

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Final Offer or what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

This document (and any documents incorporated into it by reference) should be read in conjunction with the Original Offer Document sent to Phaunos Shareholders on 31 July 2018 and the accompanying New Form of Acceptance (if you hold Phaunos Shares in certificated form). If you hold your Phaunos Shares as a CREST sponsored member, you should refer to your CREST sponsor before complying with the procedures set out in paragraph 14.2 of Part I of this document.

If you have sold or otherwise transferred all of your Phaunos Shares, please forward this document, the Original Offer Document and any accompanying documents (but not any personalised New Form of Acceptance and reply-paid envelope if you hold your Phaunos Shares in certificated form) as soon as possible to the buyer or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the buyer or transferee. **However, such documents should not be mailed, forwarded, transmitted or distributed, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the relevant law of that jurisdiction (a “Restricted Jurisdiction”).** If you have sold or transferred only part of your holding of Phaunos Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

INCREASED AND FINAL ALL-CASH OFFER

for

PHAUNOS TIMBER FUND LIMITED

by

MAHOGANY BIDCO LIMITED (“STAFFORD BIDCO”)

a company ultimately controlled by

STAFFORD CAPITAL PARTNERS LIMITED

PHAUNOS SHAREHOLDERS WHO HAVE PREVIOUSLY ACCEPTED THE ORIGINAL OFFER (AND NOT VALIDLY WITHDRAWN SUCH ACCEPTANCE) WILL AUTOMATICALLY BE DEEMED TO HAVE ACCEPTED THE FINAL OFFER BY VIRTUE OF THEIR PRIOR ACCEPTANCE AND THEREFORE SUCH SHAREHOLDERS NEED NOT TAKE ANY FURTHER ACTION IN RESPECT OF THE FINAL OFFER.

You should read carefully the whole of this document, the Original Offer Document (and any documents incorporated into it by reference) and, if your Phaunos Shares are held in certificated form, the New Form of Acceptance.

The procedure for acceptance of the Final Offer is set out in paragraph 14 of Part I of this document, in Section C and Section D of Part II of the Original Offer Document (as revised by this document) and, in respect of Phaunos Shares held in certificated form, in the New Form of Acceptance.

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom or Guernsey and the availability of the Final Offer to Phaunos Shareholders who are not resident in the United Kingdom or Guernsey may be restricted by the laws of those jurisdictions. Therefore, persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of any such jurisdiction. This document does not constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, any shares in any jurisdiction in which such offer or solicitation is unlawful.

To accept the Final Offer in respect of Phaunos Shares held in certificated form, the accompanying New Form of Acceptance should be completed, signed and returned as soon as possible and, in any event, so as to be received by post to Computershare at Corporate Actions Project, Bristol, BS99 6AH or by hand to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE no later than 1.00 p.m. (London time) on 29 September 2018.

To accept the Final Offer in respect of Phaunos Shares held in uncertificated form, an Electronic Acceptance must be made and must settle as soon as possible and, in any event, by no later than 1.00 p.m. on 29 September 2018. If you are a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE Instruction to Euroclear.

If you have any questions about this document or are in any doubt as to how to complete the New Form of Acceptance (if you hold Phaunos Shares in certificated form), or if you want to request a hard copy of this document (and/or any information incorporated into it by reference from another source), please contact the Receiving Agent, Computershare on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

Capitalised words and expressions used in this document shall have the meanings given to them in Part VI of this document.

This Final Offer is subject to the jurisdiction of the Panel.

Lancea LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Stafford and Stafford Bidco and for no one else in connection with the Final Offer and will not be responsible to anyone other than Stafford and Stafford Bidco for providing the protections afforded to its clients or for providing advice in connection with the Final Offer.

IMPORTANT NOTICE

The statements contained in this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the content of this document, you should consult your own legal, financial or tax adviser for legal, business, financial or tax advice.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. No dealer, salesperson or other person is authorised to give any information or to make any representations with respect to the Final Offer other than such information or representations contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Stafford or Stafford Bidco.

OVERSEAS SHAREHOLDERS

The Final Offer is not being, and will not be, made directly or indirectly, in or into any Restricted Jurisdiction, and will not be capable of acceptance from within any Restricted Jurisdiction. Accordingly, copies of this document and the New Form of Acceptance are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction and persons receiving such documents (including, without limitation, any agent, nominee, custodian or trustee) must not mail or otherwise forward, distribute or send it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this document and/or any other related document to a jurisdiction outside the United Kingdom or Guernsey should seek appropriate professional advice before any action and inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction and must not mail, send or otherwise forward or distribute this document and/or any other related document in, into or from any Restricted Jurisdiction. Doing so may render any purported acceptance of the Final Offer invalid. Such persons should read paragraph 3 of Section C and paragraph 3 of Section D of Part II of the Original Offer Document (as revised by this document) before taking any action. To the fullest extent permitted by applicable law, the companies and persons involved in the Final Offer disclaim any responsibility and liability for the violation of such restrictions by any person.

This document has been prepared for the purpose of complying with English law, Guernsey law and the Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside of England and Wales and Guernsey.

All Phaunos Shareholders (including, without limitation, nominees, trustees or custodians) who intend to forward this document and any accompanying documents to any jurisdiction outside the United Kingdom or Guernsey should read paragraph 6 of Section B of Part II of the Original Offer Document (as revised by this document) and seek appropriate advice before taking any action.

NOTICE TO US HOLDERS OF PHAUNOS SHARES

The Final Offer is made for securities of a company domiciled in Guernsey and Phaunos Shareholders in the United States should be aware that this document, the New Form of Acceptance and any other formal documentation relating to the Final Offer have been or will be prepared in accordance with English law, Guernsey law and the Code and applicable disclosure requirements, format and style thereunder, all of which differ from those in the United States.

The Final Offer is being made in the United States pursuant to applicable US tender offer rules, including Regulation 14E under the Exchange Act, and securities laws and otherwise in accordance with the requirements of English law, Guernsey law, the Code, the Panel, the London Stock Exchange, the FCA and the GFSC. Accordingly, the Final Offer is subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under United States domestic tender offer procedures and law. The Final Offer is made in the United States by Stafford Bidco and no one else.

Neither the US Securities Exchange Commission nor any US state securities commission has approved or disapproved the Final Offer or passed upon the adequacy or completeness of this document. It may be difficult for US holders of Phaunos securities to enforce their rights under and any claim arising out of the US federal securities laws, since Stafford Bidco and Phaunos are located outside the United States, and some or all of their officers and directors may be resident outside the United States. US Phaunos Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement and a US court may lack jurisdiction over such persons.

The receipt of cash pursuant to the Final Offer may have tax consequences in the United States and under other applicable tax laws and such consequences, if any, are not described herein. US Phaunos Shareholders are urged to consult with their own legal, tax and financial advisers in connection with making a decision regarding the Final Offer.

To the extent permitted by applicable law, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Stafford Bidco or nominees or brokers of Stafford Bidco (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, Phaunos Shares or other Phaunos securities other than pursuant to the Final Offer at any time prior to completion of the Final Offer. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchases, or arrangements to purchase, will comply with all applicable UK and Guernsey rules including the requirements of the Code and the Listing Rules to the extent applicable, and Regulation 14E under the US Exchange Act, including Rule 14e-5, to the extent applicable. To the extent required to be disclosed in accordance with applicable regulatory requirements, information about any such purchases will be disclosed on a next day basis to the Panel and will be available from any Regulatory Information Service, including the Regulatory News Service on the London Stock Exchange website, www.londonstockexchange.com. To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will as applicable also be publicly disclosed in the United States.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This document and other information published by Stafford or Stafford Bidco may contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Stafford or Stafford Bidco (as applicable) about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this document include, among others, statements relating to the potential exposure of Phaunos to market risks, and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions.

Although Stafford and Stafford Bidco believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. All forward-looking statements contained in this document are expressly qualified in their entirety by the cautionary notes contained or referred to in this section, and you are cautioned not to place undue reliance on these forward-looking statements.

Neither Stafford nor Stafford Bidco nor any of its or their associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

Other than in accordance with their legal or regulatory obligations, neither Stafford nor Stafford Bidco is under any obligation, and both Stafford and Stafford Bidco expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

NO PROFIT FORECASTS OR ESTIMATES

Nothing in this document is intended or shall be deemed to be a forecast, projection or estimate of the future financial performance of Stafford or the Wider Stafford Bidco Group or Phaunos or the Wider Phaunos Group and no statement in this document should be interpreted to mean that earnings or earnings per share of Stafford or Phaunos (where relevant) for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Stafford, Stafford Bidco or Phaunos, as appropriate.

OPENING POSITION AND DEALING DISCLOSURE REQUIREMENTS

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. 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 per cent. 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.

PUBLICATION ON WEBSITE AND AVAILABILITY OF HARD COPIES

This document, together with those documents listed in paragraph 11 of Part V and all information incorporated into this document by reference to another source will be available on Stafford's website at www.staffordcp.com as soon as possible and, in any event, by no later than 12 noon (London time) on 17 September 2018. The content of this website is not incorporated into, and does not form part of, this document.

You may request a hard copy of this document or a copy of this document or the Original Offer Document (and/or any information incorporated into it by reference from another source), by contacting the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

Copies of this document, the Original Offer Document and any other document relating to the Final Offer may not be mailed, distributed, forwarded or otherwise transmitted or made available in, into or from any jurisdiction where this would violate applicable law (including by custodians, nominees and trustees).

