

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice from a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you are outside the United Kingdom you should immediately consult an appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Phaunos Shares, please send this document, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or transferred only part of your holding of Phaunos Shares, you should retain these documents and consult the stockbroker, bank manager or other agent through whom the sale or transfer was effected. **However this document should not be distributed, forwarded or transmitted in or into any jurisdiction in which such an act would constitute a violation of the relevant laws in such jurisdiction.**

The distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

Evercore Partners International LLP ("**Evercore**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for Phaunos and no-one else in connection with the Offer and the Final Offer and other matters referred to in this document and will not be responsible to anyone other than Phaunos for providing the protections afforded to clients of Evercore nor for providing advice in relation to the Offer and the Final Offer, this document or any other matter referred to herein. Neither Evercore nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Evercore in connection with the Offer and the Final Offer, this document or any matter referred to herein.

PHAUNOS TIMBER FUND LIMITED

(A closed-ended investment company incorporated in Guernsey with registered number 45564)

RESPONSE TO FINAL OFFER BY MAHOGANY BIDCO LIMITED A COMPANY ULTIMATELY CONTROLLED BY STAFFORD CAPITAL PARTNERS LIMITED

Overseas jurisdictions

The release, publication or distribution of this document in or into, jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes who are not resident in the United Kingdom should inform themselves about, and observe, any applicable restrictions. Phaunos Shareholders who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document has been prepared for the purposes of complying with English law and the UK Takeover 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 the United Kingdom. The statements contained in this document are not to be construed as legal, business, financial or tax advice.

Forward-looking statements

This document contains certain forward-looking statements, including statements regarding Phaunos's plans, objectives and expected performance. Such statements relate to events and depend on circumstances that will occur in the future and are subject to risks, uncertainties and

assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities, the re-negotiation of contracts or licences, fluctuations in demand and pricing in the timber industry, fluctuations in exchange controls, changes in government policy and taxations, industrial disputes and war and terrorism. These forward-looking statements speak only as at the date of this document.

Disclosure requirements

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

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

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

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

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

Publication of this Document

A copy of this document will be available subject to certain restrictions relating to persons resident in restricted jurisdictions on Phaunos's website at www.phaunostimber.com/offer-from-stafford during the course of the Offer Period.

The contents of Phaunos's website are not incorporated into and do not form part of this document.

Copies of this Document

If you have received this document in electronic form or by it being published on Phaunos's website, you can obtain a hard copy of the document by contacting JTC Fund Solutions (Guernsey) at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, Channel Islands GY1 2HT or by telephoning +44 (0) 1481 702 400 or by emailing phaunos.admin@jtcgroup.com. You will not receive a hard copy of this document unless you so request. You may also inform JTC Fund

Solutions (Guernsey) that you wish all future documents, announcements and information in relation to the Offer be sent to you in hard copy.

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 during the Offer Period as required under Section 4 of Appendix 4 of the UK Takeover Code to comply with Rule 2.11(c) of the UK Takeover Code.

CONTENTS

	Page
PART I – LETTER FROM THE CHAIRMAN	1
PART II – ADDITIONAL INFORMATION	4
PART III – PRESENTATION OF INFORMATION	9
PART III – DEFINITIONS.....	10

**PART I – LETTER FROM THE CHAIRMAN
PHAUNOS TIMBER FUND LIMITED**

(A closed-ended investment company incorporated in Guernsey with registered number 45564)

Directors

Richard Boléat (Chairman)
Jonathan Bridel
Brendan Hawthorne

Registered Office

Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

26 September 2018

Dear Shareholders,

Thank you for taking the time to read this document. It contains important information with regards to your shareholding in Phaunos.

As you are aware, following Stafford's unsolicited cash offer for Phaunos (valuing the Company at US\$0.49 per Share) on 31 July 2018 (the "**Offer**"), the Company published its response circular on 14 August 2018 ("**Response Circular**"), setting out the Board's belief that the Offer was inadequate and not in the best interests of Shareholders. On 14 September 2018, Stafford made a final revised cash offer for the entire issued and to be issued share capital of the Company (the "**Final Offer**"), which values the Company at US\$0.52 per Share.

