

Phaunos Timber Fund Raises \$115 million, joins AIM

Phaunos announces that it is joining AIM and the Channel Islands Stock Exchange following a successful fund-raising.

Phaunos Timber Fund Limited (“Phaunos”), a new investment company established to invest in timberland and related investments, has raised US\$115 million in a placing by Shore Capital Stockbrokers Limited and LCF Edmond de Rothschild Securities Limited and is joining AIM and the Channel Islands Stock Exchange today.

The Company has appointed FourWinds Capital Management (“FourWinds”) as its Investment Manager. FourWinds has its principal offices in Boston and Liane Luke, who has specialised in timberland investing for the last 10 years, and Kimberly Tara, CEO of FourWinds, are directors of Phaunos. The Chairman of Phaunos is Keith Oates, former executive deputy chairman of Marks & Spencer plc from 1994 to 1999.

Phaunos aims to offer attractive long term total returns through a diversified portfolio of timberland and timber related investments. The Company seeks to provide tax-efficient access to opportunities historically available only to the largest (generally US-based) institutional investors. In addition, most investment products have historically focused on US timberlands, whereas Phaunos seeks global timber investment opportunities.

Keith Oates, Chairman of Phaunos, commented:

“We are delighted to have become the first dedicated vehicle in London for investing in global timber opportunities. Timber offers attractive investment characteristics, achieving returns which are relatively uncorrelated with other investments. It benefits from global economic growth and the consequent demand for commodities and it also offers strong environmental benefits.”

Enquiries:

Kimberly Tara	FourWinds	+(41.22) 786.6948
Guy Peters	Shore Capital	020 7408 4090

1. NOTES TO EDITORS

Phaunos Timber Fund Limited is newly registered and incorporated in Guernsey.

FourWinds Capital Management has its principal offices in Boston and a regional office in Geneva. It also manages the Zephyr Commodity Fund, a fund of funds covering energy, metals and agriculture, and the Triton Water Fund, a global water focused fund of funds.

Investments in Phaunos will be eligible for PEPs and ISAs as it will be listed on the Channel Islands Stock Exchange. Shore Capital and Corporate Limited is the nominated adviser for AIM.

Phaunos Timber Fund Limited (“Phaunos” or the “Company”)

Admission to Trading on AIM

Placing of 115,000,000 Ordinary Shares at \$1.00 per share (the “Placing”)

by

Shore Capital and Corporate Limited (Nominated Adviser)

and

Shore Capital Stockbrokers Limited (Placing Agent and Broker)

and

LCF Edmond de Rothschild Securities Limited (Co-Placing Agent)

The Company

Phaunos is a new closed ended investment company registered and incorporated in Guernsey. The Company has been established to make timberland and timber related investments on a global basis. Its capital is denominated in US Dollars and will initially consist of a single class of ordinary shares. The Company will not have a fixed life, however if the Company has not made an investment within three years of the date of Admission, a resolution to have the Company wound-up or for the Company to approve and adopt an alternative investment strategy will be put to shareholders at a general meeting.

The Company aims to provide its shareholders with attractive long term total returns through a diversified portfolio of timberland and timber related investments. The Company seeks to provide tax-efficient access to opportunities historically available only to the largest (generally US-based) institutional investors. In addition, most investment products have historically focused on US timberlands, whereas the Company seeks global timber investment opportunities.

Application has been made for the ordinary shares to be admitted to trading on AIM and application has been made for the ordinary shares to be admitted to listing and trading on CISX.

Investment Objective and Policy

The Company's investment objective is to provide shareholders with attractive long term total return appreciation, predominantly 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 such portfolio diversification, investment vehicle selection and implementation of risk control strategies. In order to maintain flexibility, there will be no predetermined geographical limits. The Company will invest in developed timberland markets in politically stable countries and will invest in at least three different regions of the world.

Pending such investment, the net proceeds of the Placing will initially be substantially 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. The Company may also use timber related instruments such as financial futures, options, warrants and swaps, the return on which is linked to timber related indices or other timberland related investments. Such timber related instruments may be used either for cash management purposes or as part of the Company's investment structures.

It is intended that the Investment Manager will actively manage the Portfolio in accordance with the investment objective and policy of the Company.

Investment Manager

The assets of the Company will be managed exclusively by the Investment Manager, FourWinds Capital Management, a Cayman Islands exempted company incorporated on 14 March 2005 with a wholly owned subsidiary in the United States and a branch office in Geneva. The Investment Manager will have discretionary authority to invest the Company's assets and will be responsible for all investment decisions made on behalf of the Company, subject to the control and policies of the board of directors of the Company.

As at 19 December 2006, FourWinds Capital Management estimates it has more than \$80m of assets under management.

The Investment Manager will be entitled to an annual management fee of 1.50 per cent. of NAV per annum payable quarterly in advance at the equivalent rate of 0.375 per cent. of NAV (subject to any necessary adjustments made at the end of each financial year) and may also be entitled to a performance fee, details of which are set out in the Company's AIM Admission Document .

The Investment Management Agreement may be terminated by either party on three years' notice, such notice not being given prior to the seventh anniversary of the agreement.

The Placing

The Company is proposing to raise \$115 million before expenses through a conditional placing, to be undertaken by Shore Capital Stockbrokers and LCF Rothschild, of 115 million Ordinary Shares at a Placing Price of \$1.00 per Share.

Application has been made for all of the Ordinary Shares of the Company (in issue and to be issued pursuant to the Placing) to be admitted to trading on AIM. Application has been made for the Ordinary Shares to be admitted to listing and trading on CISX. It is expected that Admission will become effective and that dealings will commence on AIM and on the CISX on 20 December 2006.

Risk Factors

The key risk factors include (but are not limited to) the following:-

- There can be no assurance that the investment objective of the Company will be met.
- The success of the Company will depend on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Company's investment objectives.
- There is no guarantee that the market price of ordinary shares will fully reflect their net asset value.
- Any change in the Company's tax status, or in taxation legislation or in the interpretation or application of taxation legislation affecting the Company or its investments could affect the value of investments held by the Company, the Company's ability to achieve its stated objective and/or alter the post tax returns receivable by shareholders.
- The ability of the Company to achieve its investment objective is significantly dependent upon the expertise of the principal members of the Investment Manager's team.