INFORMATION RELATING TO PHAUNOS SHAREHOLDERS

Please be aware that addresses, electronic addresses and certain information provided by Phaunos Shareholders, persons with information rights and other relevant persons for the receipt of communications from Phaunos may be provided to Stafford Bidco during the Offer Period as required under Section 4 of Appendix 4 of the Code in order to comply with Rule 2.11(c) of the Code.

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

DEFINITIONS

Certain words and terms used in this document are defined in Part VI of this document.

DATE OF PUBLICATION

The date of publication of this document is 14 September 2018.

TO ACCEPT THE FINAL OFFER

If you have already validly accepted the Original Offer (and not validly withdrawn such acceptance), you will automatically be deemed to have accepted the terms of the Final Offer by virtue of your prior acceptance and therefore you need not take any further action and you do not need to complete or return the accompanying New Form of Acceptance or make a further Electronic Acceptance.

If you hold your Phaunos Shares, or any of them, in certificated form (that is, not in CREST), to accept the Final Offer, you should complete, sign and return the enclosed New Form of Acceptance along with your share certificate(s) and/or any other appropriate documents of title by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by Computershare as soon as possible but, in any event, **by no later than 1.00 p.m. (London time) on 29 September 2018.**

If you are posting in the UK, the enclosed reply-paid envelope has been provided for your convenience.

Further details on the procedures for acceptance of the Final Offer if you hold any of your Phaunos Shares in certificated form are contained in paragraph 14.1 of the letter from Stafford Bidco set out in Part I of this document.

If you hold your Phaunos Shares, or any of them, in uncertificated form (that is, in CREST), you should follow the procedure for Electronic Acceptance through CREST so that the relevant TTE instruction settles as soon as possible but, in any event, **by no later than 1.00 p.m. (London time) on 29 September 2018.**

If you hold your Phaunos Shares as a CREST sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary instructions to Euroclear.

Further details on the procedures for acceptance of the Final Offer if you hold any of your Phaunos Shares in uncertificated form are contained in paragraph 14.2 of the letter from Stafford Bidco set out in Part I of this document.

THE CLOSING DATE OF THE FINAL OFFER IS 1.00 P.M. (LONDON TIME) ON 29 SEPTEMBER 2018

HELPLINE

If you have any questions about this document or are in any doubt as to how to complete the New Form of Acceptance (if you hold Phaunos Shares in certificated form), or if you want to request a hard copy of this document or of the Original Offer Document (and/or any information incorporated into it by reference from another source), please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

This page should be read in conjunction with the rest of this document, the Original Offer Document (and the information incorporated by reference into it) and, in the case of holders of Phaunos Shares in certificated form, the New Form of Acceptance. Your attention is drawn, in particular, to paragraph 14 of the letter from Stafford Bidco contained in Part I of this document, which sets out in detail the procedures for acceptance of the Final Offer, and to the Conditions and further terms of the Final Offer set out on Part II of this document and, in the case of Phaunos Shares held in certificated form, in the New Form of Acceptance. Phaunos Shareholders are recommended to seek financial advice from their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if they are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

**ACCEPTANCES OF THE FINAL OFFER MUST BE RECEIVED BY 1.00 P.M.
(LONDON TIME) ON 29 SEPTEMBER 2018**

IMPORTANT DATES AND TIMES

The dates and times set out below in connection with the Final Offer may change in accordance with the terms and Conditions of the Final Offer, as described in this document.

<u>Event</u>	<u>Time and/or Date</u>
Final Offer Announcement	14 September 2018
Publication of this document	14 September 2018
Latest time by which Phaunos Shareholders can accept the Final Offer (unless extended) ⁽¹⁾	1.00 p.m. on 29 September 2018
Latest date on which the Final Offer may be declared wholly unconditional (unless extended) ⁽²⁾	20 October 2018

Future dates are indicative only and are subject to change, in which event details of the new times and dates will be announced via a RIS.

References to times and dates in this document are to London times and dates.

Notes:

- (1) If the Final Offer becomes or is declared unconditional as to acceptances, Stafford Bidco has agreed to keep the Final Offer open for acceptances for at least 14 days following such date.
- (2) Except with the consent of the Panel, all Conditions must be fulfilled (or waived (if so permitted)) or the Final Offer must lapse within 21 days of the date on which the Final Offer becomes or is declared unconditional as to acceptances

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PART I—LETTER FROM STAFFORD BIDCO

(Registered under the laws of England and Wales with registered company number 11438559)

Directors:
Stephen Addicott
Vince Cao
Geoffrey Norman
Angus Whiteley

Registered office:
Fourth Floor
24 Old Bond Street
London
United Kingdom
W1S 4AW

14 September 2018

To: Phaunos Shareholders and, for information only, to persons with information rights

Dear Phaunos Shareholder,

INCREASED AND FINAL ALL-CASH OFFER

for

PHAUNOS TIMBER FUND LIMITED

by

MAHOGANY BIDCO LIMITED

(“STAFFORD BIDCO”)

a company ultimately controlled by

STAFFORD CAPITAL PARTNERS LIMITED

1. Introduction

On 3 July 2018, the board of directors of Stafford Bidco, a company wholly-owned by Stafford International Timberland Fund VIII and ultimately controlled by Stafford, announced an all-cash offer for Phaunos by Stafford Bidco, on behalf of Stafford International Timberland Fund VIII, pursuant to which Stafford Bidco would acquire the entire issued and to be issued share capital of Phaunos not already directly or indirectly owned by it or its concert parties (the “**Original Offer**”) at a price of US\$0.49 per Phaunos Share (the “**Original Offer Price**”). On 31 July 2018, Stafford Bidco announced that it had posted the Original Offer Document and the Original Form of Acceptance to Phaunos Shareholders.

Stafford Bidco has today announced an increased and final all-cash offer to acquire the entire issued and to be issued share capital of Phaunos not already directly or indirectly owned by it or its concert parties at a price of US\$0.52 per Phaunos Share (the “**Final Offer**”). This letter, Part II of this document and, if you hold your Phaunos Shares in certificated form, the New Form of Acceptance, contain the formal terms and Conditions of the Final Offer for your Phaunos Shares. As noted in the Final Offer Announcement, the Original Offer (as revised by the Final Offer) has been extended such that the Final Offer will remain open for acceptance until 1.00 p.m. (London time) on 29 September 2018.

The Final Offer is to be implemented by way of a takeover offer under Part XVIII of the Companies Law and in accordance with the Code.

Acceptances of the Final Offer should be received without delay and, in any event, by no later than 1.00 p.m. (London time) on 29 September 2018.

Procedures for acceptance of the Final Offer are set out in paragraph 14 of this Part I. Acceptances of the Original Offer (which have not been validly withdrawn) shall be deemed to be an acceptance of the Final Offer. Therefore, Phaunos Shareholders who have already validly accepted the Original Offer (and not validly withdrawn such acceptance) are not required to take any further action in respect of the Final Offer.

2. Summary of the Final Offer

Under the Final Offer, Stafford Bidco, on behalf of Stafford International Timberland Fund VIII, is offering to acquire, subject to the Conditions and certain further terms set out in this document and also (in respect of

Phaunos Shares held in certificated form) in the New Form of Acceptance, the entire issued and to be issued share capital of Phaunos on the following basis:

for each Phaunos Share

US\$0.52 in cash

The Final Offer values Phaunos's entire issued and to be issued share capital at approximately US\$259.1 million (on a fully diluted basis).

The price of US\$0.52 per Phaunos Share (the "**Final Offer Price**"):

- represents a premium of approximately 18 per cent. to the Closing Price of US\$0.44 per Phaunos Share on 4 June 2018 (being the last Business Day prior to the commencement of the Offer Period);
- represents a premium of approximately six per cent. to the Original Offer Price; and
- is equal to Phaunos's stated net asset value per share of US\$0.52 (unaudited) as at 30 June 2018.

If any dividend, distribution, share repurchase payment or return of capital in respect of the Phaunos Shares is announced, declared, made or paid on or after the date of the Final Offer Announcement, Stafford Bidco shall reduce the Final Offer Price payable for each Phaunos Share under the terms of the Final Offer by the amount of such dividend, distribution, share repurchase payment or return of capital.

The financial terms of the Final Offer are final and will not be increased.

Stafford Bidco also confirms that it has lowered the Acceptance Condition from not less than 90 per cent. to more than 50 per cent. in value of Phaunos Shares affected. Phaunos Shareholders should be aware of the implications of the Final Offer becoming, or being declared, wholly unconditional, which may include being a minority shareholder in a majority-controlled entity. In such circumstances, Stafford Bidco would typically be able to ensure the passing of, and have the ability to block, ordinary resolutions of the Company.

The Phaunos Shares will be acquired under the Final Offer fully paid and free from all liens, charges, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of this document or subsequently attaching or accruing to them, save for the right to receive any other dividend, distribution, share repurchase payment and/or return of capital in respect of which a corresponding reduction has been made to the Final Offer Price in accordance with paragraph 2.13 of Section A of Part II of the Original Offer Document (as revised by this document).

The Final Offer extends to any Phaunos Shares not already owned, or agreed to be acquired, by Stafford Bidco or any of its concert parties and which are unconditionally allotted or issued fully paid before the Final Offer closes (or such earlier date as Stafford Bidco may, in accordance with the Conditions and further terms of the Final Offer, decide).