For the reasons set out in the Response Circular and reiterated below, it is the Board's belief that the Final Offer remains inadequate and not in the best interests of Shareholders.

Stafford's Final Offer is not Shareholder friendly and was made without any prior consultation with the Board as to the level of that Final Offer

As indicated in the Response Circular, Stafford's approach has not been made with the best interests of Shareholders in mind. As you are aware, Stafford was given the opportunity to participate in the Asset Realisation Process but declined to do so, opting instead to pre-empt that process with an Offer (and now the Final Offer) that undervalue Phaunos and would, were Stafford to succeed, deprive Shareholders of the benefits of a competitive process designed to maximise value.

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.

Stafford's Final Offer undervalues Phaunos: there is material upside from the Asset Realisation Process compared to Stafford's Final Offer

The Board has reviewed and considered the Final Offer 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 (as further discussed below).

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 receive binding offers 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.

The Board reiterates that all bidders for Matariki Forestry Group ("**Matariki**") have indicated to the Board that they are expecting the OIO process to take between 3 and 6 months. These bidders are experienced in dealing with the OIO and have a detailed understanding of what is required to effectively navigate the consent process.

As mentioned in an announcement on 21 August 2018, new overseas investment rules applying to forestry transactions were passed by the New Zealand Parliament and will come into effect by around mid to late October 2018. The Board has been advised by its New Zealand legal counsel that the new rules should result in an easier and quicker OIO consent pathway for prospective bidders who meet the new criteria.

Taking these factors into account, the Board:

- reiterates its asset realisation range of US\$0.54-0.60 per Share as set out in the Response Circular (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.

The Board notes Catchmark Timber Trust, Inc.'s possible offer of US\$0.57 per Share made on 6 September 2018 as a validation of the Asset Realisation Range.

The Board notes the letter from Stafford sent to Shareholders on 25 September 2018 ("Stafford's Letter") which contains no new information on Stafford's inadequate proposal and includes a number of misleading and self-serving statements

The Board therefore seeks in this letter to clarify certain matters to Shareholders.

1) "FX Adjusted NAV"

Stafford is misleading Shareholders by comparing its Final Offer to an "FX Adjusted NAV"; the relevant comparable metric is the Asset Realisation Range.

The FX Adjusted NAV, as described in Stafford's Letter, is based on values derived from third party appraisers, adjusted downward for recent foreign exchange movements. Shareholders will appreciate that the sale values of portfolio assets being sold in the Asset Realisation Process may vary from those values derived from third party appraisers.

Accordingly, the Asset Realisation Range of US\$0.54-0.60 per Share is the relevant comparable metric as it takes into account the values that are being offered for its assets by bidders that, in the view of the Board and its advisers, are well-capitalised and highly credible international investors in timber assets.

The Board believes that Stafford's comparison of its Final Offer to the "FX Adjusted NAV" is unhelpful to shareholders, as it is comparing its Final Offer to an accounting measure, when it should be comparing its Final Offer to the Asset Realisation Range.

2) Foreign exchange risks

The Board considers that Stafford has no basis to make the comment that the outcome of the Asset Realisation Process will be impacted by foreign exchange movements.

The Asset Realisation Process is a competitive process, in which Stafford has declined to participate, and the Asset Realisation Range is based on Indicative Bids that were received and will be paid for in US dollars.

3) The Asset Realisation Process

The Board notes the comment made by Stafford on timing and potential complexity associated with the Asset Realisation Process and reminds Shareholders that Stafford has no access to any information relating to any of the bidders in the Asset Realisation Process nor the current status of any of the Indicative Bids. The main challenges in this process have been as a direct result of Stafford's hostile approach.

Stafford has always declined to be part of the Asset Realisation Process despite being invited and instead chose to introduce uncertainty to that process through the timing of its approach. The cost cover agreed for due diligence costs is only payable in certain circumstances where the assets to which it relates are sold outside the Asset Realisation Process and will be subject to a cap.

4) Rayonier dispute

The Board has already publicly stated its position on the Rayonier dispute.

