor	BDO Audit (WA) Pty Ltd, 38 Station Street, Subiaco WA 6008, Australia
Stock Exchange Listing	Star Phoenix Group Ltd shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange (AIM code: STA)
Country of Incorporation	Australia
Website	www.starphoenixgroup.com