

Regulatory Announcement

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

Phaunos announces first investment in East Africa

(2 December 2008), Phaunos Timber Fund Limited ("Phaunos" or the "Company"), the closed-ended investment company established to invest in timberland and timber related assets on a global basis, today announces that it is proposing to enter into the East African timber market with an investment of approximately NOK 159,000,000 (circa US\$22.7 million) in Green Resources AS ("Green Resources" or "the Group"), a private Norwegian company, by way of a private placement of Green Resources' equity for an undisclosed percentage ownership in the Group.

Green Resources manages approximately 11,000 hectares of forest plantations in East Africa, including Tanzania, Mozambique and Uganda and the Group believes it has planted more new forest in Africa during the last 10 years than any other private company. The Group has secured long term leases on an additional 66,000 hectares. The funds raised will be used to establish new plantations on this land and fund other operating activities. Species include primarily pine, eucalyptus and teak. Other species are currently being evaluated. The Group employs over 3,000

people in East Africa and has been successfully operating in the region for 12 years.

The transaction documents are expected to be entered into following an extraordinary general meeting of the shareholders of Green Resources to be held on 4 December 2008 at which a resolution to approve the entry into the transaction will be proposed. Subject to the passing of that resolution, the transaction will take place in two parts. Half of the shares are expected to be issued on 4 December 2008. The second half will be issued on 30 November 2009. Phaunos will hold a seat on the Green Resources board of directors, effective from 4 December 2008.

At the same time as the transaction is entered into, Phaunos will also lend Green Resources NOK 67,500,000 (approx. US\$ 9.7 million) in a two year convertible note. This loan will be used to fund planting, infrastructure and general investments in order to continue the Group's growth strategy.

Green Resources also manages East Africa's largest sawmill, Sao Hill Industries, located in the southern highlands of Tanzania, supplying sawtimber and poles to both domestic and export markets. The Group received a loan approval from the IFC and Norfund for its Tanzanian operations in November 2008. The money will be used to expand and update the Sao Hill mill and fund new plantations in Tanzania. The Group received Forest Stewardship Council (FSC) certification on two of its Tanzanian plantations this summer. Green Resources intends to seek FSC and ISO 14001 certification on all of its plantations.

Kristen Kleiman, Director of Investment and Acquisitions at FourWinds Capital Management, commented: "We are excited about our first investment in Africa through Green Resources. Green Resources is an organisation that has built an impressive platform of plantations, processing and local expert employees. We believe that East Africa offers excellent opportunities to access the timber markets domestically and for export to India and China."

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Notes to Editors

www.phaunostimber.com

Phaunos Timber Fund Limited is a closed ended investment company registered and incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company has two classes of share in issue, US Dollar denominated Ordinary Shares and C Shares. The Company has raised a total of US\$ 536.7 million (before expenses) through four placings.

The Company raised approximately US\$115 million through a placing of 115,150,000 Ordinary Shares at a price of US\$1 each on the 20 December 2006. The Company raised US\$370 million by a secondary equity fund raising in June 2007 through a placing of 355,769,230 Ordinary shares at placing price of US\$1.04 per share. These shares began trading on 5 June 2007. In July 2008, the Company raised a further US\$33 million by a third equity fund raising through a placing of 31,480,376 Ordinary Shares at a price of US\$1.05 each. These shares began trading on 11 July 2008.

In October 2008, the Company raised US\$18.5 million through the first tranche of its placing of unlisted C Shares with institutional investors.

The Ordinary Shares of the Company were admitted to trading on the Main Market on the 11 June 2008 and remain admitted to listing and trading on the CISX.

The Company's investment objective is to provide shareholders with attractive long term total returns, expected to be in the form of capital appreciation but with some income, through a diversified portfolio of timberland and timber-related investments.

The Group intends to seek investments that meet or exceed the

guidelines set out in the Sustainable Forestry Initiative and, wherever possible and practicable, to certify the lands under the Forest Stewardship Council guidelines

Investments are managed by FourWinds Capital Management.

The company ticker is PTF.

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