Conditions and further terms of the Final Offer

The Final Offer is subject to the Conditions and certain further terms set out in Part II of this document and also (in respect of shares held in certificated form) in the New Form of Acceptance. In particular, the Final Offer is conditional upon:

- valid acceptances (which have not been withdrawn) being received in respect of Phaunos Shares which comprise more than 50 per cent. in value of the Phaunos Shares affected (as calculated in accordance with Part XVIII of the Companies Law);
- the Matariki Interest not having been disposed of, transferred, mortgaged or charged, nor having had any security interest created over it, nor ceasing to be available to Phaunos, and no right arising under which the Matariki Interest could be required to be disposed of, transferred, mortgaged or charged, or could cease to be available to Phaunos; and
- any consents or approvals required under the New Zealand Overseas Investment Act 2005 or the New Zealand Overseas Investment Regulations 2005 in respect of the Final Offer having been granted (or being deemed to have been granted in accordance with the relevant law) provided that such consent or approval is on terms satisfactory to Stafford Bidco.

Although Stafford Bidco has resolved to extend and increase its Original Offer, it nevertheless reiterates its previous confirmation that it considers the Condition relating to the Matariki Interest described above to be of material significance to Stafford Bidco in the context of the Acquisition, although it notes that this Condition remains subject to the application of Rule 13.5 of the Code.

Stafford Bidco is also pleased to update Phaunos Shareholders on progress regarding the OIO clearance which it expects to satisfy within a timely manner resulting in completion of the Final Offer occurring before the end of October 2018 as anticipated in the Original Offer Document.

As set out in more detail in paragraph 15 of this Part I, settlement of the consideration to which any Phaunos Shareholder is entitled under the Final Offer will be despatched to validly accepting Phaunos Shareholders within 14 days of the later of 29 September 2018, the date the Final Offer becomes, or is declared, wholly unconditional or the date of receipt of an acceptance complete in all respects.

3. Background to and reasons for the Final Offer

Following the first public expression of Stafford's interest in acquiring Phaunos announced on 5 June 2018, Stafford has had the opportunity to discuss the Original Offer on numerous occasions with Phaunos Shareholders who hold (or are otherwise able to control) Phaunos Shares representing approximately 75 per cent. in value of the Phaunos shareholder base.

Whilst Stafford maintains that the Original Offer from Stafford Bidco represented an excellent opportunity for Phaunos Shareholders to realise in cash their full investment in the Company at a premium to the prevailing share price of Phaunos Shares prior to the Possible Offer Announcement, in the interests of determining the future of Phaunos, the Stafford Bidco Board has resolved to increase the Original Offer Price to US\$0.52 per Phaunos Share. This Final Offer Price represents a premium of approximately 18 per cent. to the Closing Price of US\$0.44 per Phaunos Share on 4 June 2018.

Stafford also reiterates its view expressed previously in relation to the Original Offer that the likelihood of the Phaunos Board achieving, over time, higher net proceeds under the Asset Realisation Process than those implied by the Original Offer is relatively low and is outweighed by the potential downside for Phaunos Shareholders in light of the execution and market risks inherent in the Asset Realisation Process. Stafford considers this to be even less likely in relation to the Final Offer, particularly after factoring in the due diligence cost cover that the Phaunos Board has resolved to provide to bidders participating in the Asset Realisation Process as stated in Note 20 of the Phaunos 2018 Half Year Report, and any irrecoverable costs associated with the proceedings issued by Rayonier referred to below.

This potential downside was increased on 28 August 2018 when the Phaunos Board announced that Rayonier Canterbury LLC ("**Rayonier**"), the major shareholder of Matariki, had issued proceedings in the Auckland High Court alleging a breach by Phaunos of confidentiality, notice and consultation obligations in the shareholders agreement between Rayonier and Phaunos in relation to their respective interests in Matariki. Whilst Phaunos has stated that it believes that Rayonier's claims are without merit, the continued existence of these proceedings can only serve as a distraction to the Phaunos Board and increase the uncertainty that is inherent in the implementation of the Asset Realisation Process, and in particular the Matariki Interest, the net asset value of which represents approximately 68 per cent. of the fund value of the Company.

Even without this unexpected turn of events, Stafford continues to believe that the Phaunos Board is underestimating the time that it will take to complete the Asset Realisation Process and to return full value to Phaunos Shareholders. Given the illiquid nature of certain of the assets within the Phaunos portfolio, Stafford does not believe that it is realistic that full value can be returned to Phaunos Shareholders within six to nine months, as indicated in the Phaunos Board's circular to Phaunos Shareholders on 14 August 2018.

Stafford also notes the announcement of 6 September 2018 that CatchMark Timber Trust, Inc. ("**CatchMark**") has made an approach to the Phaunos Board regarding a possible offer to acquire Phaunos (the "**CatchMark Proposal**"). The CatchMark Proposal is subject to a pre-condition and various reservations and there can be no certainty that a firm offer will be made by CatchMark even if the pre-condition is satisfied. The consideration for Phaunos Shareholders pursuant to the CatchMark Proposal would be in new shares of common stock of CatchMark (which is listed in the United States), which would result in Phaunos Shareholders who accept any such offer from CatchMark (if one were to be forthcoming, of which there is no certainty) becoming holders of new shares in common stock of CatchMark. Stafford does not consider this to represent the exit that the majority of Phaunos Shareholders voted for at the 2017 AGM and the subsequent extraordinary general meeting of the Company held in August 2017.

For these reasons, Stafford considers the CatchMark Proposal to be in stark contrast to the Final Offer from Stafford Bidco which is fully financed, provides Phaunos Shareholders with an opportunity to exit in cash at a premium to the prevailing Phaunos share price prior to the Possible Offer Announcement and is already available for acceptance by Phaunos Shareholders.

Accordingly, Stafford Bidco strongly recommends that Phaunos Shareholders consider the relative merits of the Final Offer and its certainty of value and execution as against the inherent uncertainty in both the Asset Realisation Process and the CatchMark Proposal.

Stafford Bidco believes that the Final Offer is a deliverable and valuable proposition and urges Phaunos Shareholders to accept the Final Offer without delay and, in any event, by not later than **1.00 p.m. (London time) on 29 September 2018**. In accordance with the terms of the Final Offer and as required by Rule 31.6 of the Code, the Final Offer shall not (except with the consent of the Panel) be capable of becoming unconditional as to acceptances after midnight (London time) on this date. This statement is not and should not be construed as a “no extension statement” under Rule 31.5 of the Code.

4. Level of acceptances

As noted in the Final Offer Announcement released by Stafford Bidco today, as at 1.00 p.m. (London time) on 13 September 2018, the total number of Phaunos Shares which Stafford Bidco may count towards the satisfaction of the Acceptance Condition is 63,605,477 Phaunos Shares, representing, in aggregate, approximately 12.76 per cent. of the issued share capital of Phaunos.

5. Information relating to Stafford, Stafford International Timberland Fund VIII and Stafford Bidco *Stafford*

Stafford has US\$5.4 billion under management and advice from over 75 institutional investors in Europe, the United States and Australia, providing investment management and advisory services in alternative assets. Founded in 2000, Stafford has specialist investment teams in agriculture, credit, infrastructure, private equity, sustainable capital, timber and venture capital. The teams are spread across offices in Austin, Boston, Curitiba, Hanover, London, Sydney and Zurich and have a significant global presence. Stafford has adopted the United Nations Principles for Responsible Investment.

Stafford operates as an independent asset management group owned by its management team and is controlled by two of its founders, Richard Bowley and Geoffrey Norman. Stafford is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

Stafford’s timber investment team provides fund management and advisory services to institutions seeking global timberland exposure achieved through pooled investment vehicles and co-investment opportunities in transactions. It has developed a track record of providing timberland exposure through diverse investment opportunities and leverages its extensive timberland experience throughout the investment process.

Stafford International Timberland Fund VIII

In May 2018, Stafford announced the final close of Stafford International Timberland Fund VIII of US\$612.5 million from investors in the UK, Europe and the United States, close to 21 per cent. of which has already been committed to investments. Stafford International Timberland Fund VIII, which is a commingled fund comprising three limited partnerships (two of which are registered in England and one in Delaware) ultimately controlled by Stafford, is a specialist timberland fund providing liquidity to limited partners in existing timberland funds through the secondary market, additional equity for timberland managers through co-investment and separate account opportunities, and equity for new timberland funds. The limited partners of Stafford International Timberland Fund VIII include corporate pension funds, public body pension plans, insurance companies and high net worth individuals.

Stafford Bidco

Stafford Bidco is a company incorporated in England on 28 June 2018 and formed solely for the purposes of implementing the Original Offer and the Final Offer on behalf of Stafford International Timberland Fund VIII. It is wholly-owned by Stafford International Timberland Fund VIII and ultimately controlled by Stafford. The directors of Stafford Bidco are Stephen Addicott, Geoffrey Norman, Angus Whiteley and Vince Cao. Stafford Bidco has not traded since its incorporation, nor has it entered into any obligations other than in connection with the implementation of the Original Offer and the Final Offer.

6. Financial effects of the Acquisition

With effect from the date upon which the Final Offer becomes, or is declared, wholly unconditional, the earnings, assets and liabilities of the Stafford International Timberland Fund VIII, of which Stafford Bidco is a wholly-owned subsidiary, will include the consolidated earnings, assets and liabilities of Phaunos on such date.

