

Regulatory Announcement



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| Company | Phaunos Timber Fund Limited |
| TIDM | PTF |
| Headline | Potential C Share Issue |
| Released | 12:31 21-Dec-07 |
| Number | 5142K |

RNS Number:5142K
Phaunos Timber Fund Limited
21 December 2007

Phaunos Timber Fund Limited ("Phaunos")
Potential "C" Share Issue and Move to the Official List
Circular to Shareholders and Notice of Extraordinary General Meeting

Phaunos announces the posting of a circular (the "Circular") and notice of Extraordinary General Meeting (the "EGM") to its shareholders later today requesting their approval of the proposals described below.

Phaunos is pleased to announce that it has already either invested or committed over 50 per cent. of its current net funds to timber and timber-related investments across the world and continues to have a pipeline of attractive opportunities for further investment. Further announcements in relation to those potential investment opportunities where commitments are still subject to due diligence and/or legal agreement will be made as soon as practicable. A number of the pipeline opportunities would allow Phaunos to commit to substantial, attractive investments, subject to the availability of funds.

In the context of this substantial investment pipeline, Phaunos has been approached by an 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 Phaunos. The investment in Phaunos would take the form of a 'C' Share issue by the Company to avoid potentially diluting the returns of existing investors from the current portfolio due to the significant cash from subscriptions that would otherwise become part of the that portfolio.

The Company anticipates that the C share issue would be open for subscription in quarterly tranches, at an escalating price each quarter, and that the first tranche of such C shares would be issued in or around March 2008.

Phaunos also announces that it is proposing to move the Company's listing status from AIM to the main market of the London Stock Exchange.

The Circular convening the EGM will be posted to shareholders tomorrow. The EGM will be held at 10.00 a.m on Thursday 10 January 2008 at the offices of Anson Fund Managers Limited, Anson Place, Mill Court, La Charroterie, Guernsey GY1 1EJ, and will seek shareholder approval to:

- amend Phaunos' Articles of Association to enable Phaunos to issue C Shares;
- increase the authorised share capital to facilitate a C Share issue;and
- de-list from AIM and migrate to the Official List and to listing on the main market of the London Stock Exchange, subject to the approval by the UKLA of a prospectus to be issued by Phaunos.

A copy of the Circular has been submitted to AIM and will shortly be available on the Company's website.

Kimberly Tara, CEO of FourWinds Capital Management and member of the Board of Phaunos said:

"The strong interest in securing a substantial investment in Phaunos that has been expressed to us is testament to the world-leading position we have established for Phaunos as a quoted timber investment company."

"The pipeline of attractive investment opportunities being offered to Phaunos continues to grow. With substantially more investment funds at our disposal, we can establish for Phaunos highly influential positions in some of the world's most attractive timber markets and build a diversified portfolio of exciting investments."

"We believe that a move to the Official List and to listing on the main market of the London Stock Exchange will increase the attractiveness of Phaunos as an investment to our existing investors and will significantly increase our ability to attract new investors."

Phaunos Timber Fund Limited is a closed-ended Guernsey investment company listed on the Channel Islands Stock Exchange and currently traded on AIM, a market run by the London Stock Exchange (in each case with the ticker "PTF"). It invests in timber and timber-related assets internationally and is managed by FourWinds Capital Management.

For further information about Phaunos and its investment strategies, please visit www.phaunostimber.com.

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21 December 2007

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