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Phaunos Timber Fund Limited - Interim Management Statement

Phaunos Timber Fund Limited ("Phaunos" or the "Company") the Authorised Closed-ended Investment Scheme managed by FourWinds Capital Management (the "Investment Manager") established to invest in timberland and timber-related assets on a global basis, today issues its Interim Management Statement for the period from 1 January 2011 to 30 April 2011 (the "Period").

Financial Position and Performance

The Company manages an extensive global timberland portfolio. The latest published audited net asset value ("NAV") per ordinary share of the Company ("Ordinary Share") at 31 December 2010 was US\$1.11, corresponding to a NAV of US\$594.9 million at the Company level. At 30 April 2011 the Company held US\$40.0million in cash including cash to fund working capital and for outstanding investment commitments.

Dividends

Since the Company has achieved full investment and with its review and publication of the full year results for the year ended 31 December 2010, the Company announced that it is proposing, subject to shareholder approval, to pay its first dividend, being a final dividend in respect of the year ended 31 December 2010 of US\$0.02 per Ordinary Share. Shareholders' approval of the dividend is being sought at the Annual General Meeting of the Company to be held on 9 June 2011.

Portfolio Summary

Phaunos' strategy has been to build a portfolio targeting high-growth markets, investing primarily in plantations with standing mixed-age timber and in two greenfield projects, Eucateca and Pradera Roja, which are now both substantially planted. Its mature plantations generate consistent and replicable cash flows. Phaunos' focus going forward will be to maximise operational efficiencies, realise value in the portfolio and control costs.

At 30 April 2011, the Company held the following investments:

- Matariki Forestry Group (significant minority interest), a New Zealand company holding 183,000 hectares in six mixed-age plantations, primarily pine, across both islands of New Zealand. The Christchurch earthquake in February 2011 caused no damage to Matariki's plantations, forest operations or personnel. Harvesting operations are on-going in Matariki. Both domestic and export prices are strong. Export markets include China, Japan, Korea, and India. Matariki is on schedule to be 100% Forest Stewardship Certified by the end of 2011. At 31 December 2010, Matariki represented 24.73% of NAV.
- Mata Mineira Investimentos Florestais Ltd a (wholly owned), an investment in over 19,000 hectares of mixed aged and mature eucalyptus plantations in Minas Gerais, Brazil. The wood is used to produce vegetal charcoal used in the manufacture of pig iron and silicon. Harvesting operations are ongoing at Mata Mineira. Mata Mineira is targeting to be 100% Forest Stewardship Certified by the end of first quarter 2012. At 31 December 2010, Mata Mineira represented 16.21% of NAV.
- Green Resources AS (significant minority interest), a Norwegian company with extensive forestry assets in East Africa. The 2011 early planting season has been the best in Green Resources' history, with close to an additional 4,000 hectares being planted during the first quarter. The aggressive first quarter planting regimen has put some temporary pressure on working capital resources. Investments in improved silviculture have begun to evidence improved survival and growth rates. Currently Green Resources manages 22,000 hectares of mixed species plantations and has planting rights for an additional 200,000 hectares. Harvesting operations are ongoing at Green Resources. At 31 December 2010, Green Resources represented 16.15% of NAV.
- Eucateca SA (wholly owned) is an investment of over 17,000 hectares of eucalyptus and teak plantations in Mato Grosso, Brazil. This investment, originally a greenfield project, has accomplished its original planting objectives but some plantation repairs are necessary and working capital will be required until harvesting begins in 2015. The judicial reorganisation of the property manager, AP Servicos, has been approved by the Brazilian courts and some of the equipment financed by Eucateca was recovered during the first quarter of 2011. Phaunos is currently evaluating its ability to recover damages from advisors and vendors associated with losses in Eucateca, for which reserves were set up at 31 December 2010. At 31 December 2010, Eucateca represented 11.01% of NAV.