7. No access to non-public information

The information in this document concerning Phaunos has been obtained from publicly available information. Stafford has not had access to due diligence information in connection with the Final Offer other than limited information received for the purpose of Stafford Bidco's application to the OIO. Although Stafford has no knowledge that would indicate that the information relating to Phaunos is inaccurate or incomplete, Stafford cannot verify it.

8. Information relating to Phaunos

Phaunos is a Guernsey-domiciled authorised closed-ended investment scheme, authorised by the GFSC under section 8 of The Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) and the Authorised Closed-ended Investment Schemes Rules 2008 made thereunder.

Established in 2006, the Company invests in a concentrated, but diversified portfolio of timberland and timber-related investments. It holds a portfolio of timber assets located principally in New Zealand, Brazil and Uruguay.

It was announced on 19 June 2017 that the Company's further continuation resolution at its 2017 AGM had not been passed. Therefore, the Phaunos Board is currently implementing a process for the realisation of its assets, and as a consequence, the Company is now self-managed by the Phaunos Board, supported by a number of executives and service providers within the financial, forestry management and asset sale functions.

As at 30 June 2018, the Company had a stated unaudited fund value of US\$257.3 million and a stated unaudited net asset value per Phaunos Share of US\$0.52.

9. Management, employees and business of Phaunos

As noted above, Stafford has had limited access to non-public information and has not been able to carry out its own due diligence in connection with the Final Offer. However based on Stafford's experience during its time as manager of Phaunos, Stafford would seek to manage the assets for the longer term benefit of the investors in Stafford International Timberland Fund VIII which would involve further analysis in order to formulate detailed plans to reflect the expected duration of the Stafford International Timberland Fund VIII, as would be expected of an experienced forestry investment manager.

The Phaunos 2017 Annual Report states that Phaunos has no employees and makes no reference to the operation of any pension schemes. After the Final Offer becomes, or is declared, wholly unconditional, it is intended that members of the Stafford Bidco team would assume the board positions of Phaunos in place of the existing Phaunos Board and Stafford Bidco would transfer the company secretarial and administration responsibilities from Vistra Fund Services Guernsey Limited to Stafford personnel and the Stafford International Timberland Fund VIII's administrator.

Stafford Bidco is not aware that Phaunos operates any research and development functions though it intends that the management of Phaunos's asset portfolio will be assumed by Stafford following the Final Offer becoming, or being declared, wholly unconditional.

In light of the intention for Stafford to manage Phaunos's asset portfolio, once Phaunos's assets have been transferred under the management of Stafford, Stafford Bidco will assess whether it is appropriate to commence a process to liquidate and deregister all wholly-owned subsidiaries of Phaunos as well as Phaunos itself. This would include ceasing to operate at the locations of Phaunos's places of business (including any headquarters or headquarters functions of Phaunos) and redeploying Phaunos's fixed assets (if any) in accordance with the intention for Stafford to manage Phaunos's asset portfolio.

10. Compulsory acquisition, delisting and cancellation of trading

If Stafford Bidco receives acceptances of the Final Offer in respect of not less than 90 per cent. in value of the Phaunos Shares affected (as calculated in accordance with Part XVIII of the Companies Law), Stafford Bidco intends to exercise its rights pursuant to Part XVIII of the Companies Law to acquire compulsorily, on the same terms as the Final Offer, the remaining Phaunos Shares in respect of which the Final Offer has not at such time been accepted.

Following the Final Offer becoming or being declared wholly unconditional, if Stafford Bidco receives acceptances under the Final Offer in respect of, and/or otherwise agrees to acquire, 75 per cent. or more of the voting rights carried by Phaunos Shares, Stafford Bidco intends to procure that Phaunos shall make an application for the cancellation respectively, of the listing of Phaunos Shares on the Official List and of the

trading in Phaunos Shares on the London Stock Exchange's Main Market for listed securities. A notice period of not less than 20 UK business days before the cancellation will commence on the date on which such application is made. Following the delisting, Stafford Bidco intends to procure that Phaunos relinquishes its authorisation by the GFSC as a collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Such cancellation shall significantly reduce the liquidity and marketability of any Phaunos Shares not assented to the Final Offer at that time, and their value may be affected as a consequence. Any remaining Phaunos Shareholders would become minority shareholders in a majority controlled limited company and may be unable to sell their Phaunos Shares and there can be no certainty that any dividends or other distributions shall be made by Phaunos or that the Phaunos Shareholders shall again be offered as much for the Phaunos Shares held by them as under the Final Offer.

Stafford Bidco reserves the right to increase its shareholding after the Final Offer has closed by buying further Phaunos Shares in the market (to the extent permitted under applicable laws and regulation), which may subsequently allow it to reach the threshold for delisting without the need to launch a further offer to all Phaunos Shareholders.

11. Financing

The cash consideration payable in connection with the Final Offer will be financed by a draw down from funds of Stafford International Timberland Fund VIII which are managed on a discretionary basis by Stafford.

In accordance with Rule 24.8 of the Code, Lancia LLP, as financial adviser to Stafford and Stafford Bidco, is satisfied that sufficient resources are available to Stafford Bidco to satisfy in full the cash consideration payable to Phaunos Shareholders under the terms of the Final Offer.

12. Overseas Shareholders

The attention of Overseas Shareholders, or other Phaunos Shareholders who would, or otherwise intend to, forward this document, the Original Offer Document or any accompanying documents to any jurisdiction outside the UK, is drawn to paragraph 6 of Section B, paragraph 3 of Section C and paragraph 3 of Section D of Part II of the Original Offer Document (as revised by this document).

All Phaunos Shareholders (including, without limitation, nominees, trustees or custodians) who intend to forward this document, the Original Offer Document or any accompanying documents to any jurisdiction outside the United Kingdom or Guernsey should read paragraph 6 of Section B, paragraph 3 of Section C and paragraph 3 of Section D of Part II of the Original Offer Document (as revised by this document) and seek appropriate advice before taking any action.

The availability of the Final Offer to persons not resident in the United Kingdom or Guernsey may be affected by the laws of the relevant jurisdiction. Persons who are subject to the laws of any jurisdiction other than the United Kingdom or Guernsey should inform themselves about, and observe, any applicable requirements. If you remain in any doubt, you should consult your professional adviser in the relevant jurisdiction without delay.

The Final Offer is not being, and will not be, made directly or indirectly, in or into any Restricted Jurisdiction, and will not be capable of acceptance from within any Restricted Jurisdiction. Accordingly, accepting Phaunos Shareholders who hold their shares in certificated form and are unable to give the representations and warranties set out in paragraph 3 of Section C of Part II of the Original Offer Document (as revised by this document) and who put "No" in Box 3 of the New Form of Acceptance will be deemed not to have validly accepted the Final Offer and accepting Phaunos Shareholders who hold their shares in uncertificated form and are unable to give the representations and warranties set out in paragraph 3 of Section D of Part II of the Original Offer Document (as revised by this document) will (subject to paragraph 6 of Section B of Part II of the Original Offer Document (as revised by this document)) also be deemed not to have validly accepted the Final Offer.

13. United Kingdom and Guernsey taxation

Your attention is drawn to Part III of this document, headed "United Kingdom and Guernsey Taxation". If you are in any doubt as to your tax position or are subject to taxation in any jurisdiction other than the United Kingdom or Guernsey, you should consult an appropriate professional adviser immediately.

14. Procedures for acceptance of the Final Offer

Holders of Phaunos Shares in **certificated form** (that is, not in CREST) may only accept the Final Offer in respect of such Phaunos Shares by completing, signing and returning a New Form of Acceptance in accordance with the procedure set out in sub-paragraph 14.1 below.

Holders of Phaunos Shares in **uncertificated** form (that is, in CREST) may only accept the Final Offer in respect of such Phaunos Shares by submitting an Electronic Acceptance in accordance with the procedure set out in sub-paragraph 14.2 below.

You should note that, if you hold Phaunos Shares in both certificated and uncertificated form, you should complete a New Form of Acceptance for the Phaunos Shares that you hold in certificated form in accordance with sub-paragraph 14.1 below and the Phaunos Shares that you hold in uncertificated form should be dealt with in accordance with sub-paragraph 14.2 below.

If your Phaunos Shares are in the course of being converted from uncertificated to certificated form, or from certificated to uncertificated form, please refer to sub-paragraph 14.2(e) below.

14.1 Phaunos Shares held in certificated form (that is, not in CREST)

(a) Completion of New Form of Acceptance

To accept the Final Offer in respect of Phaunos Shares held in certificated form (that is, not in CREST), you must complete the New Form of Acceptance in accordance with the instructions set out below and on the New Form of Acceptance. You should complete separate New Forms of Acceptance for Phaunos Shares held in certificated form but under different designations.

If you have any queries as to how to complete the New Form of Acceptance or wish to request additional Forms of Acceptance, please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

The instructions printed on the New Form of Acceptance shall be deemed to form part of the terms of the Final Offer.

- (i) *To accept the Final Offer in respect of all your Phaunos Shares in certificated form*—you must complete **Box 1** and sign **Box 2A** or **2B** of the enclosed New Form of Acceptance. In all cases, if you are an individual, you must sign **Box 2A** on the New Form of Acceptance in the presence of a witness who should also sign in accordance with the instructions printed on it. Any Phaunos Shareholder which is a company should execute **Box 2B** of the New Form of Acceptance in accordance with the instructions printed on it. If you do not insert a number in **Box 1** of the New Form of Acceptance, or if you insert in **Box 1** a number which is greater than the number of Phaunos Shares that you hold in certificated form and you have signed **Box 2A** or **2B**, your acceptance will be deemed to be in respect of all the Phaunos Shares held by you in certificated form.
- (ii) *To accept the Final Offer in respect of less than all your Phaunos Shares in certificated form*—you must insert in **Box 1** on the enclosed New Form of Acceptance such lesser number of Phaunos Shares in respect of which you wish to accept the Final Offer in accordance with the instructions printed on it. You should then follow the procedure set out in paragraph 14.1(a)(i) above in respect of such lesser number of Phaunos Shares.

