

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Circular or the action you should take, you are recommended to seek immediately your own personal financial advice from your independent financial adviser, stockbroker, bank manager, solicitor, accountant or from an appropriately qualified and duly authorised independent adviser.

This Circular is not being sent to shareholders with registered addresses in the United States, Canada, Australia or Japan and is not an offer of securities for sale in any of these jurisdictions. Accordingly copies of this Circular or any accompanying documents are not being mailed and must not be, directly or indirectly, mailed or otherwise distributed, forwarded or transmitted into the United States, Canada, Australia or Japan and all persons receiving such documents (including, without limitation, custodians, nominees and trustees) should observe these restrictions and must not mail or otherwise distribute, forward or transmit them in, into or from the United States, Canada, Australia or Japan.

If you have sold or otherwise transferred all of your Shares in the Company, please send this Circular and the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia or Japan or into any other jurisdiction if to do so would constitute a violation of the relevant laws and regulations in such other jurisdiction.

PHAUNOS TIMBER FUND LIMITED

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 45564)

Extraordinary General Meeting

Proposals relating to approval of the Waiver by The Panel on Takeovers and Mergers under Rule 9 and Rule 37 of The UK City Code on Takeovers and Mergers, amendment of the Articles of Association and authority to issue C Shares

The Proposals described in this Circular are conditional on Shareholder approval at an EGM. Notice of an EGM of the Company to be held at 10.00 a.m. on 21 April 2008 at the offices of Anson Fund Managers Limited, Anson Place, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ is set out at the end of this Circular.

Shareholders are requested to return the reply-paid Form of Proxy accompanying this Circular. To be valid, a Form of Proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by Anson Registrars Limited, P.O. Box 426, Anson Place, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 3WX as soon as possible and, in any event, not later than 48 hours before the time of the EGM.

Your attention is drawn to the letter from the Chairman of Phaunos Timber Fund Limited which is set out in Part 1 of this Circular and which recommends that you vote in favour of the Resolutions to be proposed at the EGM. Your attention is also drawn to the section entitled "Action to be Taken by Shareholders" on page 2 of this Circular.

This Circular is not a prospectus and is not an offer to sell or a solicitation of any offer to buy any securities in the United States or in any other jurisdiction. No offering of the C Shares will be made in the United States and the C Shares will not be registered under the US Securities Act of 1933, as amended. The Company has not been, and will not be, registered under the US Investment Company Act of 1940, as amended.

EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Proxy for the EGM	10.00 a.m. on 19 April 2008
Time and date of the EGM	10.00 a.m. on 21 April 2008

ACTION TO BE TAKEN BY SHAREHOLDERS

ALL SHAREHOLDERS ARE RECOMMENDED TO COMPLETE AND RETURN THEIR FORM OF PROXY TO INDICATE HOW THEY WISH TO VOTE IN RELATION TO THE RESOLUTIONS. COMPLETION AND RETURN OF THE FORM OF PROXY WILL NOT AFFECT A SHAREHOLDER’S RIGHT TO ATTEND AND VOTE AT THE EGM.

Shareholders are requested to complete and return the Form of Proxy as soon as possible and in any event not later than 48 hours before the EGM.

Where a Shareholder being a body corporate wishes to attend and vote at the EGM an appropriate letter of representation and suitable identification of the person nominated to represent the body corporate must be presented before the EGM commences.

PART 1

LETTER FROM THE CHAIRMAN PHAUNOS TIMBER FUND LIMITED

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 45564)

Directors:

Keith Oates (*Chairman*)
John Le Prevost
Liane Luke
Peter Niven
Kimberly Tara

Registered office:

Anson Place
Mill Court
La Charroterie
St. Peter Port
Guernsey GY1 1EJ

8 April 2008

PROPOSALS RELATING TO APPROVAL OF THE WAIVER BY THE PANEL ON TAKEOVERS AND MERGERS UNDER RULE 9 AND RULE 37 OF THE UK CITY CODE ON TAKEOVERS AND MERGERS, AMENDMENT OF THE ARTICLES OF ASSOCIATION AND AUTHORITY TO ISSUE C SHARES

Dear Shareholder,

1. INTRODUCTION

At the January EGM, Shareholders granted the Company the requisite authorities to allow it to raise additional capital of up to approximately \$1.6 billion through one or more issues of C Shares (which are convertible into Ordinary Shares in accordance with the provisions set out in the Articles of Association).

Approval of Panel Waiver

As noted in the January EGM Circular, as part of the proposed capital raising, your Board has been approached by a Luxembourg based investor which is advised by one of the largest asset managers in Luxembourg and which has expressed a strong interest in arranging a very substantial investment in the Company.

Following approval by Shareholders of the proposals in the January EGM Circular, the Luxembourg based investor, DWS ACCESS S.A., has indicated a potential level of subscription for C Shares under the Placing which could result in DWS ACCESS S.A.'s shareholding reaching or exceeding 30 per cent. of the total voting rights in the Company and may result in DWS ACCESS S.A.'s shareholding reaching or exceeding 50 per cent. of the total voting rights in the Company. DWS ACCESS S.A. does not currently own any shares in the Company.

Reaching or exceeding 30 per cent. of the total voting rights in the Company would normally trigger an obligation on the part of DWS ACCESS S.A. to make a general offer for the remainder of the entire issued share capital of the Company under the Takeover Code. The approval of Shareholders is being sought for the Waiver (which the Panel has granted, subject to Shareholder approval) by means of an ordinary resolution to be taken on a poll at the EGM convened for 10.00 a.m. on 21 April 2008 (or at any adjournment thereof). A notice of EGM is set out at the end of this Circular.

Approval of amendment of the Articles of Association

At the January EGM, Shareholders also approved the proposal for the Company to de-list from AIM conditional upon the UKLA granting admission of the Shares to the Official List and upon the London Stock Exchange admitting the Shares to trading on the Main Market.

In order to satisfy UKLA requirements necessary for the admission of the Shares to the Official List, the Articles of Association of the Company are required to be amended as discussed in paragraph 10 of this Part 1.

Shareholders' approval for the amendment of the Articles is being sought by means of a special resolution to be taken on a poll at the EGM.

Approval of authority to issue C Shares

In anticipation of the coming into force of the proposed Companies (Guernsey) Law 2008 (which is expected to come into effect in Guernsey on or about 1 July 2008), Shareholders' authorisation is being sought by means of an ordinary resolution to be taken on a poll at the EGM for the Directors to issue C Shares. Further details are set out in paragraph 11 of this Part 1.

The Board believes that approval of the Waiver, the proposed amendment of the Articles and the grant of authority to the Directors to issue C Shares are in the best interests of the Company and its Shareholders as a whole and recommends that you vote in favour of the Resolutions at the EGM. You are therefore urged to complete and return the enclosed Form of Proxy without delay, whether or not you intend to attend the EGM.

2. THE TAKEOVER CODE

Under Rule 9 of the Takeover Code, any person who acquires an interest (as such term is defined in the Takeover Code) in shares which, taken together with the shares in which he and persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights in a company which is subject to the Takeover Code is normally required to make a general offer to all of the remaining shareholders to acquire their shares. Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent but does not hold shares carrying more than 50 per cent of the voting rights of such a company, a general offer will normally be required if any further interests in shares are acquired by any such person.

Under Rule 37 of the Takeover Code, any increase in the percentage holding of a shareholder which results from a company buying back its own shares will also be treated as an acquisition for the purposes of Rule 9 of the Takeover Code.

An offer under Rule 9 must be made in cash at the highest price paid by the person required to make the offer or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

However, the Panel has agreed to waive the obligation of DWS ACCESS S.A. to make a general offer under Rule 9 of the Takeover Code that would otherwise arise as a result of the Placing and the exercise of the Buy Back Authority, subject to the approval of independent Shareholders at the EGM.

Accordingly, Resolution 1 is being proposed at the EGM by means of an ordinary resolution and will be taken on a poll.

The Company currently has authority to buy back up to 14.99 per cent. of the Ordinary Shares in issue which expires at the conclusion of the first annual general meeting of the Company. The Company has no current intention to buy back any Ordinary Shares. However, if the Company conducts a buy-back of Ordinary Shares pursuant to the current Buy Back Authority and DWS ACCESS S.A. would, following such buy-back exceed the limits set out above, DWS ACCESS S.A. will be obliged to make a general offer for the Company unless the Waiver is approved. Because of the likely impact on KG and on holders of Certificates, as explained below, it is unlikely that DWS ACCESS S.A. would wish to participate in such buy-back or otherwise dispose of shares it holds in the Company so as to maintain its proportional shareholding prior to such buy-back.

The Company anticipates that it will seek fresh authority to buy back Ordinary Shares and C Shares at each annual general meeting of the Company. At the time of seeking fresh authority and/or at the time of utilising such authority the Company will consider whether it is necessary (taking account of the circumstances at the time) to seek a further waiver of any obligation which might otherwise arise for DWS ACCESS S.A. to make a general offer under Rule 9 of the Takeover Code.

3. MAXIMUM POTENTIAL HOLDING

Pursuant to the Takeover Code, it is necessary to provide an illustration of the maximum potential shareholding in the Company of DWS ACCESS S.A..

For these purposes it has been assumed that:

- DWS ACCESS S.A. subscribes for such number of C Shares under the Placing as described in sub-paragraphs (a) and (b) below and does not subsequently sell any C Shares or, following the conversion of the C Shares into Ordinary Shares, any of those Ordinary Shares;
- the Company is unable to place any C Shares with investors other than DWS ACCESS S.A.;
- DWS ACCESS S.A. subscribes for the C Shares at a price of \$1 per C Share;
- there is no change in the net asset value of the C Shares in the period between the date on which the C Shares are issued and the date on which the C Shares convert into Ordinary Shares;
- there is no change in the net asset value of the Ordinary Shares from the most recently available net asset value of the Ordinary Shares as at the date of this Circular until conversion of the C Shares into Ordinary Shares; and
- no other person converts any convertible security or exercises any options or any other rights to subscribe for Ordinary Shares or C Shares.

The following table illustrates the effects of DWS ACCESS S.A. subscribing for C Shares under the Placing assuming: (1) that the Company utilises its current Buy Back Authority in full; and (2) that the Company does not utilise any of its current Buy Back Authority:

(1) Assuming Full Use of Buy Back Authority		(2) Assuming No Use of Buy Back Authority	
Phaunos Ordinary Shares in issue	400,328,437	Phaunos Ordinary Shares in issue	470,919,230
Number of C Shares subscribed by DWS ACCESS S.A. that, on conversion, would be necessary to take its Ordinary Share holding through 30%	171,569,330	Number of C Shares subscribed by DWS ACCESS S.A. that, on conversion, would be necessary to take its Ordinary Share holding through 30%	201,822,527
Maximum percentage Ordinary Share holding of DWS ACCESS S.A. assuming full subscription for its \$600 million Placing allocation	60.0%	Maximum percentage Ordinary Share holding of DWS ACCESS S.A. assuming full subscription for its \$600 million Placing allocation	56.0%

Based on the above assumptions and the figures as illustrated in the above table:

- (a) if DWS ACCESS S.A. subscribes for more than \$171.6 million of C Shares, then DWS ACCESS S.A. would hold more than 30 per cent. of the Company's issued voting share capital (assuming the Company utilises its Buy Back Authority in full); and
- (b) if DWS ACCESS S.A. subscribes for its full entitlement of \$600 million of C Shares under the Placing (assuming the Company utilises its Buy Back Authority in full), then DWS ACCESS S.A. would hold 60 per cent. of the Company's issued voting share capital.

