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Phaunos Timber Fund Limited - PTF Recommendation to Accept Stafford's Final Offer
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9 October 2018

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

RECOMMENDATION TO ACCEPT STAFFORD'S FINAL OFFER

The board of Phaunos (the "**Board**") notes the announcement made on 8 October 2018 by Stafford Capital Partners Limited ("**Stafford**") indicating that, pursuant to Stafford's final revised offer for the entire issued and to be issued share capital of the Company (the "**Final Offer**"), as at 1.00 p.m. (London time) on 8 October 2018, Stafford had received valid acceptances in respect of a total of 411,353,410 Phaunos shares, representing an aggregate of 82.54 per cent. of the issued share capital of Phaunos.

The Board notes that should the offer become wholly unconditional, Stafford stated that they would take steps to delist the Company. This would leave shareholders with a minority interest in an unlisted company, with the liquidity and marketability of Phaunos shares significantly reduced as a result.

The Board still believes that the Final Offer undervalues Phaunos. However, in view of Stafford having declared its Final Offer unconditional as to acceptances and having received acceptances from shareholders holding more than 82 per cent. of the Phaunos shares, the Board believes that accepting the Final Offer is in the best interest of shareholders as a whole and now unanimously recommends that shareholders accept the Final Offer.

The Final Offer remains subject to certain conditions, including receipt of 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) on terms satisfactory to Stafford. The Board notes

Stafford's announcements on Thursday 27th September 2018 and Friday 28th September 2018 that it has been informed that the OIO's recommendation has been sent for Ministerial approval and that Stafford anticipates that the Final Offer will be declared wholly unconditional by no later than 19 October 2018, once it has received the OIO clearance.

Until Stafford's Final Offer is declared wholly unconditional, the Board will continue to seek to progress the execution of the Asset Realisation Process and will conduct the Rayonier litigation in the interests of the Company. On 5th October 2018 Phaunos filed its defence to Rayonier's claim and made an application to the High Court in Auckland to strike out Rayonier's claim.

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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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