The Board believes that Rayonier's claims are entirely without merit and that the acquisition notice is invalid, as supported by Phaunos' UK and New Zealand legal advisors, and designed, like Stafford's Final Offer, to seek to acquire Phaunos assets at an undervaluation.

5) Phaunos fees and expenses

The Asset Realisation Range takes into account an assessment by the Board of the estimated revenue and general operating costs of Phaunos as well as costs associated with the Asset Realisation Process (including the fees and expenses associated with advisory and legal costs in responding to Stafford's offer) through to the full liquidation of Phaunos (as per the estimated timing described in the Response Circular).

Shareholders will continue to benefit from distributions received from Matariki up until completion of the sale of the Company's stake in Matariki. For reference, the Matariki distributions for the year ended 31 December 2017 represented US\$0.03 per Share. In light of Matariki's current trading, cash generation and dividend policy, the Board expects Matariki to remain a strong contributor to Phaunos's revenue whilst Matariki remains in the asset portfolio. The Board expects Phaunos's 2018 revenue contribution from Matariki to remain broadly in line with that of 2017.

The Board of Phaunos has been paid per their contractual arrangements. There are no additional or incentive payments in place despite the significant additional workload associated with defending Phaunos against Stafford's opportunistic approach.

Furthermore, the Board notes that Stafford resigned of its own volition in August 2017, with its tenure practically ceasing in February 2018. Since then, Phaunos has not had to pay management fees to Stafford, which in 2017, 2016 and 2015 totalled US\$5.9m¹, US\$1.4m and US\$1.4m, respectively.

THE BOARD'S RECOMMENDATION: TAKE NO ACTION

As announced by the Company on 24 September 2018, taking into account the Asset Realisation Range and the latest estimated timeline for the completion of the Asset Realisation Process, the Board believes that the Final Offer does not provide an attractive exit opportunity for Shareholders.

Accordingly, and subject to the matters set out above, the Board, which has been so advised by Evercore, 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. In providing advice to the Board, Evercore has taken into account the Board's commercial assessments. Evercore is providing independent financial advice to the Phaunos Directors for the purposes of Rule 3 of the UK Takeover Code.

We will write to you again as may be required to keep you informed of any further developments.

Yours sincerely

Richard Boléat

Chairman

¹ The US\$5.9m comprises US\$1.5m of portfolio management fees and US\$4.4m pertaining to Stafford's rights under the warrant instrument.

PART II – ADDITIONAL INFORMATION

1. THE COMPANY

Phaunos, which is the subject of the Final Offer, is a limited company incorporated and domiciled in Guernsey with its registered office at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT.

2. RESPONSIBILITY

The Directors of Phaunos, whose names are set out in paragraph 3, accept responsibility for the information contained in this document relating to Phaunos and subsidiaries of Phaunos, the Directors of Phaunos, members of their immediate families and related trusts. To the best of the knowledge and belief of the Directors of Phaunos (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they take responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

3. DIRECTORS

The Directors of Phaunos as at the date of this document are:

<i>Name</i>	<i>Position</i>
Richard Boléat	Chairman
Jonathan Bridel	Director
Brendan Hawthorne	Director

4. INTERESTS AND DEALINGS IN PHAUNOS SHARES

At the close of business on the disclosure date, the following persons acting in concert with Phaunos were interested in or had rights to subscribe for the following relevant securities of Phaunos:

<i>Party</i>	<i>Number of Phaunos Shares</i>
Winterflood	15,710

The following dealings in relevant securities of Phaunos by the persons acting in concert with Phaunos have taken place between 5 June 2018 (being the first day of the Offer Period) and the disclosure date:

<i>Date</i>	<i>Party</i>	<i>Transaction</i>	<i>Number of Phaunos Shares</i>	<i>Price per Phaunos Share</i>
05/06/2018	Winterflood	Buy	7,765	US\$0.470600
05/06/2018	Winterflood	Buy	1,500	US\$0.470000
07/06/2018	Winterflood	Buy	161	£0.348650
07/06/2018	Winterflood	Sell	3,948	US\$0.498020
07/06/2018	Winterflood	Buy	6,852	£0.351660
07/06/2018	Winterflood	Buy	1,827	US\$0.474000
08/06/2018	Winterflood	Buy	101,650	£0.352893

