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Phaunos Timber Fund Limited - PTF Offer Update
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14 June 2018

Phaunos Timber Fund Limited ("Phaunos" or the "Company")

Update on Possible Offer by Stafford

Further to the announcement made on 5 June 2018 by Stafford Capital Partners Limited ("Stafford") regarding a possible cash offer for the entire issued and to be issued share capital of the Company (the "Possible Offer"), the Board of Phaunos re-iterates its commitment to balance maximising the value from the Company's investments with making timely returns of capital to shareholders.

At the Annual General Meeting on 19 June 2017 a majority of shareholders voted against continuing the Company. The Board of the Company subsequently put forward a plan to realise the assets of the Company in an orderly manner. Shareholders approved a revised investment policy at an Extraordinary General Meeting held on 17 August 2017. On 10 July 2017 Stafford tendered its resignation as Manager, effective 16 February 2018.

Since 17 August 2017, the Board has been preparing for the sale of the asset portfolio (the "Asset Realisation Process"), assisted by its professional advisers. The Asset Realisation Process was launched earlier this year, led by Pöyry Capital ("Pöyry"), and it is anticipated that initial

indications of interest will be received on or around 28 June 2018. The Asset Realisation Process is an important component in properly understanding and assessing the current valuation of Phaunos.

In light of the above, the Board strongly encourages parties contacted hitherto to provide indications of interest as per the timetable communicated to them by Pöyry.

Stafford was fully aware of the sale process and its timetable at the time the process was launched by Pöyry and was given the opportunity to participate, but declined to do so. Accordingly, the Board of Phaunos considers Stafford's unsolicited approach to be highly opportunistic given the ongoing Asset Realisation Process.

The Board confirms that there has been no engagement with Stafford or its advisers since the announcement of the Possible Offer, nor has Stafford proposed any such engagement.

The Board urges shareholders to take no action at this time in relation to the Possible Offer and will make a further announcement, including in relation to its views on the value of the Possible Offer, in due course.

Rule 2.6(a) of the City Code on Takeovers and Mergers (the "Code"), requires that Stafford, by not later than 5.00 p.m. on 3 July 2018, either announces a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Code or announces that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline can be extended with the consent of the Panel in accordance with Rule 2.6(c) of the Code.

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Rule 26.1 Disclosures

In accordance with Rule 26.1 of the Code, a copy of this announcement will, subject to certain restrictions relating to persons resident in restricted jurisdictions, be available on Phaunos's website at <http://www.phaunostimber.com/announcements/> by no later than 12 noon (London time) on the business day following the release of this announcement. The content of the website referred to in this

announcement is not incorporated into and does not form part of this announcement. The person responsible for arranging for the release of this announcement on behalf of Phaunos is Vistra Guernsey (acting as Company Secretary).

Important Notices

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or solicitation of any offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities or the solicitation of any vote or approval in any jurisdiction. Any offer (if made) will be made solely by certain offer documentation which will contain the full terms and conditions of any offer (if made), including details of how such offer may be accepted. This announcement has been prepared in accordance with English law and the Code, and information disclosed may not be the same as that which would have been prepared in accordance with laws outside of the United Kingdom. The release, distribution or publication of this announcement in jurisdictions outside of the United Kingdom may be restricted by laws of the relevant jurisdictions, and therefore persons into whose possession this announcement comes should inform themselves about, and observe, any such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

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Disclosure requirements of the Takeover Code (the "Code")

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the

offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

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