(b) Return of New Form of Acceptance

To accept the Final Offer in respect of Phaunos Shares held in certificated form, the completed, signed and (where applicable) witnessed New Form of Acceptance should be returned to the Receiving Agent, by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, together (subject to paragraph 14.1(c) below) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 29 September 2018. A reply-paid envelope for use in the United Kingdom only is enclosed for your convenience. No acknowledgement of receipt of documents will be given.

Any New Form of Acceptance received in an envelope post-marked in a Restricted Jurisdiction, or otherwise appearing to Stafford Bidco to have been sent from any of these jurisdictions, may be rejected as an invalid acceptance of the Final Offer. For further information for Phaunos Shareholders resident overseas, see paragraph 12 of this Part I.

(c) Share certificates not readily available or lost

If your Phaunos Shares are in certificated form, a completed, signed and (where applicable) witnessed New Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or other document(s) of title is/are not readily available or is/are lost, you should nevertheless complete, sign and return the New Form of Acceptance to the Receiving Agent, by post, using the enclosed reply paid envelope if you are in the United Kingdom, to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE, as soon as possible and, in any event, so as to be received not later than 1.00 p.m. (London time) on 29 September 2018. You should send with the New Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available, accompanied by a letter stating that the remaining documents will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. If you have lost your share certificate(s) and/or other document(s) of title you should write as soon as possible to Phaunos's registrars, Link Asset Services, at Mont Crevelt House, Bulwer Avenue, St Sampson, Guernsey, GY2 4LH, requesting a letter of indemnity for the lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post or by hand to the Receiving Agent at the address given above.

(d) Validity of acceptances

Without prejudice to Section B of Part II of the Original Offer Document (as revised by this document), subject to the provisions of the Code, Stafford Bidco reserves the right to treat as valid in whole or in part any acceptance of the Final Offer which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Final Offer will be made until after the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to Stafford Bidco have been received.

(e) Overseas Shareholders

The attention of Phaunos Shareholders holding Phaunos Shares in certificated form and who are citizens or residents of jurisdictions outside the United Kingdom or Guernsey is drawn to paragraph 6 of Section B and paragraph 3 of Section C of Part II of the Original Offer Document (as revised by this document).

14.2 Phaunos Shares held in uncertificated form (that is, in CREST)

(a) General

If your Phaunos Shares are in uncertificated form, to accept the Final Offer you should take (or procure the taking of) the making of an Electronic Acceptance as set out below to transfer the Phaunos Shares in respect of which you wish to accept the Final Offer to the appropriate escrow balance(s), specifying the Receiving Agent (in its capacity as a CREST participant under the Escrow Agent's participant ID referred to below) as the Escrow Agent, **as soon as possible and in any event so that the TTE Instruction settles not later than 1.00 p.m. (London time) on 29 September 2018. Note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational)—you should therefore ensure you time the input of any TTE Instructions accordingly.**

The input and settlement of a TTE Instruction in accordance with this paragraph 14.2 will (subject to satisfying the requirements set out in Section B and Section D of Part II of the Original Offer Document (as revised by this document)) constitute an Electronic Acceptance of the Final Offer in respect of the number of Phaunos Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE Instruction(s) to Euroclear in relation to your Phaunos Shares.

After settlement of a TTE Instruction, you will not be able to access the Phaunos Shares concerned in CREST for any transaction or charging purposes. If the Final Offer becomes, or is declared, wholly unconditional, the Escrow Agent will withdraw the Phaunos Shares which will be transferred to Stafford Bidco (or to such other person or persons as Stafford Bidco or its agents may direct) in accordance with Section D of Part II of the Original Offer Document (as revised by this document).

You are recommended to refer to the CREST Manual issued by Euroclear for further information on the CREST procedures outlined below.

You should note, in particular, that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Phaunos Shares to settle prior to 1.00 p.m. (London time) on 29 September 2018. In this connection, you are referred, in particular, to those sections of the CREST Manual concerning the practical limitations of the CREST system and timings.

(b) To accept the Final Offer

To accept the Final Offer in respect of your Phaunos Shares, you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE Instruction in relation to such Phaunos Shares. A TTE Instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN for the Phaunos Shares. This is GG00BFX4LT97;
- the number of Phaunos Shares in respect of which you wish to accept the Final Offer (i.e. the number of Phaunos Shares to be transferred to escrow);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent. This is 8RA27;
- the member account ID of the Escrow Agent for the Final Offer. This is PHAMAH01;
- the intended settlement date. This should be as soon as possible and, in any event, not later than 1.00 p.m. (London time) on 29 September 2018;
- the corporate action number of the Final Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- input with a standard delivery instruction of priority of at least 80; and
- a contact name and telephone number in the shared note field.

If you hold Phaunos Shares in uncertificated form through one or more intermediaries, such as a stockbroker, custodian bank or clearing system, you should confirm the instruction deadline which such intermediaries have established to accept the Final Offer on your behalf. The custodian bank or stockbroker may set an earlier deadline for receiving instructions from you in order to permit the custodian bank or stockbroker to communicate acceptances to the Receiving Agent in a timely manner. **In order for acceptances to be counted towards the Acceptance Condition, you may need to take action well in advance of the announced deadline for acceptance.**

(c) Validity of Acceptances

Holders of Phaunos Shares in uncertificated form who wish to accept the Final Offer should note that a TTE Instruction will only be a valid acceptance of that Final Offer as at the relevant closing date if it has settled on or before 1.00 p.m. (London time) on that date. A New Form of Acceptance which is received in respect of Phaunos Shares held in uncertificated form will be treated as an invalid acceptance and disregarded.

Stafford Bidco will make an appropriate announcement if any of the details contained in this paragraph 14.2 alter for any reason.

(d) Overseas Shareholders

The attention of Phaunos Shareholders holding Phaunos Shares in uncertificated form and who are citizens or residents of jurisdictions outside the United Kingdom or Guernsey is drawn to paragraph 6 of Section B and paragraph 3 of Section D of Part II of the Original Offer Document (as revised by this document).

(e) Further information

Normal CREST procedures (including timings) apply in relation to any Phaunos Shares that are, or are to be, converted from uncertificated form to certificated form, or from certificated form to uncertificated form, during the course of the Final Offer (whether any such conversion arises as a result of a transfer of Phaunos Shares or otherwise). Holders of Phaunos Shares who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Final Offer (in particular, as regards delivery of a New Form of Acceptance or transfers to an escrow balance as described above) before 1.00 p.m. (London time) on 29 September 2018.

If you are in any doubt as to the procedure for acceptance of the Final Offer, please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

15. Settlement

Subject to the Final Offer becoming, or being declared, wholly unconditional (except as provided in paragraph 6 of Section B of Part II of the Original Offer Document (as revised by this document) in the case of Phaunos Shareholders who are not resident in the UK), settlement of the consideration to which any Phaunos Shareholder is entitled under the Final Offer will be despatched to validly accepting Phaunos Shareholders (i) in the case of acceptances received, valid and complete in all respects, by the date on which the Final Offer becomes, or is declared, wholly unconditional, as soon as practicable and, in any event, within 14 days of the later of such date and 29 September 2018; or (ii) in the case of acceptances received, valid and complete in all respects, after such date but while the Final Offer remains open for acceptance, as soon as practicable and, in any event, within 14 days of such receipt, in the following manner.

15.1 Phaunos Shares in certificated form (that is, not in CREST)

Where an acceptance relates to Phaunos Shares in certificated form, settlement of any cash due will be despatched by first class post (or such other method as may be approved by the Panel) to accepting Phaunos Shareholders or their appointed agents (but not in a Restricted Jurisdiction). All such cash payments will be made in pounds Sterling by cheque drawn on a branch of a United Kingdom clearing bank.

15.2 Phaunos Shares in uncertificated form (that is, in CREST)

Where an acceptance relates to Phaunos Shares in uncertificated form, the cash consideration to which the accepting Phaunos Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting Phaunos Shareholder's payment bank in respect of the cash consideration due, in accordance with CREST payment arrangements. Stafford Bidco reserves the right to settle all or any part of the consideration referred to in this paragraph, for all or any accepting Phaunos Shareholder(s), in the manner referred to in paragraph 15.1 above, if, for any reason, it wishes to do so.

15.3 Lapsing or withdrawal of the Final Offer

If the Final Offer does not become, or is not declared, wholly unconditional:

- (a) in the case of Phaunos Shares held in certificated form, the Original Form of Acceptance or the New Form of Acceptance (as applicable) will be returned by post (or by such other method as may be approved by the Panel) within 14 calendar days of the Final Offer lapsing to the person or agent whose name and address (outside a Restricted Jurisdiction) is set out in the Original Form of Acceptance or the New Form of Acceptance (as applicable) or, if none is set out, to the first-named holder at his or her registered address (provided that no such documents will be sent to an address in a Restricted Jurisdiction); and

- (b) in the case of Phaunos Shares held in uncertificated form, the Escrow Agent will, immediately after the lapsing of the Final Offer (or within such longer period as the Panel may permit, not exceeding 14 calendar days of the lapsing of the Final Offer), give TFE instructions to Euroclear to transfer all Phaunos Shares which are held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Final Offer to the original available balances of the Phaunos Shareholders concerned.