21/06/2018	Winterflood	Buy	250,000	US\$0.470000
26/06/2018	Winterflood	Sell	368,703	US\$0.484000
28/06/2018	Winterflood	Buy	1,011,242	US\$0.468750
28/06/2018	Winterflood	Sell	1,000,000	US\$0.470940
03/07/2018	Winterflood	Buy	3,548	£0.350000
07/08/2018	Winterflood	Buy	11,876	£0.356500
13/08/2018	Winterflood	Buy	29,234	US\$0.460000
13/08/2018	Winterflood	Buy	18,271	US\$0.460000
14/08/2018	Winterflood	Sell	10,000	US\$0.490000
14/08/2018	Winterflood	Buy	2,286	US\$0.480500
14/08/2018	Winterflood	Sell	23,000	US\$0.500000
14/08/2018	Winterflood	Sell	20,000	US\$0.490000
16/08/2018	Winterflood	Buy	228,383	US\$0.490000
16/08/2018	Winterflood	Buy	188,645	US\$0.490000
16/08/2018	Winterflood	Buy	9,136	US\$0.500000
21/08/2018	Winterflood	Sell	450,000	US\$0.500000
22/08/2018	Winterflood	Buy	18,271	US\$0.499000
22/08/2018	Winterflood	Buy	219,249	US\$0.499000
22/08/2018	Winterflood	Buy	401,955	US\$0.499000
22/08/2018	Winterflood	Buy	555,430	US\$0.499000
22/08/2018	Winterflood	Sell	1,200,000	US\$0.500000
24/08/2018	Winterflood	Buy	54,812	US\$0.491000
28/08/2018	Winterflood	Buy	103,198	US\$0.495000
28/08/2018	Winterflood	Sell	150,000	US\$0.500000
29/08/2018	Winterflood	Buy	12,326	£0.381110
29/08/2018	Winterflood	Buy	22,838	US\$0.499000
29/08/2018	Winterflood	Buy	19,130	£0.381310
30/08/2018	Winterflood	Sell	70,000	US\$0.500000
31/08/2018	Winterflood	Buy	6,837	US\$0.491500
31/08/2018	Winterflood	Buy	9,135	£0.376369
05/09/2018	Winterflood	Buy	3,594	£0.374520

05/09/2018	Winterflood	Buy	10,600	£0.373536
06/09/2018	Winterflood	Sell	15,000	US\$0.514500

As at the disclosure date no director of Phaunos, nor any of their close relatives or related trusts was interested in or had a right to subscribe for any relevant securities of Phaunos nor has any such person dealt therein in the period commencing on 5 June 2018 (being the first day of the Offer Period) and ending on the disclosure date.

Save as disclosed in this paragraph 4, as at the disclosure date no person acting in concert with Phaunos was interested in or had a right to subscribe for any relevant securities of Phaunos nor has any such person dealt therein in the period commencing on 5 June 2018 (being the first day of the Offer Period) and ending on the disclosure date.

Save as disclosed in this paragraph 4, neither Phaunos nor any person acting in concert with the Directors of Phaunos has borrowed or lent any relevant securities of Phaunos.

Phaunos has not purchased or redeemed any relevant Phaunos securities in the period commencing on 5 June 2018 (being the first day of the Offer Period) and ending on the disclosure date.

5. INTERESTS AND DEALINGS IN BIDDER SHARES

As at the disclosure date, neither Phaunos, nor any director of Phaunos, nor their close relatives and related trusts was interested in or had any right to subscribe for any relevant securities of the Bidder nor has any such person dealt in relevant securities of Bidder during the period commencing on 5 June 2018 (being the first day of the Offer Period) and ending on the disclosure date.

6. MATERIAL CONTRACTS

No material contracts have been entered into by Phaunos or any of its subsidiaries otherwise than in the ordinary course of business during the period beginning two years before the commencement of the Offer Period and ending on the disclosure date.

7. SERVICE CONTRACTS

7.1 Non-Executive Directors

The non-executive directors are appointed by letters of appointment, details of which are set out below and no such agreement has been entered into or amended during the six months preceding the date of this document.

