

Regulatory Story

[Go to market news section](#)



Company	Phaunos Timber Fund Limited
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Phaunos Timber Fund Limited

Phaunos announces additional investment in the Biomass Energy Project, Uruguay

(12 January 2010), Phaunos Timber Fund Limited ("Phaunos" or the "Company"), the Authorised Closed-ended investment scheme managed by FourWinds Capital Management established to invest in timberland and timber related assets on a global basis, today announces a further investment in the Aurora Forestal Biomass Energy Project in Uruguay.

Phaunos first announced its US\$9.9 million investment in the Biomass Energy Project on 19 December 2008. In June 2009, it invested the first US\$4.95 million of this committed amount. This month, Phaunos has invested a further US\$2.475 million, taking its total investment in the project so far to US\$7.425 million. The project is part of Phaunos' US\$36.9 million investment in Aurora Forestal, a joint venture which manages mixed age pine plantations and sawmill operations in northern Uruguay. The proceeds of the investment will be used to build a combined heat and power plant with capacity to generate 7 megawatts of electricity, some of which will be sold to the national power grid, and which will also provide steam for the sawmill kilns, which are used to dry

the finished lumber.

The plant, which will be powered by sawmill by-products and low value wood from thinning and pruning, is currently under construction inside the sawmill complex that is co-located with the Aurora Forestal pine plantations in northern Uruguay. The electricity produced by the plant is projected to save 26,000 tons of carbon dioxide per year, which would have been emitted into the atmosphere if the same power were generated by fossil fuels.

Although the project is not expected to be operational until 2011, it has already secured the sale of part of its electricity capacity to the national power grid by winning a tender organized by the government power company, La Administración Nacional de Usinas y Transmisiones Eléctricas (UTE). According to UTE's 2009 environment report, Uruguay is fully utilizing its hydropower capacity (which is Uruguay's main source of power generation) and, as a consequence, the only possible way to expand its power generation is through other sources, including biomass.

Helizander Brecailo, Manager of Investment and Acquisitions for FourWinds Capital Management, commented on the announcement, "Phaunos is now well positioned in the power generation market in Uruguay. Besides having signed a supply agreement with UTE, we are investing in a growing market that envisages biomass energy as a way to expand. On top of that, we expect Aurora Forestal to reap the rewards of synergies between the sawmill and the plant."

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Notes to Editors

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The Company is a Guernsey-domiciled Authorised Closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008.

The Company has two classes of share in issue, US Dollar denominated Ordinary Shares and C Shares. The Company has raised a total of approximately US\$560 million (before expenses) through several placings of Ordinary Shares and C Shares.

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

Since November 2008, the Company has bought back to hold in treasury 4.07 million Ordinary Shares for an aggregate total amount of approximately US\$2.81 million.

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 Company 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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