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Phaunos Timber Fund Limited - PTF Response to Stafford Offer & CatchMark Withdrawal
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24 September 2018

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

Final Offer by Stafford and CatchMark Withdrawal

The board of Phaunos (the "**Board**") has now reviewed and considered Stafford Capital Partners Limited's ("**Stafford**") US\$0.52 final cash offer for the entire issued and to be issued share capital of the Company (the "**Final Offer**").

This review was undertaken in conjunction with a review of the status of the ongoing disposal of the Company's asset portfolio under a formal sale process (the "**Asset Realisation Process**") and taking into account the guidance received from its legal advisers with respect to the Rayonier Canterbury LLC ("**Rayonier**") dispute.

The Board also notes the withdrawal of CatchMark Timber Trust, Inc.'s ("**CatchMark**") US\$0.57 possible all-stock offer for the entire issued and to be issued share capital of the Company (the "**Possible Offer**").

Asset Realisation Process

As set out in the chairman's statement for the unaudited interim results of Phaunos published on 7 September 2018, the Asset Realisation Process has now moved into a new phase where bidders are preparing to commence, and in some cases have already commenced, due diligence including site visits, with a view to binding offers being received during Q4 of 2018.

Regarding the assets which are not part of the Asset Realisation Process, negotiations on the possible disposal of the interest in Aurora Forestal are progressing well and various options are being explored to effect an exit. GTFF is currently in the process

of realising its portfolio and expressions of interest and / or non-binding bids have been received for all assets in the portfolio.

Taking these factors into account, the Board:

- **reiterates its asset realisation range of US\$0.54 - 0.60 per Share (the "Asset Realisation Range");** and
- continues to believe that the **disposal of all the assets which are subject to a sale process under the Asset Realisation Process will complete between Q1 and Q3 2019** which would cover the sale of assets comprising approximately 92% of the Portfolio Value.

Stafford's Final Offer

Phaunos notes that the increased offer from Stafford was made without any prior consultation with the Board as to the level of that Final Offer. The Board notes that the Final Offer is not capable of any further revision.

Taking into account the Asset Realisation Range and the latest estimated timeline for the completion of the Asset Realisation Process, the Board continues to believe that the Final Offer does not provide an attractive exit opportunity for Shareholders.

Accordingly, the Board has unanimously decided to reject the Final Offer from Stafford as it strongly believes that the Final Offer undervalues Phaunos and recommends that you should take no action in relation to the Final Offer and that you should not sign any document which Stafford or its advisers send to you.

CatchMark's Possible Offer

The Board notes that CatchMark, following consultation with Phaunos and its Shareholders, has decided to withdraw its Possible Offer under Rule 2.8 of the UK Takeover Code.

Phaunos notes the statement made by CatchMark in its announcement that under Note 2 of Rule 2.8, CatchMark and any person acting in concert with CatchMark, could reserve the right to set aside the restrictions in Rule 2.8 in the following circumstances: (i) with the agreement of the Board of Phaunos following the firm offer made by Stafford having been withdrawn or having lapsed; (ii) if a third party announces a firm intention to make an offer for Phaunos; (iii) following the announcement by Phaunos of a "whitewash" proposal (as defined in the UK Takeover Code) or a reverse takeover; or (iv) if the UK Panel on Takeovers and Mergers determines that there has been a material change of circumstances.

Unless otherwise stated, defined terms used but not defined in this announcement have the meanings set out in the Response Circular.

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Rule 26.1 Disclosures

In accordance with Rule 26.1 of the UK Takeover Code, a copy of this announcement will, subject to certain restrictions relating to persons resident in restricted jurisdictions, be available on Phaunos's website at <http://www.phaunostimber.com/offer-from-stafford/> by no later than 12 noon (London time) on the business day following the release of this announcement. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement. The person responsible for arranging for the release of this announcement on behalf of Phaunos is JTC Fund Solutions (Guernsey) Limited (acting as Company Secretary).

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