

Regulatory Announcement

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Phaunos Timber Fund Limited
15 October 2008

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

Investment Update

(15 October 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 a further investment in Uruguay.

Pradera Roja, a Uruguayan affiliated company wholly controlled by Phaunos, has acquired "La Yeguada," a property encompassing 1,058 hectares in Treinta y Tres, for an undisclosed figure. The land will be developed as a eucalyptus plantation for both the fiber and sawn wood markets.

Eucalyptus is typically grown on a seven year rotation for fiber/energy or a fifteen to twenty-two year rotation for sawtimber. Uruguay is one of the key timber markets in Latin America where timber exports grew 32% in 2007, reaching \$243 million. In recent years, a growing number of timber related investments, including pulp mills from Botnia and Ense.

La Yeguada forms part of Phaunos' previously announced \$30 million commitment to Pradera Roja. This further investment brings the total land held by Pradera Roja to 6,225 hectares, with approximately 1,000 hectares of additional land under agreement for purchase in the near term.

Qinhai Xia, Manager of Investment and Acquisitions for FourWinds Capital Management, commented: "Pradera Roja's recent acquisitions demonstrate our belief that the rapid growth of the Uruguayan timber market offers an outstanding opportunity for our shareholders. The company will continue to identify and invest in suitable properties in the region."

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Notes to Editors

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Phaunos Timber Fund Limited is a closed ended investment company registered and incorporated in Guernsey on 28 September 2006 with an unlimited life. The Company has two classes of share in issue, US Dollar denominated Ordinary Shares and C Shares. The Company has raised a total of US\$ 536.7 million (before expenses) through four placings.

The Company raised approximately US\$115 million through a placing of 115,150,000 Ordinary Shares at a price of US\$1 each on the 20 December 2006. The Company raised US\$370 million by a secondary equity fund raising in June 2007 through a placing of 355,769,230 Ordinary shares at placing price of US\$1.04 per share. These shares began trading on 5 June 2007. In July 2008, the Company raised a

further US\$33 million by a third equity fund raising in July 2008 through a placing of 31,480,376 Ordinary Shares at a price of US\$1.05 each. These shares began trading on 11 July 2008.

In October 2008, the Company raised US\$18.5 million through the first tranche of its placing of unlisted C Shares with institutional investors.

The Ordinary Shares of the Company were admitted to trading on the Main Market on the 11 June 2008 and remains admitted to listing and trading on the CISX.

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

Investments are managed by FourWinds Capital Management.

The company ticker is PTF.

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