15.4 General

All remittances, communications, notices, certificates and documents of title sent by, to or from Phaunos Shareholders or their appointed agents will be sent at their own risk.

16. Action to be taken

If you have already validly accepted the Original Offer (and not validly withdrawn such acceptance), you will automatically be deemed to have accepted the terms of the Final Offer by virtue of your prior acceptance and therefore you need not take any further action and you do not need to complete or return the accompanying New Form of Acceptance or make a further Electronic Acceptance.

If you have not already accepted the Original Offer and:

- (a) you hold your Phaunos Shares in certificated form (that is, not in CREST), you are urged to complete, sign and return the New Form of Acceptance to the Receiving Agent, by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare at The Pavilions, Bridgwater Road, Bristol, BS13 8AE as soon as possible but, in any event, so as to be received by no later than 1.00 p.m. on 29 September 2018. Your share certificate(s) or other document(s) of title should be enclosed with your completed New Form of Acceptance. A first class reply-paid envelope is enclosed for your convenience if you are posting your documents in the United Kingdom; or
- (b) you hold your Phaunos Shares in uncertificated form (that is, in CREST), you should follow the procedure set out in paragraph 14.2 of this letter and ensure that an Electronic Acceptance is made by you or on your behalf and has settled no later than 1.00 p.m. on 29 September 2018. You should note that settlement cannot take place on weekend such that the input of any TTE Instructions should be timed accordingly in light of 29 September 2018 being a Saturday.

Yours faithfully

Stephen Addicott
Director
Mahogany Bidco Limited

PART II—CONDITIONS TO AND FURTHER TERMS OF THE FINAL OFFER

The Final Offer is a revision of the Original Offer and shall be construed accordingly.

The Final Offer is made on the same terms and subject to the same Conditions as set out in Part II of the Original Offer Document and, in respect of Phaunos Shareholders who hold their Phaunos Shares in certificated form, the Original Form of Acceptance and/or the New Form of Acceptance (as appropriate), save that:

- (a) the Acceptance Condition set out in paragraph 1.1 of Section A of Part II of the Original Offer Document shall be deleted in its entirety and replaced with:

“1.1. Valid acceptances of the Final Offer being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on 29 September 2018 (or such later time(s) and/or dates(s) as Stafford Bidco may, with the consent of the Panel or in accordance with the Code, decide) in respect of Phaunos Shares which, taken together with all other Phaunos Shares which Stafford Bidco acquires or agrees to acquire (whether pursuant to the Final Offer or otherwise), comprise more than 50 per cent. in value of Phaunos Shares affected (as calculated in accordance with Part XVIII of the Companies Law), including for this purpose (to the extent (if any) required by the Panel) any such voting rights attaching to any Phaunos Shares that are unconditionally allotted or issued fully paid before the Final Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of outstanding subscription or conversion rights or otherwise. For the purposes of this Condition:

- (a) Phaunos Shares which have been unconditionally allotted but not issued before the Final Offer becomes or is declared, unconditional as to acceptances whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise, shall be deemed to carry the voting rights which they will carry upon issue;
- (b) Phaunos Shares (if any) that cease to be held in treasury before the Final Offer becomes or is declared, unconditional as to acceptances are Phaunos Shares affected in accordance with Part XVIII of the Companies Law; and
- (c) the term “voting rights” shall be construed in accordance with its meaning under the Code.”;

- (b) the Condition set out in paragraph 2.13 of Section A of Part II of the Original Offer Document shall be deleted in its entirety and replaced with:

“2.13 If, on or after the date of this document, any dividend and/or other distribution and/or share repurchase and/or return of capital is declared, made, paid or otherwise effective by Phaunos or otherwise becomes payable in respect of any Phaunos Share by reference to a record date falling on or after the date of this document, Stafford Bidco shall (without prejudice to any right of Stafford Bidco to invoke the Condition contained in sub-paragraph 1.12(b)) reduce the Final Offer Price by the amount equal to the gross amount of such dividend and/or distribution and/or share repurchase and/or return of capital, in which case any reference in this document to the Final Offer Price under the Final Offer will be deemed to be a reference to the Final Offer Price as so reduced and Phaunos Shareholders will be entitled to receive and retain the amount by reference to which the Final Offer Price has been reduced. To the extent that any such dividend and/or distribution and/or share repurchase and/or return of capital is declared, made or paid or is payable and it is:

- (a) transferred pursuant to the Final Offer on a basis which entitles Stafford Bidco to receive and retain it; or
- (b) cancelled in full prior to payment,

the Final Offer Price to be paid by Stafford Bidco under the terms of the Final Offer will not be subject to reduction in accordance with this paragraph. Any reduction referred to in this paragraph shall be the subject of an announcement and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the terms of the Final Offer.”; and

- (c) any references in Part II of the Original Offer Document or in the Original Form of Acceptance to:
- (i) “**Acceptance Shares**” shall mean Phaunos Shares in respect of which the Original Offer or the Final Offer has been or is accepted or is deemed to have been or to be accepted in accordance with Original Offer Document or this document (as appropriate);
- (ii) “**acceptances of the Offer**” shall include acceptances and deemed acceptances of the Original Offer and the Final Offer;

- (iii) the “**First Closing Date**” or “**21 August 2018**” shall be construed as a reference to 29 September 2018;
- (iv) the “**Form of Acceptance**” shall mean the Original Form of Acceptance and/or the New Form of Acceptance (as appropriate);
- (v) the “**Offer**” shall mean the Final Offer and will include any revision, variation or extension of the Final Offer; and
- (vi) the “**Offer Document**” shall mean the Original Offer Document and this document.

PART III—UNITED KINGDOM AND GUERNSEY TAXATION

1. United Kingdom

The following statements are intended to apply only as a general guide to certain UK tax considerations and are based on current UK tax law and current published practice of HM Revenue and Customs, both of which are subject to change at any time, possibly with retrospective effect. They relate only to certain limited aspects of the UK taxation treatment of Phaunos Shareholders who (a) for UK tax purposes, are resident in the UK (except to the extent that the position of non-UK resident Phaunos Shareholders is expressly referred to) and, in the case of individuals, domiciled in the UK, (b) who hold the Phaunos Shares as investments (other than under an individual savings account or a self-invested personal pension) and (c) who are the beneficial owners of both the Phaunos Shares and any dividends paid on them. The statements may not apply to certain classes of Phaunos Shareholders such as (but not limited to) persons who acquired or are deemed to have acquired their Phaunos Shares in connection with an office or employment, dealers in securities, insurance companies and collective investment schemes.

The summary below does not constitute tax or legal advice and Phaunos Shareholders who are in any doubt about their taxation position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

(a) Taxation of chargeable gains

A Phaunos Shareholder's liability to UK taxation of chargeable gains in respect of the disposal of Phaunos Shares pursuant to the Final Offer will depend on that shareholder's individual circumstances.

Phaunos Shareholders selling their Phaunos Shares pursuant to the Final Offer will be disposing of them for the purposes of UK taxation of chargeable gains. A disposal, or deemed disposal, of Phaunos Shares by a Phaunos Shareholder who is resident in the UK for tax purposes may, depending on the Phaunos Shareholder's circumstances and subject to any available exemptions and reliefs (such as the annual exempt amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

Individual Phaunos Shareholders

For an individual Phaunos Shareholder who is subject to income tax at the basic rate and liable to UK capital gains tax on such disposal, the applicable rate would be 10 per cent. to the extent that the gain, when added to the Phaunos Shareholder's other taxable income for the relevant tax year, does not exceed the upper limit of the income tax basic rate band. To the extent that the gain, when added to the Phaunos Shareholder's other taxable income for the relevant tax year, exceeds this band or if an individual Phaunos Shareholder is subject to income tax at either the higher or the additional rate, the applicable rate of UK capital gains tax on the disposal of his Phaunos Shares will be 20 per cent.

An individual Phaunos Shareholder who has ceased to be resident in the UK for tax purposes for a period of less than five years and who disposes of Phaunos Shares during that period may also be liable on his return to the UK to UK taxation on any capital gain realised (subject to any available exemption or relief). Special rules apply to persons who are subject to tax on a "split-year" basis, who should seek specific professional advice if they are in any doubt about their position.

Corporate Phaunos Shareholders

For a Phaunos Shareholder who is within the charge to UK corporation tax, a gain on the disposal or part disposal of Phaunos Shares will form part of the Phaunos Shareholder's profits chargeable to corporation tax (the rate of which is currently 19 per cent.). For such shareholders (in addition to any other applicable reliefs, exemptions and allowable losses) indexation allowance in respect of periods up to 31 December 2017 may be available in respect of the Phaunos Shares to reduce any chargeable gain arising on the disposal (but not to create or increase any allowable loss).

(b) Stamp duty and stamp duty reserve tax ("SDRT")

No stamp duty or SDRT will be payable by Phaunos Shareholders as a result of accepting the Final Offer.