<i>Director</i>	<i>Effective date of appointment</i>	<i>Unexpired term</i>	<i>Notice period</i>	<i>Remuneration (£)</i>	<i>Other benefits</i>
Richard Boléat	31 August 2017	N/a Appointment to continue until position as director is terminated.	N/a	Quarterly fee: 18,750 Quarterly supplementary fee: 1,250 Additional fees (for any time spent in excess of a monthly time commitment of 23 hours per month): 300 per hour	Performance related fee to be approved by Shareholders and the Board in due course. Reimbursement for out-of-pocket expenses and payments in respect of any substantial additional work.
Brendan	25 July 2017	N/a	N/a	Quarterly fee:	Performance

Hawthorne		Appointment to continue until position as director is terminated.		12,750 Quarterly supplementary fee: 1,250 Additional fees (for any time spent in excess of a monthly time commitment of 15 hours per month): 300 per hour	related fee to be approved by Shareholders and the Board in due course. Reimbursement for out-of-pocket expenses and payments in respect of any substantial additional work.
Jon Bridel	13 September 2017	N/a Appointment to continue until position as director is terminated.	N/a	Quarterly fee: 13,750 Quarterly supplementary fee: 2,500 Additional fees (for any time spent in excess of a monthly time commitment of 18 hours per month): 300 per hour	Performance related fee to be approved by Shareholders and the Board in due course. Reimbursement for out-of-pocket expenses and payments in respect of any substantial additional work.

8. FEES AND EXPENSES

The aggregate amount of estimated fees and expenses expected to be incurred by Phaunos in connection with the Offer and the Final Offer amount to approximately £3,065,000 - £3,670,000 (excluding any applicable VAT or similar taxes).

Separate estimates of the fees and expenses expected to be incurred in relation to discrete categories of advice (in each case excluding any applicable VAT or similar taxes) are approximately:

Category	Estimated fees and expenses (£)
Financial and corporate broking advice	2,530,000 – 3,130,000 (estimated as a range because a proportion of such fees are discretionary)
Legal advice	500,000
Accounting advice	35,000 – 40,000
Public relations advice	N/a
Other professional services	N/a
Other costs and expenses	N/a

9. EFFECTS OF THE OFFER ON PHAUNOS'S INTERESTS

The UK Takeover Code requires the Board to give their views on: (i) the effect of implementation of the Offer on all of Phaunos's interests, including, specifically, employment, and (ii) the Bidder's strategic plans for Phaunos and their likely repercussions on employment and the locations of

Phaunos's places of business. In fulfilling its obligations under the UK Takeover Code, the Board can only comment on the details provided in the Offer Document and the Final Offer Document.

The Board notes the statements made in paragraph 8 of the letter from Stafford Bidco in the Offer Document and in paragraph 9 of the letter from Stafford Bidco in the Final Offer Document and in particular notes that the Bidder would need to undertake further analysis in order to formulate detailed plans to manage the assets of Phaunos. The Board further notes that the Bidder, once Phaunos's assets have been transferred under the management of Stafford, 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. The Board considers that at this stage there is insufficient certainty or information in the Offer Document or the Final Offer Document regarding Bidder's plans in relation to Phaunos to comment further.

10. NO SIGNIFICANT CHANGE TO FINANCIAL POSITION

Save as disclosed in this document, there have been no known significant changes in the financial or trading position of Phaunos which have occurred since 30 June 2018 (the date to which the last interim financial information of Phaunos has been published).

11. MATERIAL CHANGES

Save as disclosed in this document, there have been no material changes in information disclosed in any document published by the Company in connection with the offer which are material in the context of that document.

Save as disclosed in this document, there have there been no material changes which have occurred since the publication of any document published by the Company in connection with the offer in respect of the matters listed in Rule 27.2(c) of the UK Takeover Code.

The directors of Phaunos confirm that the asset valuations contained in the Response Circular remain valid and the independent valuers have confirmed that the opinions set out in the Valuation Reports appended to the Response Circular continue to apply.

12. OTHER

Neither Phaunos nor any person acting in concert with Phaunos has any arrangement with any person relating to relevant securities of Phaunos.

