

Regulatory Announcement

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Phaunos Timber Fund Limited
10 July 2008

Phaunos Timber Fund Limited ("Phaunos" or the "Company")

Successful Placing and Investment Update

(10 July 2008), Phaunos Timber Fund Limited, the closed-ended investment company established to invest in timberland and timber related assets on a global basis, today announces that it has successfully raised approximately US\$33 million before expenses through a placing with institutional investors. The Company also announces an update on its investments in Uruguay.

Placing

The Company has raised the funds through the issue of 31,480,376 new ordinary shares (the "Placing Shares") at a placing price of US\$1.05 per share. The Placing Shares, which represent approximately 6.7% of the existing issued share capital of the Company, rank pari passu with the existing ordinary shares of the Company. Application has been made to admit the Placing Shares to the Official List of the London Stock Exchange and for admission to trading on the Official List of the Channel Islands Stock Exchange LBG (together "Admission"). It is expected that Admission will become effective and that trading in the Placing Shares will commence at 8:00am today.

Investment Update

Phaunos is also pleased to announce that it has increased its investment in its Aurora Forestal joint venture project in Uruguay with an additional commitment of \$6 million.

The additional investment will be used to improve operating facilities and follows an initial investment of \$21 million, which has now been drawn down in its entirety to invest in Aurora Forestal. Aurora Forestal is a joint venture which owns mixed-age pine plantations and sawmill operations in Rivera and Tacuarembó, managing over 18,500 hectares of land.

Phaunos also announces that through its wholly owned subsidiary, Pradera Roja, it has raised its investment in greenfield land to be planted in Eucalyptus from \$7.4 million to \$22 million. Eucalyptus is typically grown on a seven year rotation for fiber or fifteen to twenty-two year rotation for sawtimber.

These further investments take Phaunos' total commitment in Uruguay to \$55.8 million, including the Company's investment of \$6.8 million in Caldrey, a wholly owned subsidiary which operates in Montevideo, the Uruguayan capital. Caldrey has been established to provide timber harvesting and road building services in conjunction with a local partner, Fanerey SA, to forestry owners and operators.

Keith Oates, Chairman of Phaunos' Board of Directors, commented: "We are very pleased with the progress made by our initial investments in Uruguay. The additional injection, which we anticipated in the preliminary stages of investment, reaffirms our belief that the region offers a wealth of opportunity for sustainable forestry under astute management".

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Notes to Editors

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Phaunos Timber Fund Limited is a closed-ended investment company investing in timber and timber related activities. It was incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company raised approximately US\$115 million in December 2006 and was admitted to listing and trading on AIM and the Channel Islands Stock Exchange. The Company raised a further US\$370 million by a secondary equity fundraising in June 2007. On 11 June 2008, the company successfully completed its migration to the Official List of the UK Listing Authority.

The Company's investment objective is to provide shareholders with attractive long term total returns, expected to be in the form of capital appreciation but with some income, through a diversified portfolio of timberland and timber-related investments.

Investments are managed by FourWinds Capital Management.

The company ticker is PTF.

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