4. RISKS RELATING TO APPROVAL OF THE WAIVER

Following completion of the Placing, DWS ACCESS S.A. may hold more than 50 per cent. of the Company's voting share capital (irrespective of the level of utilisation by the Company of its Buy Back Authority) and accordingly may increase its interest in Ordinary Shares or C Shares without incurring any obligation under Rule 9 of the Takeover Code to make a general offer to Shareholders.

Shareholders should also be aware that in that event DWS ACCESS S.A. will have the ability to exert a very significant degree of control over the future conduct of the Company. In particular,

DWS ACCESS S.A. will have the power to appoint or remove directors and to control the Company's dividend policy.

5. BACKGROUND INFORMATION ABOUT DWS ACCESS S.A.

DWS ACCESS S.A. is an authorised securitisation vehicle incorporated on 5 December 2007 as a *société anonyme de titrisation* (public limited securitisation company) under the laws of Luxembourg and registered with the Luxembourg trade and companies register. DWS ACCESS S.A. is regulated by the Commission de Surveillance du Secteur Financier in accordance with the Securitisation Law.

Legal ownership of the shares in DWS ACCESS S.A. is held by iStructure Trust II, a charitable trust, the trustee of which is Osiris. The trust and Osiris are independent from the DB group, and DWS ACCESS S.A. is not consolidated with DB either on a regulatory or an accounting basis.

The DWS ACCESS S.A. board is comprised of three directors, Bart Zech, Roeland Pels and Frank Walenta. All of them are appointed by Osiris and are independent from the DB group.

DWS ACCESS S.A. is party to an investment advisory agreement with DWS Investment S.A., which is described in more detail in paragraph 6 of Part 3 of this Circular under which it receives investment advisory and transaction execution services from DWS Investment S.A., which in turn receives related advisory services on a delegated basis from DWS Finanz-Service GmbH. DWS Investment S.A. and DWS Finanz-Service GmbH are indirect subsidiaries of DB. At present, DWS ACCESS S.A. has made no investments.

6. PLACING AND DWS SECURITISATION

It is proposed that C Shares under the Placing be offered to a number of potential placees and that DWS ACCESS S.A. will be one of them. An agreement (further details of which are set out in paragraph 5 of Part 3 of this Circular) has been entered into between Phaunos and DWS ACCESS S.A. whereby up to \$600 million of C Shares to be offered under the Placing will be reserved for subscription by DWS ACCESS S.A.. However, the actual number of C Shares for which DWS ACCESS S.A. may ultimately apply will depend on Shareholder approval of the ordinary resolution approving the Waiver and the level of funding available to it under the securitisation structure described below. DWS ACCESS S.A. is currently exploring levels of commitment, but ideally would wish to be able to apply for a total entitlement of up to \$600 million in C Shares under the Placing. Any subscription by DWS ACCESS S.A. under the Placing may take place in stages in respect of any or all of the tranches of the Placing. The amount of any such subscription cannot be predicted. The Waiver would, if approved, cover any and all such subscriptions.

Pursuant to the Securitisation Law, the DWS ACCESS S.A. board is empowered to establish compartments, each of which is a separate and distinct part of DWS ACCESS S.A.'s estate and which are distinguished from each other by the nature of acquired risks or assets or other distinguishing characteristics (the **Compartments**). The rights of holders of securities or other instruments issued in respect of a Compartment and the rights of creditors of such Compartment are limited to the assets of each such Compartment. The relevant C Shares would be held in Compartment 1 of DWS ACCESS S.A.

The Compartment 1 securitisation will comprise of the issue of a series of performance related bearer bonds (the **Certificates**) entitling holders to payments equal to:

- (a) the amount of any dividends paid by Phaunos to its shareholders; and
- (b) the amount of any proceeds payable to shareholders on the liquidation of Phaunos; less
- (c) fees and costs which accrue during the term of the investment.

The Certificates will not entitle holders to exercise, or control the exercise of, any voting rights or other rights attaching to the underlying shares in Phaunos and will not oblige DWS ACCESS S.A. to hold, continue to hold or dispose of any Phaunos shares, or to deliver Phaunos shares to holders of the Certificates on cancellation of the Certificates.

For the purposes of the German market, Certificates will be purchased by a closed-ended fund, DWS ACCESS Global Timber GmbH & Co. KG (**KG**), a limited partnership established under German law. KG will hold no investments other than the Certificates. Limited partnership interests in KG will be offered to investors in the German retail investor market and possibly to institutional investors, for whom a separate closed-ended fund along similar lines may be established. Investors' interests in KG will (unless they elect otherwise) be held by a trustee for the benefit of

investors, which is a common type of structure in German closed-ended funds. The trustee will be Deutsche Grundbesitz-Anlagegesellschaft mbH, a member of the DB group. However, KG is not owned by the DB group or consolidated with DB, either on a regulatory or on an accounting basis. It is an entity which is independent of the DB group, and its director and assistant director, as well as its general partner, are independent from DB.

It is possible that the Certificates will be offered to investors in European jurisdictions other than Germany.

7. INTENTIONS OF THE DIRECTORS

Notwithstanding DWS ACCESS S.A.'s holding of C Shares following the Placing, the Directors confirm that they intend to continue to conduct the business of the Company in the same manner as it is currently conducted and there are no plans to introduce any substantial change to the business of the Company.

8. INTENTIONS OF DWS ACCESS S.A.

DWS ACCESS S.A. is not proposing any changes to the Board and has confirmed that it would be its intention that, following its acquisition of C Shares and any subsequent increase in its shareholding as a result of the exercise of its entitlement to purchase C Shares pursuant to the Placing or a repurchase of shares by the Company, the business of the Company be continued in substantially the same manner as at present. In addition, DWS ACCESS S.A. has confirmed that the locations of the Company's places of business and the continued employment of its employees and management (and those of its subsidiaries) would not be altered, nor would there be any redeployment of the fixed assets of the Company.

9. BENEFITS OF APPROVING THE WAIVER

DWS ACCESS S.A. has insisted that it be offered the opportunity to subscribe for up to \$600 million of C Shares in Phaunos under the Placing. Approval by the Shareholders of the Waiver will enable DWS ACCESS S.A. to subscribe for up to \$600 million of C Shares in Phaunos and proceed with its investment in the Company without being required to make a general offer for the Company.

The Board considers that the issue of up to \$600 million of C Shares to DWS ACCESS S.A. under the Placing has a number of benefits:

- An increase in the capital of the Company will enable the Investment Manager to increase the Company's investment exposure and access larger investment opportunities than might otherwise be possible.
- The increase in capitalisation should raise the profile of the Company and widen its appeal to the investor community.
- It is expected that an increase in the Company's investor base should, following the Conversion, improve the market liquidity for all Shareholders.
- The enlarged size of the Company should mean that the fixed costs of operating the Company will be spread across a larger asset base than at present, which will benefit all Shareholders.

10. PROPOSED AMENDMENT OF THE ARTICLES OF ASSOCIATION

In discussions with the UKLA concerning eligibility for admission of the Company to the Official List, the UKLA has expressed the view that only listed, voting share classes can vote in any shareholder vote held in order to meet obligations which are governed by the Listing Rules.

The Articles of Association as amended at the January EGM, provide the C Shares to be issued pursuant to the Placing, which are an unlisted class of securities, with voting rights that are similar to those of the listed Ordinary Shares.

In order to satisfy the UKLA's requirements necessary for the admission of the Ordinary Shares to the Official List, Shareholders' approval of an amendment of the Articles of Association which limits the voting rights attaching to any class of unlisted C Shares in relation to votes held in connection with obligations that are governed by the Listing Rules is being sought by means of a special resolution to be taken on a poll at the EGM.

One of the limitations on the voting rights attaching to any class of unlisted C Shares required by the UKLA is the restriction of such C Shareholders from voting on material changes to the Company's investment policy.

Under the Articles and the Side Letter, the rights to convert C Shares into Ordinary Shares are dependent on a certain percentage of the Company's assets being invested in timberland and timber related assets. Accordingly, C Shareholders' conversion rights could be affected if there was a change to the Company's investment policy prior to such conditions being met.

In order to address this issue, the Company has agreed with DWS ACCESS S.A. that the Specified Class Consent Event (as set out in proposed new sub-paragraph 3A.6(e) of the Articles) in respect of the C Shares issued pursuant to the Placing shall have the following meaning:

"Any Shareholders' resolution authorising a change to the Company's published investment policy which would result in conversion of C Shares into Ordinary Shares in accordance with the Articles not occurring because the conditions relating to the percentage of the Company's assets that must be invested in timberland and timber related assets as specified under the definition of Calculation Date (which for the avoidance of doubt includes the modified meaning given to it by the Side Letter) will not be met."

11. APPROVAL OF AUTHORITY TO ISSUE C SHARES

It is expected that the proposed Companies (Guernsey) Law 2008 (the "**Law**") will come into force on or around 1 July 2008. The Law provides that the directors of a company must not exercise any power of the company to issue shares in the company unless authorised to do so by the company's memorandum and articles or by resolution of the company.

While the issue of the first tranche of C Shares under the Placing will occur prior to the date on which it is expected that these provisions of the proposed Law will come into effect, later C Share tranches may be issued when the proposed legislation will be in force.

Accordingly, Shareholders' authorisation by means of an ordinary resolution for the Directors to issue up to 1.6 billion C Shares (the figure by which the Company increased its authorised share capital at the January EGM) is being sought at the EGM.

12. FURTHER INFORMATION

Your attention is drawn to the unaudited Half-Yearly Financial Report of the Company for the period ended 30 June 2007 set out in Part 2 of this Circular and to the further information set out in Part 3 of this Circular. DWS ACCESS S.A. is a special purpose vehicle, incorporated only very recently. As a result, DWS ACCESS S.A. has no trading history and has not produced any financial statements to date.

13. RESOLUTIONS

You will find set out at the end of this Circular, a Notice of Meeting convening an EGM of the Company to be held at 10.00 a.m. on 21 April 2008.

The resolutions to be proposed at the EGM will be: (i) as an ordinary resolution, to approve the Waiver granted by the Panel of the obligation which may otherwise arise on DWS ACCESS S.A. to make a general offer to Shareholders pursuant to Rule 9 of the Takeover Code as a result of: (a) DWS ACCESS S.A. subscribing for C Shares under the Placing; or (b) any market purchases of Ordinary Shares by the Company pursuant to the Buy Back Authority following the Placing; (ii) as an ordinary resolution, to approve the granting to the Directors of authority to issue C Shares; and (iii) as a special resolution, to amend the Articles of Association in respect of the voting rights attaching to the C Shares.

14. ACTION TO BE TAKEN AND FORM OF PROXY

Shareholders will find enclosed a Form of Proxy for use at the EGM. Whether or not you intend to attend the EGM, you should complete and return the Form of Proxy by post or by hand (during normal business hours) to Anson Registrars Limited, P.O. Box 426, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 3WX so as to arrive not later than 48 hours before the time of the EGM. Completion and return of the Form of Proxy will not affect a Shareholder's right to attend and vote at the EGM.

A quorum consisting of two Shareholders entitled to vote and attending in person or by proxy is required for the EGM.

15. RECOMMENDATION

The Directors, who have been so advised by Shore Capital in respect of the Proposals, consider the Proposals to be fair and reasonable and in the best interests of Shareholders as a whole. In providing advice to the Directors, Shore Capital has taken into account the Directors' commercial assessments. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the EGM.