2. Guernsey

The following paragraphs, which are intended as a general guide only, do not constitute tax advice and are based on current Guernsey tax legislation. They summarise certain limited aspects of the anticipated Guernsey tax treatment of the Final Offer and they relate only to the position of Phaunos Shareholders who are the absolute beneficial owners of their shares, who hold their shares as an investment and who are resident in Guernsey for taxation purposes. They do not apply to certain classes of Phaunos Shareholders, such as dealers in securities, insurance companies, collective investment schemes and Phaunos Shareholders who have, or are deemed to have, acquired their shares by reason of, or in connection with, an office or employment. If you are in any doubt as to your taxation position or if you are subject to tax in any jurisdiction other than Guernsey, you should consult an appropriate professional adviser immediately.

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax, which is currently suspended) gifts, sales or turnover, nor are there any estate duties, save for registration fees and an *ad valorem* duty for a Guernsey grant of representation where the deceased dies leaving assets in Guernsey which require presentation of such grant.

(a) Guernsey resident shareholders

Tax on Capital Gains

Unless the varying of investments and turning of such investments to account is a business or part of a business, the exchange of Phaunos Shares for receipt of the cash consideration will be considered a capital transaction in Guernsey. As Guernsey does not levy capital gains tax, there will be no tax on this exchange.

Stamp Duty

No stamp duty is chargeable in Guernsey on the issue, transfer or repurchase of shares and therefore no stamp duty will be payable in Guernsey by Phaunos Shareholders as a result of accepting the Final Offer and transferring their shares to Stafford Bidco.

(b) Non-Guernsey resident shareholders

Phaunos Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of or in connection with the Final Offer.

(c) Anti-Avoidance

Guernsey has a wide-ranging anti-avoidance provision. This provision targets transactions where the effect of the transaction or series of transactions is the avoidance, reduction or deferral of a tax liability. At his discretion, the Director of Income Tax will make such adjustments to the tax liability to counteract the effects of the avoidance, reduction or deferral of the tax liability.

PART IV—FINANCIAL INFORMATION, RATINGS AND OUTLOOKS

1. Financial information relating to Stafford and Stafford Bidco

The following table sets out the financial information in respect of Stafford as required by Rule 24.3(a) of the Code. The documents (or parts thereof) referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Code.

If you are reading this document in hard copy, please enter the web addresses below in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web addresses below to be brought to the relevant document.

<u>Document</u>	<u>Website where such document is available for inspection</u>
Stafford 2017 Annual Report	www.staffordcp.com The audited consolidated accounts are set out on pages 8 to 26
Stafford 2016 Annual Report	www.staffordcp.com The audited consolidated accounts are set out on pages 7 to 27

The information is available in “read-only” format and can be printed from the web address detailed above.

As Stafford Bidco was incorporated on 28 June 2018 and formed for the purposes of implementing the Original Offer and the Final Offer, no financial information is available or has been published in respect of Stafford Bidco. Stafford Bidco has not traded since its incorporation, nor has it entered into any obligations other than in connection with the implementation of the Original Offer and the Final Offer.

2. Stafford and Stafford Bidco ratings and outlook information

There are no current ratings or outlooks publicly accorded to Stafford or Stafford Bidco by ratings agencies.

3. Financial information relating to Phaunos

The following table sets out the financial information in respect of Phaunos as required by Rule 24.3(e) of the Code. The documents (or parts thereof) referred to below are incorporated into this document by reference pursuant to Rule 24.15 of the Code.

If you are reading this document in hard copy, please enter the web addresses below in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web addresses below to be brought to the relevant document.

<u>Document</u>	<u>Website where such document is available for inspection</u>
Phaunos 2018 Half Year Report	www.phaunostimber.com/investor-information/financial-reports/ The unaudited interim condensed consolidated accounts are set out on pages 9 to 32
Phaunos 2017 Annual Report	www.phaunostimber.com/investor-information/financial-reports/ The audited consolidated accounts are set out on pages 45 to 77
Phaunos 2016 Annual Report	www.phaunostimber.com/investor-information/financial-reports/ The audited consolidated accounts are set out on pages 47 to 79

The information is available in “read-only” format and can be printed from the web address detailed above.

4. Phaunos ratings and outlook information

So far as Stafford Bidco is aware, there are no current ratings or outlooks publicly accorded to Phaunos by ratings agencies.

5. Request for hard copies

Please see paragraph 12 of Part V for details of obtaining hard copies of documents incorporated by reference into this document.

6. No incorporation of website information

Neither the content of Stafford’s or Phaunos’s website, nor the content of any website accessible from hyperlinks on Stafford’s or Phaunos’s website, is incorporated by reference into, or forms part of, this document

PART V—ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Stafford Responsible Persons, whose names are set out in paragraph 1.3 of Part V of the Original Offer Document, accept responsibility for the information contained in this document (including any expressions of opinion) save that the only responsibility accepted by them in respect of information related to Phaunos, the Wider Phaunos Group and the Phaunos Directors, which has been compiled from previously published sources, is to ensure that such information is correctly and fairly reproduced and presented.
- 1.2 To the best of the knowledge and belief of the Stafford Responsible Persons (having taken all reasonable care to ensure that such is the case), whose names are set out in paragraph 1.3 of Part V of the Original Offer Document, the information contained in this document for which they are each responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The Stafford Bidco Directors and their respective positions are as follows:

Stephen Addicott (*Director*)
Geoffrey Norman (*Director*)
Angus Whiteley (*Director*)
Vince Cao (*Director*)

The registered office of Stafford Bidco is Fourth Floor, 24 Old Bond Street, London, United Kingdom, W1S 4AW, which is also the business address of each of the Stafford Bidco Directors.

- 2.2 The Phaunos Directors and their respective positions are as follows:

Richard Boléat (*Chairman*)
Jonathan Bridel (*Director*)
Brendan Hawthorne (*Director*)

The registered office of Phaunos is 11 New Street, St Peter Port, Guernsey GY1 2PF, which is also the business address of each of the Phaunos Directors.

3. Market quotations

The following table sets out the Closing Prices for Phaunos Shares (as derived from the Daily Official List) on:

- the first dealing day in each of the six months immediately prior to the date of this document;
- 4 June 2018, being the last dealing day before the start of the Offer Period; and
- 13 September 2018, being the last dealing day before the publication of this document:

<u>Date</u>	<u>Phaunos Share (US\$ per share)</u>
3 April 2018	0.435
1 May 2018	0.435
1 June 2018	0.440
4 June 2018	0.435
2 July 2018	0.477
1 August 2018	0.475
3 September 2018	0.505
13 September 2018	0.495

4. Persons acting in concert

4.1 Persons acting in concert with Stafford Bidco

In addition to the Stafford Bidco Directors (including members of their immediate families, close relatives and related trusts) and the members of the Wider Stafford Bidco Group (and their directors), for the purposes of the

Code, the persons acting, or deemed to be acting in concert with Stafford Bidco for the purposes of the Final Offer are:

<u>Name</u>	<u>Type of entity</u>	<u>Registered Office/Business Address</u>	<u>Relationship with Stafford Bidco</u>
Lancea LLP	Limited Liability Partnership	Ground Floor, 45 Pall Mall, London SW1Y 5JG	Financial adviser to Stafford and Stafford Bidco
Stephen Westwood	Individual	Unit H Ver House, London Road, Markyate, Hertfordshire AL3 8JP	Director of CES Investments Limited, an authorised representative of Lancea LLP

4.2 Persons acting in concert with Phaunos

In addition to the Phaunos Directors (including members of their immediate families, close relatives and related trusts) and the members of the Wider Phaunos Group (and their directors), for the purposes of the Code, based on the circular released by Phaunos on 14 August 2018, so far as Stafford Bidco is aware, the persons acting, or deemed to be acting in concert with Phaunos for the purposes of the Final Offer are:

<u>Name</u>	<u>Type of entity</u>	<u>Registered Office</u>	<u>Relationship with Phaunos</u>
Evercore Partners International LLP	Limited Liability Partnership	15 Stanhope Gate, London W1K 1LN	Financial adviser to Phaunos
Winterflood Securities Limited (acting through its division Winterflood Investment Trusts)	Private Limited Company	The Antrim Building, Cannon Bridge House, 25 Dowgate Hill, London EC4R 2GA	Corporate Broker to Phaunos

5. No Material Changes

- 5.1 The contents of the Original Offer Document shall be deemed to be incorporated into and form part of this document, save to the extent amended or superseded in this document. Save as set out in this document and other than the information relating to Phaunos set out in Phaunos's response circular dated 14 August 2018, Stafford Bidco confirms that there have been no changes in information detailed in any previously published document relating to the Acquisition which are material in the context of the document.
- 5.2 For the purposes of Rule 27.2 of the Code, Stafford Bidco is required to provide details of any material changes to the matters set out in Rule 27.2(b) of the Code which have occurred since publication of the Original Offer Document on 31 July 2018. For these purposes, Stafford Bidco confirms that, save as described in paragraph 5.3 or set out below, there have been no material changes to:
- its intentions with regard to the business, employees and pension scheme(s) of Phaunos (as set out in paragraph 9 of Part I of this document) as detailed in Rule 24.2 of the Code;
 - Stafford's or its subsidiaries' material contracts as detailed in Rule 24.3(a)(vii) of the Code;
 - any current ratings or outlooks publicly accorded to Stafford or Stafford Bidco (of which there continue to be none, as set out in Part IV of this document) or Phaunos (of which, so far as Stafford Bidco is aware, there continue to be none as set out in Part IV of this document) as detailed in Rule 24.3(c) of the Code;
 - the terms of the Acquisition (other than as set out in Part I and Part II of this document);
 - any agreements or arrangements to which Stafford Bidco is a party which relate to the circumstances in which Stafford Bidco may or may not invoke or seek to invoke a condition of the Acquisition (of which there were none detailed in the Original Offer Document) as detailed in Rule 24.3(d)(ix) of the Code;
 - any irrevocable commitments and letters of intent which Stafford Bidco or any person acting in concert with Stafford Bidco has procured in relation to relevant securities of the Company (of which there were none detailed in the Original Offer Document) as detailed in Rule 24.3(d)(x) of the Code;
 - any post-offer undertakings made by Stafford Bidco (of which there were none made in the Original Offer Document) as detailed in Rule 24.3(d)(xv) of the Code;

