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Phaunos Timber Fund Limited  
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PHAUNOS ANNOUNCES JOINT VENTURE TO INVEST IN EASTERN EUROPE  
UP TO \$150 MILLION

4 April 2008 - Phaunos Timber Fund Limited ("Phaunos"), the closed-ended investment company established to invest in timberland and timber related assets on a global basis, today announces that it has reached in principle agreement to establish a joint venture with Aitchesse Limited ("Aitchesse"), the Scottish-based forestry specialists, to invest in Eastern Europe.

The two companies will form a Newco aimed at investing in forestry assets across the region.

Investments could begin as early as the second quarter of 2008.

It is expected that Phaunos will potentially be able to commit up to \$150m to the project. Funding is anticipated to be drawn from one or a combination of Phaunos's existing resources, from cashflow from the Company's existing portfolio, from syndication of its participation and/or from the proceeds of the Company's proposed C-share offering, depending on the size of the investment required.

Aitchesse, which has an office in Eastern Europe and has been building a pipeline of forest investments there since 2006, will commit resources including access to its extensive research, most notably in legal and network issues, access to its current pipeline and Eastern European office and workforce. Aitchesse's pipeline consists of some 15 parcels of naturally forested lands of primarily mixed temperate hardwoods and commercial softwood species. All forests will be managed in accordance with the Forestry Stewardship Council standards.

Phaunos' existing investments in Eastern Europe include wood pellet processing facilities in Serbia.

Keith Oates, Chairman of Phaunos' Board of Directors, said of the announcement: "We are very pleased to move forward in this investment programme with a high quality forestry partner. As always, we are committed to the highest standards of forestry stewardship wherever we invest. The application of Aitchesse's proven forestry investment skills to the traditionally managed natural forests in Eastern Europe will be an exciting step in the right direction for viable sustainable forestry and increase the Fund's exposure to this growing emerging market"

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Notes to Editors

[www.phaunostimber.com](http://www.phaunostimber.com)  
[www.aitchesse.co.uk](http://www.aitchesse.co.uk)

Phaunos Timber Fund Limited is a closed-ended investment company incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company has been established to make timberland and timber related investments on a global basis. Phaunos raised \$115m in a placing by Shore Capital Stockbrokers Limited and LCF Edmond de Rothschild Securities Limited and joined AIM and the Channel Island Stock Exchange on the 20th December 2006. The Company raised a further US\$370 million through a secondary equity fundraising in June 2007.

Phaunos aims to provide its shareholders with attractive long term total returns through a diversified portfolio of timberland and timber related investments. Phaunos seeks to provide tax-efficient access to opportunities historically available only to the largest (generally US-based) institutional investors.

Investments are managed by FourWinds Capital Management.

The company ticker is PTF.

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