Your Directors intend to vote in favour of the Resolutions to be proposed at the EGM in respect of their entire shareholdings of 205,000 Ordinary Shares, representing 0.043 per cent. of the total number of issued Ordinary Shares in the Company.

Yours faithfully

Keith Oates
Chairman

PART 2

HALF-YEARLY FINANCIAL REPORT (UNAUDITED) FOR THE PERIOD ENDED 30 JUNE 2007

The following comprises the text of the Unaudited Half-Yearly Financial Report of the Company, which was made available to Shareholders on 1 October 2007:

“Phaunos Timber Fund Limited (the “Company”)

ABOUT THE COMPANY

Phaunos Timber Fund Limited is a closed-ended investment company incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company has one class of share in issue, being US Dollar denominated Ordinary Shares. The Company raised approximately US\$115 million through a placing of 115,150,000 Ordinary Shares at a price of US\$1 each. On 20 December 2006 this share class was admitted to listing and trading on AIM and the Channel Islands Stock Exchange.

The Company raised a further US\$370 million through a secondary equity fundraising in June 2007 through a placing of 355,769,230 Ordinary Shares at a placing price of US\$1.04 per share. These shares began trading on 5 June 2007.

Investment Objective and Policy

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 Investment Manager will seek to accomplish this investment objective by (i) seeking exposure to timberland and timber-related investments on a global basis; (ii) seeking portfolio diversification by tree species, age classes and geographical timberland markets; and (iii) seeking to control risk through portfolio diversification, investment vehicle selection and implementation of risk control strategies. The only predetermined geographical limits enforced on the Company are that no single country or US region may garner more than 40% of the Company’s total investment portfolio. This limit has been placed to ensure that the Company can maintain flexibility in the market place. The Company will invest in developed timberland markets in politically stable countries and will invest in at least three different regions of the world. No single investment may, at the time of acquisition, exceed 30 per cent. of the gross assets of the Company, without the unanimous approval of the Board.

It is the intention of the Investment Manager to seek for the Company, investments that meet or exceed the guidelines set out in the Sustainable Forestry Initiative.

It is the intention of the Directors, subject to market conditions, for the Company to be substantially invested (i.e. 80 to 85 per cent.) or committed in accordance with its investment policy within 18 months of the first placing and thereafter at all times, although the Investment Manager may exercise its discretion to hold cash or cash equivalent instruments. Pending such investment the Company’s net funds are invested in fixed income investments (including but not limited to bank deposits, bonds or government issued treasury securities) for the purpose of protecting the capital value of the Company’s cash assets.

Since not all of the Company’s investments will be income generating the Company may also retain a proportion of its liquid assets in cash or near-cash investments for working capital purposes.

The Company’s investment portfolio is expected to comprise predominantly US Dollar denominated investments. The Directors intend that all monies eventually returned to shareholders and the reported Net Asset Value of a share will be denominated in US Dollars. In order to hedge against interest rate risks or currency risk, the Company may, where appropriate, also enter into forward interest rate agreements and forward currency agreements.

As required under the AIM Rules, the Directors intend to seek Shareholder approval of the Company’s investment strategy at each annual general meeting of the Company.

The Directors do not currently intend to propose any changes to the Company’s investment objective and policy (and associated investment strategy) until the earlier of the time when the net funds currently available are fully invested or three years from the first placing, save in the case of

exceptional and unforeseen circumstances and with the prior approval of shareholders by way of special resolution.

Net Asset Value per Share

The Company's net unaudited net asset value of a share is US\$1.00 per share as at 30 June 2007.

CHAIRMAN'S STATEMENT

Highlights

- US\$485 million in subscriptions since launch
- Net asset value per share of US\$1.00
- US\$40 million in investments closed (plus an additional US\$33.5 million since the mid-year)
- Extensive pipeline of deals in progress

Introduction

Dear Shareholders,

It is my pleasure in this first report to welcome all shareholders after our successful fundraisings. Phaunos raised US\$115 million in a placing by Shore Capital Stockbrokers Limited and LCF Edmond de Rothschild Securities Limited and joined AIM and the Channel Islands Stock Exchange on 20 December 2006. The Company raised an additional \$370 million in a secondary issue on 5 June 2007. The Board believes that Phaunos now has sufficient funds to achieve a well-diversified investment programme.

Phaunos has moved forward rapidly to ensure its investment programme has an excellent pipeline of well diversified international investments in line with the Company's objectives and guidelines. Phaunos has already closed on five initial investments, two prior to period end and three after, and expects to announce others in the coming weeks and months as projects that are in advanced stages are finalized subject to final due diligence and negotiations.

The Company's investment manager, FourWinds Capital Management, has continued to build its team of senior timber investment professionals focused on building and managing the Phaunos portfolio. The Board is pleased with the high ethical and environmental standards applied by the investment manager.

Phaunos is focused on generating attractive long term returns from a diversified global portfolio of timberland and timber-related investments.

Net Asset Value

The Company's unaudited net asset value per share is \$1.00 as at 30 June 2007.

Dividends

The Board is not proposing a dividend for the period.

Investments

During the period from inception to 30 June 2007, the Company closed on deals totalling US\$40 million:

- US\$30 million in a partnership for investment in the north-western United States, which has acquired its first tree plantation, a 35,000-acre hybrid poplar tree farm in Boardman, Oregon. The tree farm is certified under the stringent forest practices guidelines of the Forest Stewardship Council ("FSC").
- US\$10 million to an investment partnership investing in the south-eastern United States designed to realise the "higher-and-better-use" values of timberland properties.

Since 30 June 2007, the Company has also closed on an additional US\$33.5 million in investments in Uruguay and Indonesia including 18,500 hectares of FSC certified pine plantations and other forestry sector investments.

Other investments are under review and negotiation in Latin America, Oceania, Eastern Europe, Africa, and Asia.

Outlook

The investment manager has an extensive pipeline of potential investments that meet the Company's specified investment criteria. The broad international scope and variety of return streams from the projects under consideration is particularly interesting for the future diversification of the portfolio.

I look forward to reporting the Company's progress in the annual report for the year ended 31 December 2007. In the meantime shareholders should note that further information about the Company is available on its website at www.phaunostimber.com

Keith Oates

Chairman

27 September 2007

REPORT BY THE INVESTMENT MANAGER

FourWinds Capital Management is pleased to report to investors in Phaunos Timber Fund Limited (“Phaunos”) that we have made great strides in establishing Phaunos in several timber markets internationally. We have built a world-class timber investment team and continue to build alliances worldwide. We have made on behalf of Phaunos five commitments totalling US\$73.5 million (as of 20 September 2007), and have teamed up with some of the best talent in the industry. We have investments in our pipeline in excess of US\$1.8 billion, having already rejected almost a US\$1 billion of investments that we deemed inappropriate for Phaunos.

In addition to the two initial investments announced earlier in the year, both in North America and totalling US\$40 million, we have completed for Phaunos two additional investments in South America, specifically in Uruguay, totalling US\$28 million. We have made a US\$5.5 million commitment in Indonesia in partnership with a world-renowned scientist and foundation. Further, we are pursuing several investment projects in Brazil, where we are in the process of setting up three companies for eventual use to hold investments there; and we are in advanced due diligence on projects in North America, Central America, Africa and Eastern Europe. We expect to complete due diligence on several of these investments during the fourth quarter of 2007.

We are expanding our network of relationships into additional developing markets for projects we expect to pursue during 2008. To date, we have established legal representation in every country where we intend to do business, and are in the process of securing a unified world-wide network of accountants to advise Phaunos on accounting and tax matters, in an agreement with one of the largest accounting firms in the world. We have also moved into relationships with several international consultants that specialise in certain aspects of timberland investing, many of whom will be assisting us in building additional deal flow. We are determined to have access to every transaction or opportunity that might be congruent with Phaunos’ strategy.

As promised, we have avoided the well-publicised “bid events” that have occurred in the first half of the year, in which several large timberland portfolios were sold at record high prices, and with accompanying record low projected yields. We continue to identify underserved niches in the timberland investment arena, seek out innovative technologies that will enhance yield, and develop regional strategies that will provide a well-diversified portfolio of scalable investments.

Over the past six months, we have built a world-class timber investment team. Your Timber Management Team includes experienced professionals from some of the largest timberland investment organizations in the world, with a combined experience of over 125 years in timberland investing. We are planning to add a Chief Financial Officer before year-end to round out senior talent. We have added some support positions and will continue to do so.

We are diligently pursuing the investment objectives of Phaunos and we are committed to upholding the highest standards of due diligence and management practices. We are very pleased with the progress we have been able to make to date, and look forward to serving you in the years to come.

Consolidated Statement of Operations

for the period from incorporation to 30 June 2007

		28 Sep 2006 to 30 Jun 2007 USD
	<i>Notes</i>	
Net movement in unrealised loss on investments	6	(29,205)
Operating income		4,164,560
Operating expenses	2	<u>(1,619,220)</u>
Gain on ordinary activities before taxation		2,516,135
Taxation on ordinary activities		<u>—</u>
Net gain for the period attributable to shareholders		<u><u>2,516,135</u></u>
		Cents
Earnings per share for the period – Basic and Diluted	4	1.82

In arriving at the results for the financial period, all amounts above relate to continuing operations.

There are no recognised gains or losses for the period other than those disclosed above.

Consolidated Net Asset Statement

as at 30 June 2007

	<i>Notes</i>	30 Jun 2007 USD
FIXED ASSETS		
Unquoted financial assets designated at fair value through profit or loss	6	23,297,763
CURRENT ASSETS		
Debtors	7	1,714,026
Cash and cash equivalents		446,673,946
		448,387,972
CURRENT LIABILITIES		
Creditors – due within one year	8	57,971
NET CURRENT ASSETS		448,330,001
TOTAL ASSETS LESS CURRENT LIABILITIES		471,627,764
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS		471,627,764
CAPITAL AND RESERVES		
Share capital	9	—
Share premium	10	358,693,034
Retained earnings	11	2,516,135
Distributable reserves	12	110,418,595
		471,627,764
SHARES IN ISSUE		470,919,230

USD

NAV PER SHARE 1.00

These financial statements were approved by the Board of directors on 28 September 2007 and are signed on its behalf by:

Peter Niven
Director

John Le Prevost
Director

Statement of Operations

for the period from incorporation to 30 June 2007

		28 Sep 2006 to 30 Jun 2007 USD
	<i>Notes</i>	
Net movement in investments	6	(29,205)
Operating income		4,163,889
Operating expenses	2	<u>(1,619,140)</u>
Gain on ordinary activities before taxation		2,515,544
Taxation on ordinary activities		<u>—</u>
Net gain for the period attributable to shareholders		<u><u>2,515,544</u></u>
		Cents
Earnings per share for the period – Basic and Diluted	4	1.82

In arriving at the results for the financial period, all amounts above relate to continuing operations.

There are no recognised gains or losses for the period other than those disclosed above.