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

13. DOCUMENTS AVAILABLE ON PHAUNOS'S WEBSITE

Copies of the following documents will be available on Phaunos's website at www.phaunistimber.com/offer-from-stafford until the end of the Offer Period:

- the audited annual report of Phaunos for the year ended 31 December 2017;
- the Memorandum and Articles of Association of Phaunos;
- the written consent of Evercore to the inclusion of its advice in the Response Circular and this document;
- the Matariki forestry assets valuation report prepared by Indufor dated 25 June 2018;
- the Mata Mineira valuation report prepared by Consufor dated 27 June 2018;
- the Pradera Roja valuation report prepared by Legacy Appraisal Services dated 25 July 2018; and
- this document, the Response Circular and announcements relating to the Offer and the Final Offer.

PART III – PRESENTATION OF INFORMATION

1. PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise stated in this document, financial information relating to Phaunos and assets thereof has been extracted or derived from the audited annual report of Phaunos for the year ended 31 December 2017, the audited annual report of Phaunos for the year ended 31 December 2016, the pro forma statement of Phaunos net assets set out in Appendix II of the Response Circular, Phaunos's management sources and the valuation reports set out in Appendix VI of the Response Circular. Financial information is reported under IFRS unless otherwise stated.

2. THIRD PARTY SOURCES

Values in this document have been rounded and accordingly may not add up to 100%. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Values are given to the stated number of decimal places.

3. ISSUED SHARE CAPITAL

The fully diluted share capital of Phaunos at the close of business on the disclosure date is calculated on the basis of 498,360,117 ordinary shares of no par value, held and in issue outside treasury. Accordingly, the total number of voting rights of Phaunos at the close of business on the disclosure date was 498,360,117. All values per Share for Phaunos are based on this figure, unless otherwise stated.

4. PRESENTATION OF INFORMATION

Unless otherwise stated information regarding the Offer, the Final Offer and statements made by Stafford regarding Phaunos, the Offer and the Final Offer is sourced from the Offer Document and the Final Offer Document and other materials made publicly available by Stafford or any other person mentioned in the Offer Document and the Final Offer Document.

PART III – DEFINITIONS

The following definitions apply throughout this document unless otherwise stated or the context requires otherwise.

"£"	the lawful currency of the United Kingdom from time to time;
"acting in concert"	with Bidder or Phaunos means any such person acting or deemed to be acting in concert with Bidder or Phaunos as the case may be for the purposes of the UK Takeover Code;
"Asset Realisation Process"	managed wind-down of the Company's assets as voted upon by Shareholders on 17 August 2017. A sale process led by Pöyry was initiated in November 2017 for the Company's interest in Matariki Forestry Group (23.01% owned), Eucateca (fully-owned), Mata Mineira (fully-owned) and Pradera Roja (fully-owned);
"Aurora Forestal"	Aurora Forestal Limited, of which Phaunos owns a 23.57% shareholding;
"Bidder" or "Stafford Bidco"	Mahogany Bidco Limited (a company ultimately controlled by Stafford);
"Board" or "Directors"	the board of directors of Phaunos;
"Consufor"	Consufor Consultoria e Avaliações Ltda;
"dealing" or "dealt"	<p>includes the following:</p> <ul style="list-style-type: none">(a) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;(b) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;(c) subscribing or agreeing to subscribe for securities;(d) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;(e) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;(f) entering into, terminating or varying the terms of any agreement to purchase or sell securities;(g) the redemption or purchase of, or taking or exercising an option over, any of its own relevant securities by Bidder or Phaunos; and(h) any other action resulting, or which may result, in an increase or decrease in a number of securities in which a person is interested or in respect of which

he has a short position;