- (h) any offer-related arrangements or other agreements, arrangements or commitments permitted under, or excluded from, Rule 21.2 of the Code (including any inducement fees) (of which there were none summarised in the Original Offer Document) as detailed in Rule 24.3(d)(xvi) of the Code;
- (i) any profit forecasts and quantified financial benefits statements (of which there were none included in the Original Offer Document) as detailed in Rule 24.3(d)(xviii) of the Code;
- (j) Stafford Bidco's financing arrangements and sources of finance in respect of the Final Offer as detailed in Rule 24.3(f) of the Code;
- (k) any interests and dealings in relevant securities by, amongst others, Stafford Bidco, Stafford, the Stafford Bidco Directors, the Stafford Directors and persons acting in concert with Stafford Bidco or Stafford, as detailed in Rule 24.4 of the Code, as at 13 September 2018 (being the latest practicable date prior to the publication of this document);
- (l) any agreement, arrangement or understanding (including any compensation arrangement) between Stafford Bidco or any person acting in concert with Stafford Bidco and any of the Phaunos Directors, recent Phaunos Directors, Phaunos Shareholders or recent Phaunos Shareholders or any person interested or recently interested in Phaunos Shares, having any connection with or dependence on, or which is conditional upon the outcome of, the Acquisition (of which there were none provided for in the Original Offer Document) as detailed in Rule 24.6 of the Code, or any form of incentivisation arrangements with members of Phaunos management who are interested in Phaunos Shares (of which there were none provided for in the Original Offer Document) as detailed in Rule 16.2 of the Code;
- (m) the ultimate owner of any securities acquired pursuant to the terms of the Final Offer as detailed in Rule 24.9 of the Code; and
- (n) any dealing arrangements as detailed in Rule 24.13 of the Code.

5.3 Set out below are details of material changes that have occurred following the publication of the Original Offer Document on 31 July 2018 in relation to certain of the matters detailed in Rule 27.2(b) of the Code.

- (a) Any known significant change in Phaunos's financial or trading position

On 7 September 2018, Phaunos published the Phaunos 2018 Half Year Report. In accordance with Rule 27.2(b)(ii) of the Code, so far as Stafford Bidco is aware and save as publicly announced by Phaunos and except as disclosed in this document, there has been no significant change in the financial or trading position of Phaunos since 30 June 2018, the date of the end of the last financial period for which either audited financial information or interim financial information was published.

- (b) Fees and expenses

Stafford Bidco expects to incur fees and expenses of approximately £1,350,000 (plus applicable VAT), in aggregate, in connection with the Final Offer, comprising the following:

- (i) £nil in respect of financing arrangements;
- (ii) £519,000 in respect of financial and corporate broking advice;
- (iii) £695,000 in respect of legal advice;
- (iv) £nil in respect of accounting advice;
- (v) £nil in respect of public relations advice;
- (vi) £33,000 in respect of other professional services; and
- (vii) £103,000 in respect of other costs and expenses.

6. Bases and sources of information

Save as otherwise set out in this document, the following constitute the bases and sources of information referred to in this document.

- (a) Historical financial information relating to Phaunos has been extracted or derived (without material adjustment) from the Phaunos 2018 Half Year Report.
- (b) The total equity value of approximately US\$259.1 (on a fully diluted basis) is obtained by multiplying the proposed US\$0.52 per Phaunos Share by Phaunos's fully diluted share capital as referred to in paragraph 6.1(c) below.

- (c) The fully diluted share capital of Phaunos is calculated on the basis of 498,360,117 Phaunos Shares in issue as at 10 August 2018 as announced by the Company on 14 August 2018. The ISIN for Phaunos Shares is GG00BFX4LT97.
- (d) Unless otherwise stated, all prices for Phaunos Shares are Closing Prices as of the relevant date.
- (e) The premium calculations to the Final Offer Price per Phaunos Share have been calculated by reference to:
 - (i) a price of US\$0.44 per Phaunos Share, being the Closing Price on 4 June 2018 (the last Business Day prior to the Possible Offer Announcement); and
 - (ii) the Original Offer Price.
- (f) The reference in paragraph 3 of Part I of this document to the Matariki Interest representing approximately 68 per cent. of the total net asset value of the Company is based on:
 - (i) a fund value of the Company of US\$257,305,000 (unaudited) as at 30 June 2018; and
 - (ii) a net asset value attributed to the Matariki Interest of US\$174,413,000 as set out in Note 12 of the Phaunos 2018 Half Year Report.
- (g) Unless otherwise stated, all prices and closing prices for Phaunos Shares are closing middle market quotations derived from the London Stock Exchange Daily Official List (SEDOL).

7. Consent

Lancea LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.

8. Documents available for inspection

Copies of the following documents will be published by no later than 12 noon (London time) on the Business Day following the date of this document on Stafford's website at www.staffordcp.com and will be made available until the end of the Offer Period:

- (a) the Final Offer Announcement;
- (b) the Original Offer Announcement;
- (c) this document and the New Form of Acceptance;
- (d) the Original Offer Document and the Original Form of Acceptance;
- (e) the articles of association of Stafford Bidco;
- (f) the Stafford 2017 Annual Report and the Stafford 2016 Annual Report; and
- (g) the letter of consent referred to in paragraph 7 of this Part V.

9. Documents incorporated by reference and hard copies

9.1 Parts of other documents are incorporated by reference into, and form part of, this document. Part IV of this document sets out which sections of certain of such documents are incorporated into this document and the location of references to such documents within this document.

Any Phaunos Shareholder or other person to whom this document is sent by Stafford Bidco may request a copy of the information incorporated by reference into this document (as set out in Part V of this document) in hard copy form. A hard copy of such documents will not be sent to such persons unless requested from the Receiving Agent by post to Computershare at Corporate Actions Projects, Bristol, BS99 6AH or by phone on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

PART VI—DEFINITIONS

Unless the context otherwise requires and save to the extent superseded in this document, the definitions used in the Original Offer Document shall also apply in this document, together with the following definitions:

- “**CatchMark**” has the meaning given to it in paragraph 3 of Part I of this document
- “**CatchMark Proposal**” has the meaning given to it in paragraph 3 of Part I of this document
- “**Final Offer**” has the meaning given to it in paragraph 1 of Part I of this document
- “**Final Offer Announcement**” the announcement of the Final Offer pursuant to the Code made on the date of this document
- “**Final Offer Price**” has the meaning given to it in paragraph 2 of Part I of this document
- “**New Form of Acceptance**” the form of acceptance and authority relating to the Final Offer which (in the case of Phaunos Shareholders who hold their Phaunos Shares in certificated form) accompanies this document
- “**Original Form of Acceptance**” the form of acceptance and authority relating to the Original Offer which (in the case of Phaunos Shareholders who hold their Phaunos Shares in certificated form) accompanied the Original Offer Document
- “**Original Offer**” has the meaning given to it in paragraph 1 of Part I of this document
- “**Original Offer Announcement**” the announcement of the Original Offer made in accordance with Rule 2.7 of the Code made on 3 July 2018
- “**Original Offer Document**” The document containing details of the Original Offer posted to Phaunos Shareholders on 31 July 2018
- “**Original Offer Price**” has the meaning given to it in paragraph 1 of Part I of this document
- “**Phaunos 2018 Half Year Report**” the Unaudited Interim Condensed Consolidated Financial Statements for the period ended 30 June 2018
- “**Rayonier**” has the meaning given to it in paragraph 3 of Part I of this document

In this document:

- (a) “**subsidiary**”, “**subsidiary undertaking**” and “**undertaking**” have the meanings given by the UK Companies Act and “**associated undertaking**” has the meaning given to it by paragraph 19 of Schedule 6 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, other than paragraph 1(b) thereof which shall be excluded for this purpose;
- (b) references to “**includes**” shall mean “**includes without limitation**”, and references to “**including**” and any other similar term shall be construed accordingly.
- (c) references to time are to London time unless otherwise stated;
- (d) references to a gender include the other genders;
- (e) references to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this document;
- (f) all references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom;
- (g) references to any English legal term shall in respect of any jurisdiction other than England or in respect of any member of the Wider Stafford Bidco Group or the Wider Phaunos Group which is incorporated or operating in a jurisdiction other than England be deemed to include what most nearly approximates in that jurisdiction to the English legal term;

- (h) references to any Guernsey legal term shall in respect of any jurisdiction other than Guernsey or in respect of any member of the Wider Stafford Bidco Group or the Wider Phaunos Group which is incorporated or operating in a jurisdiction other than Guernsey be deemed to include what most nearly approximates in that jurisdiction to the Guernsey legal term;
- (i) references to “US\$” are to the lawful currency of the United States.

This document was despatched on 14 September 2018.