Net Asset Statement

as at 30 June 2007

	<i>Notes</i>	30 Jun 2007 USD
FIXED ASSETS		
Investments in subsidiaries	5	20,200,000
Unquoted financial assets designated as fair value through profit or loss	6	3,120,620
		<hr/> 23,320,620
CURRENT ASSETS		
Debtors	7	1,714,026
Cash and cash equivalents		446,650,498
		<hr/> 448,364,524
CURRENT LIABILITIES		
Creditors – due within one year	8	57,971
		<hr/> 448,306,553
NET CURRENT ASSETS		448,306,553
TOTAL ASSETS LESS CURRENT LIABILITIES		471,627,173
		<hr/> 471,627,173
NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS		<hr/> <hr/> 471,627,173
CAPITAL AND RESERVES		
Share capital	9	—
Share premium	10	358,693,034
Retained earnings	11	2,515,544
Distributable reserves	12	110,418,595
		<hr/> 471,627,173
		<hr/> <hr/> 471,627,173
SHARES IN ISSUE		470,919,230
		<hr/> <hr/>
		USD
NAV PER SHARE		1.00

These financial statements were approved by the Board of directors on 28 September 2007 and are signed on its behalf by:

Peter Niven
Director

John Le Prevost
Director

Consolidated Statement of Cash Flows

for the period ended 30 June 2007

	30 Jun 2007 USD
Operating activities	
Net gain for the period attributable to shareholders	2,516,135
Add: Unrealised depreciation on investments	29,205
Add: Increase in accrued expenses	57,971
Less: (Increase) in prepayments and accrued income	(1,714,026)
Net cashflow from operating activities	<u>889,285</u>
Investing activities	
Purchase of financial assets	(23,326,968)
Net cash outflow from investing activities	<u>(23,326,968)</u>
Financing activities	
Proceeds of issue of shares	485,150,000
Costs of issue of shares	(16,038,371)
Net cash inflow from financing activities	<u>469,111,629</u>
Cash and cash equivalents at beginning of period	—
Increase in cash and cash equivalents	446,673,946
Cash and cash equivalents at end of period	<u><u>446,673,946</u></u>

Statement of Changes in Equity

for the period ended 30 June 2007

	30 Jun 2007 USD
GROUP	
Opening balance	—
Issue of shares	485,150,000
Share issue costs	(16,038,371)
Net gain for the period attributable to shareholders	2,516,135
	<hr/>
Closing balance as at 30 June 2007	471,627,764
	<hr/> <hr/>
	30 Jun 2007 USD
COMPANY	
Opening balance	—
Issue of shares	485,150,000
Share issue costs	(16,038,371)
Net gain for the period attributable to shareholders	2,515,544
	<hr/>
Closing balance as at 30 June 2007	471,627,173
	<hr/> <hr/>

Notes to the Financial Statements

as at 30 June 2007

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared in conformity with International Financial Reporting Standards and applicable Guernsey law. The financial statements have been prepared on an historical cost basis except for the measurement at fair value of financial instruments. The financial statements have been prepared in accordance with the requirements of IAS 34.

(b) Basis of calculation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Taxation

The Company has been granted exemption under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from Guernsey Income Tax, and is charged an annual fee of £600.

(d) Expenses

All expenses are accounted for on an accruals basis.

(e) Interest income

Interest income is accounted for on an accruals basis.

(f) Share issue costs

The share issue costs incurred amounted to US\$16,038,371. Because the Company's shares have no fixed redemption date, the costs are written off through the statement of changes in net assets.

(g) Cash and cash equivalents

Cash at bank and short term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as call deposits, short term deposits and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and deposits at bank.

(h) Investments

All investments have been designated "fair value through profit or loss". Investments are initially recognised on the date of purchase at cost, being the fair value of the consideration given, including transaction costs associated with the investment. After initial recognition, investments are measured at fair value, with unrealised gains and losses on investments and impairment of investments recognised in the Statement of Operations. Investments are recognised on their maturity date. Gains and losses on the sale of investments will be taken to the Statement of Operations.

2 OPERATING EXPENSES

	<i>Company</i> <i>30 Jun</i> <i>2007</i> <i>USD</i>	<i>Group</i> <i>30 Jun</i> <i>2007</i> <i>USD</i>
Investment managers fees	1,268,270	1,268,270
Directors' remuneration	111,187	111,187
Directors expenses	3,594	3,594
Directors & Officers insurance	23,671	23,671
Directors & Officers insurance (Phaunos US Inc)	24,205	24,205
Audit fees	41,166	41,166
Annual fees	7,786	7,786
Administration fees	36,463	36,463
Registration fees	10,189	10,189
Nominated Advisor Fees	54,346	54,346
Other operating expenses	38,263	38,343
	<u>1,619,140</u>	<u>1,619,220</u>

3 DIRECTORS' REMUNERATION

Each Director receives a fee of £20,000 per annum from the Company, except for the Chairman, who receives £40,000 per annum. Liane Luke and Kimberly Tara have waived their entitlement to receive a fee.

4 EARNINGS PER SHARE

Earnings per share is based on the net gain for the period attributable to shareholders of Group £2,516,135 and Company £2,515,544 and on 138,436,713 Shares, being the weighted average number of shares in issue during the period. There are no dilutive instruments and therefore basic and diluted earnings per share are identical.

5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries consist of investments in the following wholly owned group company:

<i>Company</i>	<i>Place of Incorporation</i>	<i>Percentage of shares</i>	<i>30 Jun 2007 USD</i>
Phaunos US Incorporated	USA	100%	20,200,000
			<u>20,200,000</u>

Phaunos Timber Fund Limited owns 100% of the issued share capital of the above company. The value of the investment is stated at cost. Following advice from FourWinds the Directors consider that there has been no diminution in the value of the investment.

**6 INVESTMENTS
GROUP**

**30 Jun 2007
USD**

**UNQUOTED FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS
AS FAIR VALUE**

Opening portfolio cost	—
Additions at cost	23,326,968
Unrealised appreciation on valuation brought forward	—
Unrealised appreciation/(depreciation) on valuation for the period	(29,205)
	<hr/>
Unrealised appreciation/(depreciation) on valuation carried forward	(29,205)
	<hr/>
Closing valuation	23,297,763
	<hr/> <hr/>

COMPANY

**30 Jun 2007
USD**

**UNQUOTED FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS
AS FAIR VALUE**

Opening portfolio cost	—
Additions at cost	3,149,825
Unrealised appreciation on valuation brought forward	—
Unrealised appreciation/(depreciation) on valuation for the period	(29,205)
	<hr/>
Unrealised appreciation/(depreciation) on valuation carried forward	(29,205)
	<hr/>
Closing valuation	3,120,620
	<hr/> <hr/>

Investments are shown at cost. In the directors' opinion the fair value of investments approximates to cost.

**7 DEBTORS
COMPANY AND GROUP**

**30 Jun 2007
USD**

Prepayments	63,802
Accrued income	1,500,183
Sundry debtors	150,041
	<hr/>
	1,714,026
	<hr/> <hr/>

8 CREDITORS (amounts falling due within one year)

**30 Jun 2007
USD**

Accrued audit fees	41,166
Accrued administration fees	5,540
Accrued registration fees	3,410
Other accrued expenses	7,855
	<hr/>
	57,971
	<hr/> <hr/>

9 SHARE CAPITAL

	30 Jun 2007 USD
Authorised, issued and fully paid	
Unlimited Ordinary Shares of no par value	—
	<u> </u>

The issues of shares took place as follows:

Date of issue	Number of shares	Price per share USD	Amount received USD
20 December 2006	115,150,000	1.00	115,150,000
5 June 2007	355,769,230	1.04	370,000,000
	<u>470,919,230</u>		<u>485,150,000</u>

As the company has only one class of shares, the holders of its shares will under general law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings.

10 SHARE PREMIUM

	30 Jun 2007 USD
COMPANY AND GROUP	
Share premium as at 28 September 2006	—
Share premium on initial raising 20 December 2006	115,150,000
Share premium on second raising 5 June 2007	370,000,000
Less: Share issue costs	(16,038,371)
Transfer to distributable reserves	(110,418,595)
Share premium	<u>358,693,034</u>

11 RETAINED EARNINGS

	Company 30 Jun 2007 USD	Group 30 Jun 2007 USD
Balance as at 28 September 2006	—	—
Net gain for the period attributable to shareholders	2,515,544	2,516,135
Balance as at 30 June 2007	<u>2,515,544</u>	<u>2,516,135</u>

12 DISTRIBUTABLE RESERVES

	Company 30 Jun 2007 USD	Group 30 Jun 2007 USD
Balance as at 28 September 2006	—	—
Transferred from share premium	110,418,595	110,418,595
Balance as at 30 June 2007	<u>110,418,595</u>	<u>110,418,595</u>

The Company has passed a special resolution reducing the amount standing to the credit of the share premium account on the initial raising to US\$ Zero, and that the surplus created form a distributable reserve. In accordance with The Companies (Guernsey) Law, 1994 (as amended) (the

“Companies Law”), the Directors applied to the Royal Court in Guernsey for an order confirming such reduction of the share premium account following admission. The distributable reserve created on cancellation is available as distributable profits to be used for all purposes permitted by the Companies Law, including the buy back of Ordinary Shares and the payment of dividends.

13 FINANCIAL INSTRUMENTS

The Company’s main financial instruments comprise:

- (a) Cash and cash equivalents that arise directly from the Company’s operations; and
- (b) Investments in unlisted entities.

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company’s investments are market price risk, liquidity risk and interest rate risk. The board regularly reviews and agrees policies for managing each of these risks and these are summarised below.

(a) Market Price Risk

Market price risk arises mainly from uncertainty about future values of investments held. It represents the potential loss the Company might suffer though holding market positions in the face of price movements. The investment manager actively monitors market prices and reports to the Board as to the appropriateness of the investments held.

There is also a further risk due to the small number of large investments made by the Company. Such a concentration of investments subjects the Company to increased exposure to significant declines in the value of one investment. The investment manager actively monitors the appropriateness of the investments held.

Detail of the Company’s Investment Objective and Policy are given on page 3.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in realising assets or otherwise raising funds to meet financial commitments. The Board regularly monitors the appropriateness of the expense provision over the anticipated life of the Company.

(c) Interest Rate Risk

The Company holds cash on deposit and invests in global treasury funds, the return on which is subject to fluctuations in market interest rates.

(d) Credit Risk

There is a credit risk relating to the Company’s investments in non-wholly owned subsidiaries, where the Company has limited control over its investment. The Board attempt to minimise such risk by ensuring that due diligence is undertaken prior to any investment and by obtaining regular performance information regarding these investments.

15 EVENTS AFTER THE BALANCE SHEET DATE

Since the year end, the Company has made further commitments of US\$21 million into a joint venture, US\$7 million in a wholly owned subsidiary and US\$5.5 million in a loan to a foundation. Two of these investments are in Uruguay and one is in Indonesia.

The Company has also made further commitments to provide funding of around US\$17 million into investments existing at 30 June 2007.”

PART 3

ADDITIONAL INFORMATION

1. RESPONSIBILITY

- 1.1 The Directors accept responsibility for the information contained in this Circular, save for the information relating to DWS ACCESS S.A. which has been provided by DWS ACCESS S.A.. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 As referred to in paragraph 1.1 above, the DWS ACCESS S.A. directors accept responsibility for the information contained in this Circular relating to DWS ACCESS S.A. only. To the best of the knowledge and belief of the DWS ACCESS S.A. directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. DIRECTORS

- 2.1 The Directors of the Company and their functions are as follows:

Director	Function
Keith Oates	Non-Executive Chairman
John Le Prevost	Non-Executive Director
Liane Luke	Non-Executive Director
Peter Niven	Non-Executive Director
Kimberly Tara	Non-Executive Director

- 2.2 The DWS ACCESS S.A. directors and their functions are as follows:

Director	Function
Bart Zech	Director
Roeland Pels	Director
Frank Walenta	Director

3. INTERESTS AND DEALINGS

Directors' interests

- 3.1 As at the Latest Practicable Date, the interests, rights to subscribe and short positions of the Directors, their immediate families and persons connected with them in the share capital of the Company together with any options in respect of such share capital (all of which holdings are beneficially held unless otherwise stated) required to be notified to the Company or which are required to be entered in the Company's shareholder register, are as set out below.

