

Regulatory Announcement

Go to market news section



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Phaunos Timber Fund Limited
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PHAUNOS ANNOUNCES US\$150 MILLION COMMITMENT IN BRAZIL:

14 December 2007 - Phaunos Timber Fund Limited ("Phaunos") today announced the commitment of US\$150 million to a joint venture with Nemus, a Brazilian company. A new company will be established which will focus on the development of teak and eucalyptus plantations in the Mato Grosso region of Brazil. Nemus will contribute its existing assets of FSC-certified ("Forestry Stewardship Counsel") teak and eucalyptus plantations. Additional investments will begin in first quarter 2008.

"We are very pleased with this, our initial investment in Brazil," said Keith Oates, Chairman of Phaunos' Board of Directors. "This investment marks the first step in the realization of our strategy for Brazil. It further diversifies our portfolio with high value teak plantations, but also generates cash flow with short rotation eucalyptus for the local market. We anticipate growing this partnership over the coming years and expanding into additional businesses from this platform."

"This is an important step for our company," said Luiz Cesar, President of Nemus. "Nemus means Sacred Forest in Latin, and our companies' shared environmental ethic is a pivotal element in our relationship going forward." For more information about Nemus, visit www.nemus.com.br.

"Brazil's climate and soil make it one of the most important timber-growing regions in the world," said Michael Clasby, Director of Investments and Acquisitions at Fourwinds Capital Management, the investment manager to Phaunos. "The dynamic growth of Brazil's economy has meant large increases in domestic consumption of lumber and wood products."

The joint venture has been in due diligence and development since May 2007. It marks the largest single commitment made by Phaunos to date.

Phaunos Timber Fund Limited is a closed-end Guernsey Investment Company listed on the Channel Island Stock Exchange (PTF) and traded on AIM, a subsidiary of the London Stock Exchange. It invests in timberland and timber-related assets internationally and is managed by FourWinds Capital Management. For further information about the fund and its investment strategies, please visit www.phaunostimber.com.

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