

Regulatory Story

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Phaunos Timber Fund Limited - PTF RAYONIER UPDATE
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Phaunos Timber Fund Limited
28 August 2018

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28 August 2018

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

Rayonier Update

The Company has been made aware by Rayonier Canterbury LLC ("**Rayonier**") that Rayonier has issued proceedings in the Auckland High Court alleging a breach by Phaunos of confidentiality, notice and consultation obligations in the shareholders agreement between the parties in relation to their respective interests in the Matariki Forestry Group ("**Matariki**") (the "**Shareholders Agreement**").

Rayonier has also written to Phaunos purporting to serve in accordance with the terms of the Shareholders Agreement an Acquisition Notice on Phaunos in response to the alleged breach. Rayonier has asserted that it is entitled to acquire Phaunos' interest in Matariki for the sum of NZD 225 million (c. US\$ 152 million), reflecting a discount to what Rayonier asserts is the fair market value of Phaunos' interest in Matariki.

The substance of Rayonier's complaint relates to the inclusion within the Company's circular, published on 14 August 2018 in response to Stafford's takeover offer, of a valuation report on Matariki, as was required by Rule 29 of the UK Takeover Code.

Phaunos believes that Rayonier's claims are without merit and that the Acquisition Notice is invalid. Phaunos intends to defend itself vigorously against the claims brought by Rayonier and take whatever further steps it deems necessary in order to protect its interests. Consequently, Phaunos will continue to progress the Asset Realisation Process in accordance with the strategy outlined in its announcement of 14 August 2018.

The Company is planning to update shareholders on the status of the Asset Realisation Process and a further announcement will be made in due course.

Phaunos Timber Fund Limited

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