<i>Director</i>	<i>Ordinary Shares</i>
Keith Oates* (Chairman)	125,000
John Le Prevost	—
Liane Luke	—
Peter Niven	30,000
Kimberly Tara**	50,000
Total	205,000

* of which 75,000 Ordinary Shares are held on trust on behalf of Keith Oates by Anson Custody Limited and will vest in Mr Oates on 31 December 2008 provided he remains a Director at that date.

** the interest is held by FourWinds Capital Management, the Investment Manager, in which Kimberly Tara is a shareholder.

- 3.2 As at the Latest Practicable Date, none of the Directors nor persons connected with them nor the Company itself nor any person acting in concert with the Company or the Directors, had any interests, rights to subscribe, or short positions in any DWS ACCESS S.A. securities or

had any dealings (including borrowing or lending) for value in DWS ACCESS S.A. securities which took place during the period beginning 12 months preceding the date of this Circular and ending on the Latest Practicable Date.

- 3.3 As at the Latest Practicable Date, the Company had not been notified of any persons who were interested, directly or indirectly, in 5 per cent. or more of the issued share capital of the Company.
- 3.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 3.5 Save for the Investment Management Agreement (described in paragraph 6.1.6 of this Part 3) in which Kimberly Tara is interested as a shareholder of the Investment Manager and save as disclosed in paragraph 4.2 of this Part 3, none of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

DWS ACCESS S.A. interests

- 3.6 As at the Latest Practicable Date, none of the DWS ACCESS S.A. directors or persons connected with them or DWS ACCESS S.A. itself or any person acting in concert with it, had any interests, rights to subscribe, or short positions in any Shares or had any dealings (including borrowing or lending) for value in Shares which took place during the period beginning 12 months preceding the date of this Circular and ending on the Latest Practicable Date.
- 3.7 There were no dealings (including borrowing or lending) for value in Ordinary Shares by DWS ACCESS S.A., the DWS ACCESS S.A. directors or persons connected with them or any person acting in concert with DWS ACCESS S.A. which took place during the period beginning 12 months preceding the date of this Circular and ending on the Latest Practicable Date.

Others

- 3.8 As at the Latest Practicable Date:
 - (i) No subsidiary of the Company had any interests, rights to subscribe or short positions in any share capital of the Company.
 - (ii) Having made due and careful enquiries, the Company is not aware of any of the following having any interests, rights to subscribe or short positions in any share capital of the Company:
 - a) associates (as such term is defined in the Takeover Code) of the Company;
 - b) pension funds of such associates;
 - c) employee benefit trusts of such associates; and
 - d) connected advisers (as such term is defined in the Takeover Code) of such associates.
- 3.9 The Company does not currently operate either a pension fund or an employee benefit trust.
- 3.10 As at the Latest Practicable Date, neither Shore Capital nor any other connected advisor of the Company (including any person controlling, controlled by or under the same control as them) have any interests, rights to subscribe or short positions in Shares.

4. DIRECTORS SERVICE AGREEMENTS

- 4.1 No Director has a service contract with the Company, nor are any such contracts proposed. The Directors' appointments can be terminated in accordance with the Articles of Association. There is no notice period specified in the Articles of Association for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 6 months or more; (iii) written request of the other Directors; (iv) if a Director becomes resident in the United Kingdom for tax purposes and, as a result, a majority of the Directors are resident in the United Kingdom for tax purposes; and (v) a resolution of a majority of the shareholders eligible to vote at a general meeting.

4.2 John Le Prevost, a Director of the Company, is also a director of Anson Fund Managers Limited, the Company's Administrator and Secretary, Anson Registrars Limited, the Company's Registrar and Anson Administration (UK) Limited, the UK Transfer Agent. Kimberly Tara, a Director of the Company, is working full time with the Investment Manager and Liane Luke, also a Director of the Company, is also working full time with the Investment Manager.

5. ARRANGEMENTS IN CONNECTION WITH THE PLACING

In consideration of DWS ACCESS S.A. agreeing to use reasonable endeavours to procure demand for C Shares to be issued to it under the Placing, DWS ACCESS S.A. and the Company have entered into a Side Letter which governs the terms of the C Shares to be issued to DWS ACCESS S.A. under the Placing and imposes certain obligations on the Company in relation to those C Shares and the investment of the proceeds of the issue of those C Shares.

5.1 Under the terms of the Side Letter:

- 5.1.1 The Company agrees that it will not make any application to list any class of C Shares of the Company, whether issued pursuant to the Placing or otherwise, on any stock exchange prior to 1 January 2009. The Company may, however make an application to list C Shares of a different class to those issued to DWS ACCESS S.A. pursuant to the Placing provided that any such listing does not take effect prior to 1 January 2009.
- 5.1.2 The Company agrees that it will not make any application to list any of the C Shares of the class to be issued to DWS ACCESS S.A. or any other C Shares of that class issued pursuant to the Placing on any stock exchange, provided that the ordinary shares into which such C Shares convert are intended to be listed on a stock exchange.
- 5.1.3 The Company agrees that it will not issue any additional C Share classes other than the 1 billion C Shares of the class to be issued to DWS ACCESS S.A. and to other investors pursuant to the Placing until such time as 70 per cent. of the net proceeds of the Placing have been invested (as defined in paragraph 5.1.7 below).
- 5.1.4 The Company confirms that for the purposes of the quarterly tranches of the C Share class to be issued to DWS ACCESS S.A. under the Placing, the Specified Conversion Criteria for the purpose of Conversion of the C Shares will be as follows:
 - (A) The Specified Proportion is 70 per cent.;
 - (B) The Back Stop Date is 31 December 2009; and
 - (C) The Early Investment Condition shall be satisfied on receipt of subscriptions by the Company for:
 - (1) 70 per cent. of the net proceeds raised under the Placing by no later than 30 June 2008; or
 - (2) 70 per cent of the net proceeds of subscriptions by DWS ACCESS S.A. under the Placing in 2008.
- 5.1.5 The Company agrees that for the purposes of the calculation of the Conversion Ratio applicable to the C Shares acquired by DWS ACCESS S.A. under the Placing:
 - (A) paragraphs (a) and (d) of the definition of the Calculation Date will apply as follows:
 - (1) the date referred to herein to be specified by the Directors shall be 31 December 2008 or 31 December 2009, whichever follows after the day on which the Investment Manager shall have given notice to the Directors that the Specified Proportion of the assets attributable to the relevant class of C Shares has been invested (as defined in paragraph 5.1.7 below) in timberland and timber related assets in accordance with the investment policy of the Company;
 - (2) the date referred to herein to be specified by the Directors shall be 31 December 2008 or 31 December 2009, whichever follows after the Directors resolve that any Early Investment Condition in respect of a particular class of C Shares has been satisfied;

- (B) the Directors shall not express any belief nor exercise any discretion to make adjustments referred to in paragraphs (b)(ii) and (c) respectively relating to the calculation of the aggregate value of "C" in the terms of the C Shares and all relevant values including values for assets specified in (b)(i) shall be taken from the published NAV produced for the purposes of the audited annual accounts of the Company as of the Calculation Date;
- (C) for the purposes of paragraphs (a) and (d) relating to the calculation of the aggregate value of "C" in the terms of the C Shares, the other assets of the Company attributable to the relevant class of C Shares shall be calculated solely by reference to the published NAV produced for the purpose of the audited annual accounts of the Company as of the Calculation Date;
- (D) the Directors shall not express any belief nor exercise any discretion to make adjustments referred to in paragraphs (b)(ii) and (c) respectively relating to the calculation of the aggregate value of "F" in the terms of the C Shares and all relevant values including values for assets specified in (b)(i) shall be taken from the published NAV produced for the purposes of the audited annual accounts of the Company as of the Calculation Date; and
- (E) for the purposes of paragraphs (a) and (d) relating to the calculation of the aggregate value of "F" in the terms of the C Shares, the other assets of the Company attributable to the Ordinary Shares shall be calculated solely by reference to the published NAV produced for the purpose of the audited annual accounts of the Company and all relevant values shall be taken from the published NAV produced for the purposes of the audited annual accounts of the Company as of the Calculation Date,

subject, in each case, to any post balance sheet adjustments shown in such audited annual accounts and such terms set out in sub-clauses A to E (inclusive) above being set out in the prospectus for such C Shares.

- 5.1.6 Any balance of the proceeds of the C Shares subscribed for by DWS ACCESS S.A. under the Placing which is not invested (as defined in paragraph 5.1.7 below) by the Company in timberland and timber related assets will be invested in USD denominated money market funds of DWS ACCESS S.A..
- 5.1.7 For the purposes of paragraphs 5.1.3, 5.1.5(A)(1) and 5.1.6 the net proceeds of the Placing and/or the assets attributable to the relevant class of C Shares shall be treated as having been "invested" if they have been expended or committed by or on behalf of the Company in connection with the acquisition or making of an investment (whether by subscription or purchase) or if a commitment or an obligation to make such payment has arisen or crystallised (in each case unconditionally or subject only to the satisfaction of normal pre-issue conditions) in relation to which the consideration amount has been determined or is capable of being determined by operation of an agreed contractual mechanic. For the avoidance of doubt, the term "normal pre-issue conditions" shall include, without limitation, conditions in respect of due diligence by, and availability of financing to, the Company.

6. MATERIAL CONTRACTS

- 6.1 During the period beginning on 28 September 2006 (the date of incorporation of the Company) and ending on the Latest Practicable Date, the Company and its subsidiaries have not entered into any material contracts otherwise than in the ordinary course of business save for the following:
 - 6.1.1 The AIM Placing Agreement, dated 15 December 2006, between the Company, the Investment Manager, Shore Capital, Shore Capital and Corporate Limited and LCF Rothschild pursuant to which each of Shore Capital and LCF Rothschild agreed to use its reasonable endeavours to arrange for placees to subscribe for 115 million Ordinary Shares at the AIM Admission of the Ordinary Shares. For its services in connection with the AIM Placing, Shore Capital received a corporate finance fee of £200,000 and each of Shore Capital and LCF Rothschild received a commission of 3 per cent. of such part of the gross proceeds of the AIM Placing as was represented by placees procured by each of them. The agreement provided for the Company to

pay all expenses (subject to specified caps) of and incidental to the AIM Placing, including the fees and costs of other professional advisers, all costs relating to the listing on AIM, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange. The agreement is governed by English law.

6.1.2 The Secondary Offer Placing Agreement, dated 29 May 2007, between the Company, the Investment Manager, Shore Capital, Shore Capital Stockbrokers Limited and LCF Rothschild pursuant to which each of the Investment Manager, Shore Capital Stockbrokers Limited and LCF Rothschild agreed to arrange for placees to subscribe for 355,769,230 Ordinary Shares pursuant to a Secondary Offer. For their services in connection with the Secondary Offer each of the Investment Manager, Shore Capital Stockbrokers Limited and LCF Rothschild received a commission of 3 per cent. of such part of the gross proceeds of the Secondary Offer as was represented by placees procured by each of them. The agreement provided for the Company to pay all expenses (subject to specified caps) of and incidental to the Secondary Offer, including the fees and costs of other professional advisers, all costs relating to the Secondary Offer, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange. The agreement is governed by English law.