- Aurora Forestal Limited (significant minority interest), a joint venture formed in northern Uruguay owning 19,500 hectares of mixed age pine plantations and a sawmill. Strengthening markets have resulted in higher prices and volumes at Aurora Forestal. The biomass cogeneration plant, which uses waste wood from the property, is on schedule to go on line during the fourth quarter of 2011. Harvesting operations are on-going at Aurora Forestal. At 31 December 2010, Aurora Forestal represented 5.69% of NAV.
- Greenwood Tree Farm Fund LP (significant minority interest), an investment in the Northwest US consisting of 35,000 acres of mixed age poplar plantations and a sawmill. Harvesting operations are ongoing at Greenwood Tree Farm. General demand in Asian markets is expected to have a positive effect on sales. Phaunos intends to invest a further US\$4 million in Greenwood Tree Farm. At 31 December 2010, Greenwood Tree Farm Fund represented 6.02% of NAV.
- Pradera Roja (wholly owned), an investment in over 12,000 hectares of eucalyptus plantations in Southern Uruguay. This investment, originally a greenfield project, has accomplished its planting objectives but will require additional investment for working capital until full harvesting operations begin in 2028. The rainfall in southwest Uruguay has been frequent and plentiful during the first quarter of 2011. Operations are focused on improving plantation health and increasing growth rates. Fertilisation and weeding operations are underway, and cattle grazing on the property will commence soon. At 31 December 2010 Pradera Roja represented 5.22% of NAV.
- Green China Forestry Company Limited (wholly owned), an investment in China currently holding 6,500 hectares of mixed age pine, fir and other species. Strong demand and price increases continue in this market. Harvesting and resin tapping operations commenced during the first quarter of 2011. During the first quarter, the project secured additional harvesting quotas for the next five years from regulators. At 31 December 2010 Green China represented 3.35% of NAV.
- National Timber Partners' Timber Plus+ Fund I, LP (significant minority interest), an investment in timberland for conversion to higher and better use in the Southeast US. At 31 December 2010, National Timber Partners represented 1.82% of NAV.
- Cash and ownership interests in two operating companies being prepared for divestment represented 9.8% of NAV at 31 December 2010.

Material Events and Transactions during the Period

The Company announced the appointment of Winterflood Investment Trusts and VSA Capital Limited as joint brokers to the Company with effect from 5 January 2011.

The Company announced the appointment of three independent non-executive

directors during the first quarter of 2011. Sir Henry Studholme and Mr Martin Ricketts were appointed to the Board as independent non-executive directors with effect from 5 January 2011. Mr Ian Burns was appointed to the Board as an independent non-executive director with effect from 1 March 2011.

Important Information

This Interim Management Statement has been produced solely to provide additional information to shareholders of the Company in order to meet the relevant requirements of the U.K. Listing Authority's Disclosure and Transparency Rules. It should not be relied upon by any other party for any other purpose. The information in this statement has not been audited.

The information related to the Company included in this statement is provided for information purposes only and does not constitute an invitation or offer to subscribe for or purchase shares in the Company. This material is not intended to provide a sufficient basis on which to make an investment decision. All investments are subject to risk. An investment in the Company should be regarded as long term in nature and is suitable only for sophisticated investors, investment professionals, high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts, in each case, who can bear the economic risk of a substantial or entire loss of their investment. Prospective investors are advised to seek expert legal, financial, tax and other professional advice before making any investment decisions.

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END OF ANNOUNCEMENT

Notes to Editors:

Phaunos is a Guernsey-domiciled closed-ended investment company authorised

by the GFSC. Its ordinary shares are listed on the Main Market of the London Stock Exchange. 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 Company's investments are managed by FourWinds Capital Management.

The Company has sought investments that meet or exceed the guidelines set out in the Sustainable Forestry Initiative and, wherever possible and practicable, to certify the lands under the Forest Stewardship Council guidelines.

The Company's ticker is PTF.

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