

Regulatory Announcement

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Company Phaunos Timber Fund Limited
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Headline Investment in Biomass Energy Project, Uruguay
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Phaunos Timber Fund Limited ("Phaunos" or the "Company")

Investment in Biomass Energy Project, Uruguay

(19 December 2008), Phaunos Timber Fund Limited (the "Company"), the closed-ended investment company managed by FourWinds Capital Management and established to invest in timberland and timber related assets on a global basis, today announces an investment of US\$9.9 million in a new biomass energy project in Uruguay.

The project is part of the Company's US\$36.9 million investment in Aurora Forestal, a joint venture which manages mixed age pine plantations and sawmill operations in northern Uruguay. The co-generation plant will have the capacity to generate 7 megawatts of electricity and will provide steam for the sawmill's kilns, which are used to dry the finished lumber. The electricity generated will be sold into the national power grid.

The plant will be powered by sawmill residue and low value wood from thinning and pruning. Traditionally, the low value residue, sawdust and slabs, are simply waste that must be commercially hauled off. Further, the waste produces methane when left to decompose naturally, emitting greenhouse gases. Additionally, the electricity produced by this plant would release 11,000 tons of carbon dioxide into the atmosphere if generated by fossil fuels.

Demand for electricity in Uruguay has increased by 6 per cent in recent years, although this has not been matched by an adequate increase in the local supply. Uruguay's economy has grown by 11 per cent in 2008.

The project is expected to be fully operational by 2011.

Dr. Jack Lutz, Director of Research at FourWinds Capital Management, said: "This project is a good example of the next generation of efficiency in managing integrated operations. Nothing goes to waste, and the environment is protected. What's more, revenue goes up by converting a by-product that, previously, we would have had to pay someone to haul away. This is a win-win situation for everyone concerned."

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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 in July 2008 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 remains 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.

Investments are managed by FourWinds Capital Management.

The company ticker is PTF.

19 December 2008

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