6.1.3 The Nominated Adviser and Broker Agreement, dated 15 December 2006, between each of the Company, Shore Capital and Shore Capital Stockbrokers Limited pursuant to which the Company appointed Shore Capital and Shore Capital Stockbrokers Limited to act as nominated adviser and broker to the Company respectively, following the AIM Admission, for the purposes of the requirements under the AIM Rules, subject thereafter to termination by either party on not less than one month's written notice. The earliest date on which such notice can be served is the expiry of 11 months from the date of the AIM Admission. The Company agreed to pay to Shore Capital and Shore Capital Stockbrokers Limited a combined fee of £45,000 per annum for their services. The agreement is governed by English Law.

6.1.4 The Shore Capital Engagement Letter dated 14 January 2008 between the Company, Shore Capital and Shore Capital Stockbrokers Limited pursuant to which Shore Capital and Shore Capital Stockbrokers Limited will provide corporate finance advisory brokerage services to the Company in connection with the Placing and admission of the Ordinary Shares to the Main Market. For their services in connection with the agreement, Shore Capital and Shore Capital Stockbrokers Limited will receive a basic corporate finance advisory fee of £150,000 and a commission of 3 per cent. of the gross proceeds of the Placing (gross funds raised from DWS ACCESS S.A. being excluded for the purpose of calculating the commission payable in respect of the gross proceeds of the Placing) attributable to subscribers procured by Shore Capital.

In addition to fees, the Company shall reimburse Shore Capital and Shore Capital Stockbrokers Limited for its reasonable out-of-pocket expenses incurred in connection with the agreement, including legal fees. The agreement shall continue until 31 December 2008, thereafter terminated by either party with not less than one month's notice in writing. Under the Shore Capital Engagement Letter, the Company has provided Shore Capital and Shore Capital Stockbrokers Limited with certain warranties which are customary for this type of agreement. The agreement is governed by English law.

6.1.5 The CISX Sponsorship Agreement, dated 15 December 2006, between the Company and Ozannes Securities Limited pursuant to which the Company appointed Ozannes Securities Limited to act as the Company's CISX Listing Sponsor for the AIM Admission. Ozannes Securities Limited was entitled to an initial fee of £3,000 for its services in relation to the admission of the Ordinary Shares to the official list of the CISX and an annual retainer of £800 for providing ongoing advice and guidance as to the Company's compliance with the continuing obligations of the listing rules of the CISX. The agreement may be terminated on not less than 60 days' notice in writing provided that termination will be immediate where:

- (A) either party breaches the terms of the agreement and such breach is incapable of remedy within 30 days; or
- (B) either party commences liquidation proceedings.

Upon termination Ozannes Securities Limited will be entitled to receive all fees and other monies accrued due to the date of termination but is not entitled to compensation in respect of such termination.

- 6.1.6 The Investment Management Agreement, dated 13 December 2006, between the Company and the Investment Manager, whereby the Investment Manager has been appointed to act as Investment Manager of the Company, to manage the assets of the Company in accordance with the investment policy and objective of the Company. Under the terms of the Investment Management Agreement, subject to the overall supervision of the Directors, the Investment Manager has discretion to buy, sell, retain, exchange or otherwise deal in assets for the account of the Company. Any services provided by third parties will be paid directly by the Company or reimbursed in full to the Investment Manager.

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to a base fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties.

The base fee is equal to 0.375 per cent. per quarter of the Net Asset Value of the Company. The base fee is calculated quarterly and is payable in advance, using an implied straight-line increase in Net Asset Value of 10 per cent. per annum, on a basis which increases 2.5 per cent. per quarter. As the quarterly calculation is based on an estimated Net Asset Value, following the calculation of the audited Net Asset Value at the end of each financial period, the base fee payable over such financial period will be recalculated and any deficiency will be payable by the Company to the Investment Manager. To the extent that such post-audit recalculation demonstrates that an excess fee has been paid to the Investment Manager, any such amount will be deducted from the payment due to the Investment Manager in respect of the subsequent quarter or quarters, up until the amount equal to the excess has been repaid.

In addition, the Investment Manager is entitled to a performance fee in respect of each Performance Period (as defined below) if the Net Asset Value of an Ordinary Share at the end of such financial period exceeds the Performance Hurdle (as defined below) for such period. The first "Performance Period" shall be the period from the AIM Admission to such 31 December on which the audited annual Net Asset Value exceeds 108 per cent. of the AIM Placing Price and, thereafter, the "Performance Periods" shall be each 12 month period ending on 31 December. The "Performance Hurdle" is as follows:

- (A) for the first Performance Period from the AIM Admission until the audited annual Net Asset Value exceeds 108 per cent. of the Placing Price, an amount equal to 108 per cent., of the Placing Price; and
- (B) for each of the second and subsequent Performance Periods, the figure which is 8 per cent. above the audited Net Asset Value per Ordinary Share for the previous Performance Period.

For the purposes of calculating the Net Asset Value as at the end of the immediate relevant Performance Period, such Net Asset Value shall: (i) exclude the gross amount of any dividends declared or announced in respect of the immediate relevant Performance Period; and (ii) take account of any accrual made in respect of the performance fee for the prior Performance Period.

In addition, where a Performance Hurdle is met in respect of a Performance Period, a performance fee will be payable in an amount equal to 20 per cent. of any outperformance in respect of the Net Asset Value per Ordinary Share over and above the highest previously recorded audited Net Asset Value per Ordinary Share at the end of any Performance Period in respect of which a performance fee was paid (or,

in the case of the first Performance Period, above 108 per cent. of the AIM Placing Price) multiplied by the time-weighted average number of Ordinary Shares in issue over the Performance Period.

For the purposes of calculating the performance fee in respect of any Performance Period the Net Asset Value at the end of that Performance Period shall be adjusted so as to: (i) include the gross amount of any dividends per Ordinary Share declared or announced in respect of such Performance Period and any undistributed net revenue in respect of such Performance Period not otherwise taken into account for the purposes of calculating such Net Asset Value; (ii) not take account of any accrual made in respect of the performance fee itself for that Performance Period; and (iii) not take into account any increase in Net Asset Value per Ordinary Share attributable to the issue of Ordinary Shares at a premium to Net Asset Value or any buy-back of any Ordinary Shares at a discount to Net Asset Value. Finally, there shall be included any other adjustment, the Auditors consider, in their absolute discretion, to be appropriate.

The Investment Management Agreement may be terminated by either party on three years' written notice, such notice not being given prior to the seventh anniversary of the AIM Admission. However, the Investment Management Agreement may be terminated earlier by the Company with immediate effect on the occurrence of certain events, including: (i) if an order has been made or an effective resolution passed for the liquidation of the Investment Manager; (ii) if the Investment Manager ceases or threatens to cease to carry on its business; or (iii) if the Investment Manager commits a material breach of its obligations under the Investment Management Agreement and such breach is not remedied within 28 days of receiving notice of the breach or three months where the breach relates to the Investment Manager's duties under the agreement being carried out by appropriately qualified, trained and experienced professionals.

In addition, the Investment Management Agreement may be terminated by the Company after the seventh anniversary of the agreement by giving twelve months' written notice, in circumstances where the Company has a genuine and material concern regarding the performance of the Investment Manager or the manner in which the Investment Manager is fulfilling its obligations under the Investment Management Agreement and: (i) the Company serves a written notice on the Investment Manager providing specific and sufficient details of the nature of its concern and requiring that its concern be dealt with, in each case, to the reasonable satisfaction of the Company, in a clearly defined manner stated in the notice within a specified period, such period being reasonable in the circumstance and determined by reference to the nature of the concern and stated in the notice; and (ii) the Investment Manager fails to remedy or otherwise address the concern within the relevant period to the satisfaction of the Board, acting reasonably, or where the Company in good faith determines that such circumstances are not capable of being remedied or otherwise addressed.

The Investment Management Agreement may be terminated immediately by the Company: (i) where the Company is required to do so by a relevant regulatory authority; or (ii) on the liquidation of the Company.

The Company has given certain market standard indemnities in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under this agreement.

- 6.1.7 The Administration and Secretarial Agreement, dated 13 December 2006, between the Company and Anson Fund Managers Limited pursuant to the terms of which the Administrator has been appointed the Secretary and Administrator of the Company.

Under the terms of the Administration and Secretarial Agreement, Anson Fund Managers Limited was entitled to a set-up fee on a time charge basis with a minimum of £5,000 and a maximum of £8,000 and thereafter annually an administration and secretarial fee of £33,000 and a value fee of 0.01 per cent. on amounts in excess of US\$100 million of the opening gross assets of the Company in each financial period, all payable pro-rata monthly in arrears. In addition, Anson Fund Managers Limited is

entitled to time charge and activity fees incurred in connection with subsidiaries of the Company subsequently acquired and the acquisition and disposal of timberland investments. Where administrators and domiciliary agents in other jurisdictions are retained by the Company in respect of foreign structures and subsidiaries of the Company subsequently acquired, their fees and expenses will be payable out of the Company. The Administrator and any of its delegates will also be entitled to reimbursement of certain expenses incurred by them in connection with their duties.

The Administration and Secretarial Agreement contains provisions under which the Company exempts the Administrator from liability and indemnifies the Administrator against liability in the absence of some act of, *inter alia*, negligence, fraud, wilful default or bad faith for any loss, cost, expense or damage suffered by the Company in connection with the duties carried out by the Administrator. This exemption from liability and indemnity is of a customary nature for contracts of this type.

The Administration and Secretarial Agreement also contains a provision under which the Administrator indemnifies the Company against any loss, damage, claims, costs and expenses suffered or incurred by or made against the Company arising out of or in connection with such bad faith, negligence, wilful default, breach of such agreement or fraud on the part of the Administrator.

The Administration and Secretarial Agreement may be terminated on not less than three months' written notice being given, provided that the Administration and Secretarial Agreement may be determined immediately:

- (A) if either party commits a material breach of any of its obligations under the Administration and Secretarial Agreement which is not remedied within thirty days of a notice requiring the same to be remedied;
- (B) if either party commences liquidation proceedings or a receiver is appointed over any of its assets;
- (C) by the Company if no agreement is reached between the parties in relation to the Administrators' remuneration where the Administrator proposes a change to such remuneration and the Company gives notice that such proposed remuneration is not acceptable; or
- (D) by the Company if the Administrator ceases to hold the necessary licences, approvals, permits, consents or authorisations to perform its duties under the Administration and Secretarial Agreement.

Upon termination, the Administrator will be entitled to receive all fees accrued due to the date of termination but is not entitled to compensation in respect of such termination. The Administration and Secretarial Agreement is governed by Guernsey law.

- 6.1.8 The Custodian Agreement, dated 12 December 2006, between the Company and the Custodian pursuant to which the Company appointed the Custodian to act, from time to time, as a custodian of some of the Company's cash and near cash investments, and to accept responsibility for the safe custody of such property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians. The Custodian Agreement may be terminated by either the Company or the Custodian giving to the other not less than 30 days' written notice.

The Custodian is entitled to receive such fees as agreed, from time to time, between the Custodian and the Company. Upon termination, the Custodian will be entitled to receive all fees and other monies accrued to the date of termination but is not entitled to compensation in respect of such termination.

On 14 March 2008, the Company served 30 days' written notice on the Custodian to terminate the Custodian Agreement in accordance with its terms.