"derivative"	includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
"disclosure date"	means 21 September 2018, being the latest practicable date prior to publication of this document;
"Eucateca"	the Eucateca Florestal S.A. (fully-owned by Phaunos) comprising the Quedas Claras eucalyptus plantation and the Paraiso teak plantation;
"Evercore"	Evercore Partners International LLP;
"Final Offer"	the final revised cash offer for the entire issued and to be issued share capital of the Company made by Stafford on 14 September 2018;
"Final Offer Document"	the document published by Stafford on 14 September 2018 setting out the terms of the Final Offer;
"GTFF"	GreenWood Tree Farm Fund L.P.;
"Guernsey"	the Island of Guernsey;
"IFRS"	International Financial Reporting Standards;
"Indicative Bids"	non-binding offers, subject to further due-diligence, received in late June 2018 and confirmed in July and early August 2018, for all assets which are subject to a sale process under the Asset Realisation Process;
"Indufor"	Indufor Asia Pacific Limited;
"interested"	in securities includes if a person: <ul style="list-style-type: none">(a) owns them;(b) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;(c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire them or call for their delivery, or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;(d) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; and(e) has long economic exposure, whether absolute or conditional, to changes in the price of those securities (but a person who only has a short position in securities is not treated as interested in those securities);

and references to interests of Bidder directors or interests of Phaunos

Directors in relevant securities shall include all interests of any other person whose interests in shares the Bidder directors or, as the case may be, the Phaunos directors, are taken to be interested in pursuant to Part 22 of the Companies Act;

"JTC Fund Solutions (Guernsey)"	JTC Fund Solutions (Guernsey) Limited (a subsidiary of JTC Plc), Secretary of Phaunos Timber Fund;
"Legacy Appraisal Services"	Legacy Appraisal Services, LLC;
"Mata Mineira"	means Mata Mineira Investimentos Florestais Ltda. and Alzamendi Participações S.A., both fully-owned companies by Phaunos and which together hold 100% of the forestry assets and land known as 'Mata Mineira' located in Minas Gerais, Brazil;
"Matariki" or "Matariki Interest"	the Company's 23.01% stake in Matariki Forestry Group;
"Matariki Forestry Group" or "MFG"	a company registered in New Zealand with Company No. 1665572;
"Offer"	the offer made by Stafford on 31 July 2018 to acquire Phaunos's entire issued and to be issued share capital (other than any Phaunos Shares held by Stafford) on the terms and subject to the Conditions set out in the Offer Document and the Form of Acceptance;
"Offer Document"	the Offer document published by Stafford on 31 July 2018 setting out the terms of the Offer;
"Offer Period"	the offer period (as defined by the UK Takeover Code) relating to the Company which commenced on 5 June;
"OIO"	the New Zealand Overseas Investment Office;
"Panel"	the Panel on Takeovers and Mergers;
"Phaunos" or the "Company"	means Phaunos Timber Fund Limited, a closed-ended investment company incorporated in Guernsey with registered number 45564;
"Portfolio Value"	the sum of the financial assets at fair value through profit or loss, biological assets and land of Phaunos excluding other assets and liabilities on Phaunos balance sheet as set out under column "Updated Break-Up NAV" of the pro forma statement of net assets of Phaunos in Appendix II of the Response Circular and representing in aggregate US\$233 million;
"Pöyry"	Pöyry Capital Limited;

"Pradera Roja"	means Pradera Roja S.A., a company fully owned by Phaunos;
"relevant securities"	includes: (a) Phaunos Shares and any other securities of Phaunos conferring voting rights; (b) equity share capital of Phaunos or, as the case may be, Bidder; and (c) any securities convertible into, or rights to subscribe for the securities of Phaunos or, as the case may be;
"Response Circular"	the response circular published by the Board of Phaunos on 14 August 2018 in response to Stafford's Offer;
"Share" or "Shares"	means the ordinary shares of no par value of Phaunos;
"Shareholder" or "Shareholders"	holders of Phaunos Shares;
"Stafford"	Stafford Capital Partners Limited;
"UK Takeover Code"	the City Code on Takeovers and Mergers;
"USD" or "US\$" or "US dollar"	the lawful currency of the United States of America from time to time;
"Valuation Reports"	means the Matariki forestry assets valuation report prepared by Indufor dated 25 June 2018, the Mata Mineira valuation report prepared by Consufor dated 27 June 2018 and the Pradera Roja valuation report prepared by Legacy Appraisal Services dated 25 July 2018; and
"Winterflood"	Winterflood Securities Limited.