- 6.1.9 The Registrar Agreement, dated 13 December 2006, between the Company and Anson Registrars Limited pursuant to the terms of which the Registrar has been appointed as registrar, paying agent and transfer agent to the Company for a period of six months commencing on the date of the agreement subject thereafter to termination on 3 months' written notice given by either party. Under the Registrar

Agreement the Registrar is entitled to receive a fee of £2.00 per shareholder per annum or £2,500 per register per annum subject to a minimum annual fee of £4,000 together with other agreed transaction charges.

6.1.10 The UK Transfer Agent Agreement, dated 13 December 2006, between the Company, the UK Transfer Agent and the Registrar whereby the Registrar appointed Anson Administration (UK) Limited as its UK Transfer Agent. The fees incurred by the UK Transfer Agent will be borne by the Registrar as agreed between them separately and from time to time, although the Company will reimburse the UK Transfer Agent for all out-of-pocket costs and reasonable expenses reasonably and properly incurred in connection with the performance of its services under the UK Transfer Agent Agreement. The UK Transfer Agent Agreement may be terminated by either the UK Transfer Agent or the Registrar giving not less than 90 days' notice in writing at any time (such notice not to be effective within six months of commencement) or otherwise in circumstances, amongst others, where the UK Transfer Agent or the Registrar falls into liquidation or if the Registrar's Agreement is terminated for whatever reason. The UK Transfer Agent Agreement contains an indemnity from the Company in favour of the UK Transfer Agent against all claims brought by a third party against the UK Transfer Agent in the course of carrying out its duties under the UK Transfer Agent Agreement except to the extent that any such claims result from the negligence, fraud, wilful misconduct or breach of contract or duty by or on the part of the UK Transfer Agent.

6.1.11 The C Share Side Letter between the Company and DWS ACCESS S.A. as further described in paragraph 5 of Part 3 of this Circular.

6.2 During the period beginning two years prior to the date of this Circular and ending on the Latest Practicable Date, DWS ACCESS S.A. has not entered into any material contracts otherwise than in the ordinary course of business save for the following:

6.2.1 An investment advisory agreement between DWS ACCESS S.A. and DWS Investment S.A. dated 14 January 2008, pursuant to which DWS Investment S.A. provides investment advisory and transaction execution services to DWS ACCESS S.A..

The investment advisory and transaction execution services provided pursuant to the agreement by DWS Investment S.A. include identifying and making recommendations to the DWS ACCESS S.A. Board regarding potential investments for acquisition or disposition by Compartments of DWS ACCESS S.A. and the use of investment techniques and instruments (including derivative instruments), providing distribution and marketing services to DWS ACCESS S.A. with respect to potential investments, bearing certain costs, fees and disbursements of DWS ACCESS S.A. and separate Compartments of DWS ACCESS S.A. and, on the DWS ACCESS S.A. Board's instructions, executing transactions on behalf of DWS ACCESS S.A..

The agreement provides that, in the performance of its duties under the agreement, DWS Investment S.A. shall at all times be subject to the overall control of and review by the DWS ACCESS S.A. Board. The agreement contains an indemnity in favour of, and provisions limiting the liability of, DWS Investment S.A.. The obligations of each Compartment to DWS Investment S.A. are limited to the assets of that Compartment. The remuneration of DWS Investment S.A. is to be agreed from time to time between DWS ACCESS S.A. and DWS Investment S.A.. Either party can terminate the agreement on 12 months' written notice and the agreement terminates immediately if there is a specified event of default (subject in certain cases to a 30 day cure period). The agreement is governed by the laws of Luxembourg.

7. MATERIAL CHANGES

7.1 Save as described below, there has been no material change in the financial or trading position of the Company since 30 June 2007, the date to which the Company's unaudited Half-Yearly Financial Report was prepared:

- 7.1.1 In September 2007, the Company announced the establishment of a joint venture in Uruguay that will invest in Uruguayan pine plantations. The Company will initially invest \$21 million, acquiring a minority interest in a new company with additional investment anticipated in 2008;
- 7.1.2. In September 2007, the Company announced the establishment of a wholly owned subsidiary, Caldrey S.A. (“Caldrey”), incorporated in Uruguay and to be operated out of Montevideo. Phaunos will invest \$7 million in Caldrey which, in conjunction with a local partner, Faneray S.A. (“Faneray”), will provide timber harvesting and road building services to forestry owners and operators. The investment by Phaunos in Caldrey will be used to purchase harvesting and other equipment and provide the initial working capital necessary to establish the operation. It is intended that over time, subject to the achievement of the performance targets, Faneray will earn an equity position in Caldrey. It is anticipated that this investment will provide the Company with access to further timberland investment opportunities in Uruguay;
- 7.1.3 In October 2007, the Company announced an investment in sustainable forestry in Indonesia. The investment is structured as a loan facility to a non-profit foundation in the Netherlands that has offered timberland and timber related assets in Indonesia as collateral. The Company has committed a minimum of €2 million and up to €4 million initially, with the opportunity to scale investment over time;
- 7.1.4 In December 2007, the Company announced plans to build a number of wood pellet processing facilities in southern Serbia. The Company will invest \$9 million to build the first of several wood pellet plants;
- 7.1.5 In December 2007, the Company announced the commitment of \$150 million to a joint venture with a Brazilian company that will focus on the development of teak and eucalyptus plantations in the Mato Grosso region of Brazil;
- 7.1.6 In December 2007, the Company announced the acquisition of land in south-eastern Uruguay valued at \$6.3 million;
- 7.1.7 In January 2008, the Company announced a \$200 million commitment to a joint venture that will invest in existing plantations and new development opportunities for fast growing tree species in several regions across China; and
- 7.1.8 In March 2008, the Company reached in principle agreement to establish a joint venture with Aitchesse Limited, the Scottish-based forestry specialists, to invest in Eastern Europe. The two companies will form a new company aimed at investing in forestry assets across the region. Investments could begin as early as the second quarter of 2008. It is expected that the Company will potentially be able to commit up to \$150 million to the project.
- 7.2 There has been no material change in the financial or trading position of DWS ACCESS S.A. since its incorporation on 5 December 2007.

8. MARKET QUOTATIONS

The following are middle market quotations for an Ordinary Share, as derived from the London Stock Exchange, for the first business day of each of the six months set out below and for the Latest Practicable Date:

<i>Date</i>	<i>Price per Ordinary Share (\$)</i>
1 November 2007	1.03
3 December 2007	0.99
2 January 2008	0.98
1 February 2008	1.08
3 March 2008	1.06
1 April 2008	1.06
7 April 2008 (being the Latest Practicable Date)	1.08

9. GENERAL

- 9.1 Save as disclosed in paragraph 5 of Part 3 of this Circular, no agreement, arrangement or understanding (including any compensation arrangements) exists between DWS ACCESS S.A. and any of the directors, recent directors, shareholders or recent shareholders of Phaunos, having any connection with or dependence upon the Placing.
- 9.2 There is no agreement, arrangement or understanding in place in relation to the transfer of any of the C Shares subscribed to by DWS ACCESS S.A..
- 9.3 There are no financing arrangements in place in connection with the subscription for C Shares by DWS ACCESS S.A. whereby repayment or security is dependent on the business of the Company.
- 9.4 Save as disclosed in this paragraph 9, no contracts of employment have been entered into with any Director or amended within six months prior to the date of this Circular.
- 9.5 Shore Capital has given and has not withdrawn its written consent to the issue of this Circular with the references to it in the form and context in which they appear.

10. DOCUMENTS AVAILABLE FOR INSPECTION

- 10.1 Copies of the following documents are available for inspection at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS and at the registered office of the Company during normal business hours on any business day (Saturdays and public holidays excepted) until the conclusion of the EGM:
 - 10.1.1 the Memorandum and current Articles of Association of the Company;
 - 10.1.2 a draft of the amended Articles of Association of the Company containing the full terms of the amendments proposed to be made;
 - 10.1.3 the memorandum and articles of association of DWS ACCESS S.A.;
 - 10.1.4 the January EGM Circular;
 - 10.1.5 the material contracts entered into by the Company as summarised in paragraph 6.1 above;
 - 10.1.6 the material contract entered into by DWS ACCESS S.A. as summarised in paragraph 6.2.1 above;
 - 10.1.7 the consent letter from Shore Capital; and
 - 10.1.8 this Circular.

Copies of the Circular are also available free of charge in Guernsey from the Company's Secretary, Anson Fund Managers Limited, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ.

Copies of the Circular will also be available for download from the Company's website www.phaunostimber.com

The Articles of Association (including a draft of the amended Articles of Association containing the full terms of the amendments proposed to be made) will be available at the EGM for at least 15 minutes prior to and during the meeting.

8 April 2008

DEFINITIONS

“Administration and Secretarial Agreement”	the administration and secretarial agreement, dated 13 December 2006 between the Company and the Administrator
“Administrator” or “Secretary”	Anson Fund Managers Limited
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Admission”	the admission of 115 million Ordinary Shares of the Company to trading on AIM and the CISX on 20 December 2006
“AIM Placing”	the placing of 115 million Ordinary Shares of the Company with placees pursuant to the AIM Placing Agreement
“AIM Placing Price”	means \$1.00 per Ordinary Share
“AIM Placing Agreement”	the conditional AIM placing agreement, dated 15 December 2006, between the Company, the Investment Manager, Shore Capital, Shore Capital Stockbrokers Limited and LCF Rothschild
“AIM Rules”	the rules applicable to AIM as published by the London Stock Exchange from time to time
“Articles of Association” or “Articles”	the articles of association of the Company in force from time to time
“Auditors”	Ernst & Young or such other firm of chartered accountants as the Directors may appoint for that purpose
“Back Stop Date”	such date by which conversion of the relevant class of C Shares must occur as determined by the Directors and set out in the Specified Conversion Criteria in accordance with the terms of the Articles of Association
“Board” or “Directors”	the board of directors of the Company
“Buy Back Authority”	the Company’s current authority to buy back up to 14.99 per cent. of the Ordinary Shares in issue
“C Shares”	shares of no par value in the capital of the Company which will be issued as C Shares having the rights and privileges and being subject to the restrictions contained in the Articles of Association and which will convert into Ordinary Shares on Conversion
“Calculation Date”	has the defined meaning given to it in the Articles of Association
“Certificates”	the performance related bearer bonds issued by a Compartment of DWS ACCESS S.A.
“Circular”	this document
“CISX Sponsorship Agreement”	the CISX sponsorship agreement, dated 15 December 2006, between the Company and the CISX Listing Sponsor
“CISX Listing Sponsor”	Ozannes Securities Limited
“Company” or “Phaunos”	Phaunos Timber Fund Limited
“Compartment”	has the meaning set out in paragraph 6 of Part 1 of this Circular
“Conversion”	the conversion of a C Share class into Ordinary Shares (including as may be agreed in writing by the Directors in relation to a particular C Share class), in accordance with the terms of the Articles of Association
“Conversion Date”	the date on which Conversion occurs in accordance with the terms of the Articles of Association
“Conversion Ratio”	the ratio at which a C Share class converts into Shares in accordance with the terms of the Articles of Association
“Custodian”	Kleinwort Benson (Channel Islands) Limited
“Custodian Agreement”	the custodian agreement, dated 12 December 2006, between the Company and the Custodian

“DB”	Deutsche Bank AG
“DWS ACCESS S.A.”	DWS ACCESS S.A., a company incorporated and registered in Luxembourg
“DWS ACCESS S.A. Board”	the board of directors of DWS ACCESS S.A.
“DWS Investment S.A.”	DWS Investment S.A., a company incorporated and registered in Luxembourg which is an indirect subsidiary of DB
“Early Investment Condition”	the condition specified in the Specified Conversion Criteria in respect of receipt of subscriptions for a C Share class by the Company, which when satisfied would result in conversion of the relevant C Share class in accordance with the terms of the Articles of Association
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 10.00 a.m on 21 April 2008 (or any adjournment thereof), notice of which is set out at the end of this Circular
“Form of Proxy”	the form of proxy for use at the EGM
“Half-Yearly Financial Report”	the unaudited half-yearly financial report of the Company for the period ended 30 June 2007, dated 27 September 2007
“Investment Management Agreement”	the investment management agreement, dated 13 December 2006, between the Company and the Investment Manager
“Investment Manager”	FourWinds Capital Management
“January EGM”	the extraordinary general meeting of the Company held on 10 January 2008
“January EGM Circular”	the circular sent to Shareholders in relation to the January EGM setting out proposals relating to the amendment of the Articles of Association to enable the Company to issue C Shares, the increase of the authorised share capital of the Company and the migration of the Company from AIM to the Official List and the Main Market
“KG”	DWS ACCESS Global Timber GmbH & Co. KG, a limited partnership established under German law
“Latest Practicable Date”	7 April 2008, being the latest practicable date prior to the publication of this Circular
“LCF Rothschild”	LCF Edmond de Rothschild Securities Limited
“Listing Rules”	the listing rules made by the Financial Services Authority under section 85 of the Financial Services and Markets Act 2000
“London Stock Exchange”	London Stock Exchange plc
“Main Market”	the London Stock Exchange’s main market for listed securities
“NAV” or “Net Asset Value”	has the defined meaning given to it in the Articles of Association
“Nominated Adviser and Broker Agreement”	the nominated adviser and broker agreement, dated 15 December 2006, between each of the Company, Shore Capital and Shore Capital and Corporate Limited
“Official List”	the Official List of the UKLA
“Osiris”	Osiris Trustees Limited
“Panel”	The UK Panel on Takeovers and Mergers
“Placing”	the proposed initial non-pre-emptive institutional placing or placings of up to 1,000,000,000 C Shares to be effected in quarterly tranches, at an escalating price each quarter, from March to December 2008, as described in the January EGM Circular

“Proposals”	the proposals relating to the approval by Shareholders of the Waiver, the amendment of the Articles of Association and the authority to issue C Shares described in Part 1 of this Circular
“Registrar”	Anson Registrars Limited
“Registrar Agreement”	the registrar agreement, dated 13 December 2006, between Company and the Registrar
“Resolutions”	the special and ordinary resolutions to be proposed at the EGM and contained in the notice of the EGM
“RNS”	Regulatory News Service which is the Regulatory Information Service provided by the London Stock Exchange for the distribution to the public of company announcements
“Secondary Offer”	the secondary offer of Ordinary Shares conducted by the Company and completed on or about 30 May 2007
“Secondary Offer Placing Agreement”	the conditional placing agreement, dated 29 May 2007, entered into by the Company, the Investment Manager, Shore Capital, Shore Capital and Corporate Limited and LCF Rothschild in connection with the Secondary Offer
“Securitisation Law”	the Luxembourg law of 22 March 2004 on securitisation
“Shareholders”	holders of Shares and/or C Shares, as the context may require
“Shares” or “Ordinary Shares”	US Dollar denominated ordinary shares of no par value in the capital of the Company
“Shore Capital”	Shore Capital and Corporate Limited
“Shore Capital Engagement Letter”	the engagement letter dated 14 January 2008 between the Company, Shore Capital and Shore Capital Stockbrokers Limited pursuant to which Shore Capital and Shore Capital Stockbrokers Limited will provide corporate finance advisory brokerage services to the Company in connection with the Placing and admission of the Company’s Ordinary Shares to the Official List and the Main Market
“Side Letter”	the side letter entered into by the Company and DWS ACCESS S.A. in respect of the terms of the C Shares to be issued to DWS ACCESS S.A. under the Placing, the obligations of the Company in relation to those C Shares and the investment of the proceeds of the issue of those C Shares, dated 21 December 2007
“Specified Conversion Criteria”	such criteria as may be determined by the Directors establishing, among other things, the Specified Proportion, the Back Stop Date and the Early Investment Condition and announced by the Company through a RNS prior to each issue of a tranche of C Shares of a relevant C Share class in accordance with the terms of the Articles of Association
“Specified Proportion”	the specified percentage of the assets attributable to a relevant C Share class which must be invested before conversion can occur as determined by the Directors and set out in the Specified Conversion Criteria in accordance with the terms of the Articles of Association
“Takeover Code”	The UK City Code on Takeovers and Mergers
“UKLA”	UK Listing Authority, the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
“UK Transfer Agent”	Anson Administration (UK) Limited
“UK Transfer Agent Agreement”	the UK transfer agent agreement, dated 13 December 2006, between the Company and the UK Transfer Agent

“Waiver”	the waiver by the Panel of the obligation which would otherwise arise under Rule 9 or Rule 37 of the Takeover Code requiring DWS ACCESS S.A. to make an offer for the issued share capital of the Company once its holding of C Shares reaches 30 per cent. of the total voting rights attributable to the total issued share capital of the Company
“\$”	refers to the lawful currency of the United States
“€”	refers to the lawful single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the treaty establishing the European Economic Community, as amended

PHAUNOS TIMBER FUND LIMITED

(a closed-ended investment company incorporated with limited liability under the laws of Guernsey with registration number 45564)

(the “Company”)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE is hereby given that an extraordinary general meeting of the Company will be held at Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 1EJ on Monday, 21 April 2008 at 10.00 a.m. to consider and, if thought fit, to pass the following resolutions:

ORDINARY RESOLUTIONS

1. **THAT** the waiver granted by the Takeover Panel of the obligation that would otherwise arise on DWS ACCESS S.A. to make a general offer to Shareholders pursuant to Rule 9 of the Takeover Code as a result of: (i) DWS ACCESS S.A. subscribing for C Shares under the Placing; and/or (ii) following subscription by DWS ACCESS S.A. for C Shares under the Placing, any purchases of shares by the Company pursuant to the Buy Back Authority, as described in the Circular of which this notice forms part, be and is hereby approved.
2. **THAT** the Directors be and are hereby generally and unconditionally authorised for a period of 5 years from the date of the passing of this resolution to exercise all the powers of the Company to issue and allot C Shares of no par value up to an aggregate nominal amount of \$1.6 billion and this authority may be varied or revoked, or renewed or further renewed for a further period not exceeding 5 years by an ordinary resolution of the Company.

SPECIAL RESOLUTION

3. **THAT** the Articles of Association be and hereby amended by:
 - (i) inserting the following new definition in the definitions section:

“**Specified Class Consent Event**” means an event which is, in relation to any class of C Shares, determined by the Directors upon the issue of that class of C Shares to be a Specified Class Consent Event for the purpose of these Articles and which is set out in the Board resolution issuing the relevant class of C Shares;”
 - (ii) adding the following words at the beginning of the Article 3.(4):

“Subject to Article 3A.5”
 - (iii) deleting existing Article 3A.5 and inserting the following new Article as Article 3A.5:

“3A.5 VOTING AND TRANSFER

3A.5.1 Except as provided in Articles 3A.5.1(c) and 3A.6 below:

- (a) the C Shares shall have the same rights as Ordinary Shares in relation to attendance at, and receiving notice of, any general meetings of the Company;
- (b) in relation to voting at general meetings, except in the circumstances listed in 3A.5.1(c) below:
 - (i) each holder of C Shares shall on a show of hands, have one vote; and
 - (ii) on a poll, each holder of C Shares attending in person, by proxy or by corporate representative shall have such number of votes as results from all the C Shares of the relevant class in issue having in aggregate, such number of votes as is the same percentage or multiple of the votes attributable to all the Ordinary Shares then in issue as the net assets attributable to such C Shares bears to the net assets attributable to such Ordinary Shares, as determined by the Directors in their absolute discretion and stated in the circular accompanying the notice given to Shareholders of the relevant meeting;
- (c) where the C Shares or any class of C Shares is unlisted, the C Shares, or such class (as the case may be) shall not have the right to vote at a general meeting in relation to any of the following matters:
 - (i) approving the cancellation of listing of any shares;
 - (ii) authorising a general dis-application of statutory pre-emption rights;

- (iii) approving an employee share scheme or long-term incentive scheme;
 - (iv) approving the grant to a director or employee of the Company or a subsidiary undertaking of the Company of an option to subscribe, warrant to subscribe or other similar right to subscribe for Shares in the Company or any of the Company's subsidiary undertakings if the price per Share payable on the exercise of the option, warrant or other similar right to subscribe is less than the exercise price;
 - (v) specifically approving the terms of an open offer, placing, vendor consideration placing, offer for subscription of equity shares or an issue out of treasury of a class already listed (other than in respect of an employees' share scheme) for a price which is at a discount of more than ten per cent. to the middle market price of those shares at the time of announcing the terms of the offer or agreeing the placing;
 - (vi) approving a "class one transaction" as defined under the Listing Rules;
 - (vii) approving the Company entering into a "related party transaction" as defined under the Listing Rules;
 - (viii) giving prior approval to any material change to the Company's published investment policy;
 - (ix) giving prior approval to the conversion of an existing listed class of equity securities into a new class or an unlisted class;
 - (x) authorising the Company to issue further shares of the same class as existing shares (including issues of treasury shares) for cash at a price below the net asset value per share of those shares without those shares being first offered *pro rata* to existing holders of shares of that class; and
- (d) the C Shares shall be transferable in the same manner as the Ordinary Shares."; and
- (iv) amending existing Article 3A.6 by inserting the following new sub-clause 3A.6(e):
- (e) "the occurrence of a Specified Class Consent Event."

Terms defined in the Circular of the Company dated 8 April 2008 shall have the same meaning where used herein.

By order of the Board

Anson Fund Managers Limited
Secretary

Registered Office
Anson Place
Mill Court
La Charroterie
St. Peter Port
Guernsey GY1 1EJ

Dated: 8 April 2008

Notes:

- (1) A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
- (2) For the convenience of members who may be unable to attend the EGM, a reply-paid Form of Proxy is enclosed with this document. To be valid, the Form of Proxy should be completed in accordance with the instructions printed on it and sent, so as to reach the Company's Registrar, Anson Registrars Limited, P.O. Box 426, Anson Place, Mill Court, La Charroterie, St. Peter Port, Guernsey GY1 3WX no later than 48 hours before the time fixed for the EGM. The fact that members may have completed Forms of Proxy will not prevent them from attending and voting in person should they subsequently decide to do so.
- (3) Only members registered in the register of members of the Company on the close of business on 18 April 2008 shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of Ordinary Shares registered in their name at that time or in the event that the meeting is adjourned, in the register of members at close of business two days before the time of any adjourned meeting. Changes to entries on the register of members after such time or, in the event that the meeting is adjourned, to entries in the register of members after close of business two days before the time of the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- (4) In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolution, the proxy will exercise his discretion as to whether, and if so how, he votes.
- (5) In the event that a Form of Proxy is signed on behalf of the registered holder by a third party agent, on returning the Form of Proxy, the agent must also include the registered holders' original authority to sign for any such vote to be considered. Any Form of Proxy submitted without the original authority of the registered holder enclosed will be considered spoilt and will be rejected. The original authority will be returned to the agent via post at the agent's risk as soon as is practicably possible following the end of the meeting.
- (6) In order to comply with the Takeover Code, the resolution to approve the Waiver must be taken on a poll.

