

Regulatory Story

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Company	Phaunos Timber Fund Limited
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Phaunos Timber Fund Limited
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Phaunos Timber Fund Limited

Phaunos announces \$136 million Realis (US\$77million) acquisition of Fazenda Turmalina, located in Minas Gerais, Brazil

(14th December 2009), Phaunos Timber Fund Limited ("Phaunos" or the "Company"), the Authorised Closed-ended investment scheme managed by FourWinds Capital Management established to invest in timberland and timber related assets on a global basis, announces that on 11 December 2009 its wholly owned subsidiary, Mata Mineira Investimentos Florestais Ltda ("Mata Mineira"), entered into a purchase and sale agreement to acquire approximately 20,000 hectares of properties near the towns of Turmalina and Diamantina in the state of Minas Gerais, Brazil. The properties ("Fazenda Turmalina") contain existing merchantable eucalyptus plantations. Closing of the acquisition, which is subject to satisfaction of certain conditions, is expected to take place in the first half of 2010. The base purchase price, subject to adjustments based on the due diligence, is expected to be approximately \$136 million Realis (US\$77 million).

Fazenda Turmalina is an established, investment grade forest. It contains a mix of both young and mature eucalyptus trees, being grown on a 7 year rotation to supply the local charcoal markets. The seller, Suzano Papel E Celulose S.A. ("Suzano"), is one of the largest integrated pulp and paper companies in Latin America and has owned and managed Fazenda Turmalina for several decades. This sale is part of Suzano's capital reallocation strategy and supports the

company's new growth cycle. Suzano is publicly listed and trades on the Bovespa under the symbol SUZB5.

Fazenda Turmalina is Mata Mineira's first acquisition as part of its previously announced strategy to acquire and develop eucalyptus plantations to provide vegetal charcoal to the prominent local pig-iron industry. Charcoal is an essential component alongside iron ore in the production of pig-iron. Vegetal charcoal is an environmentally friendly, carbon-neutral, and cleaner fuel source than coal.

The forest industry in Minas Gerais is well established, containing 30% of the total eucalyptus plantations in Brazil. Markets for eucalyptus are well developed, with the present consumption of eucalyptus wood for industrial use in Brazil at approximately 90 million cubic metres per annum. Minas Gerais is one of the largest Brazilian States, with an estimated population of nearly 19 million. Its Gross Domestic Product ("GDP") is nearly 10 percent of the total GDP of Brazil.

The investment rating of Brazil continues to strengthen. In September of 2009, Moody's raised its rating of Brazil's sovereign debt to investment grade. Both Standard & Poor's and Fitch Ratings also rate Brazil as investment grade.

Helizander Brecailo, FourWinds Capital Management's Project Leader for South America, commented: "Fazenda Turmalina is one of the finest forest plantations in Minas Gerais. We are extremely pleased to acquire such a well managed, productive forest as our first acquisition in Minas Gerais."

[1] ABRAF Statistical Yearbook 2009

[2] IBGE Estimate 2007

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Notes to Editors

www.phaunostimber.com

The Company is a Guernsey-domiciled Authorised Closed-ended investment scheme pursuant to section 8 of the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and rule 6.02 of the Authorised Closed-ended Investment Schemes Rules 2008.

The Company has two classes of share in issue, US Dollar denominated Ordinary Shares and C Shares. The Company has raised a total of approximately US\$562 million (before expenses) through several placings of Ordinary Shares and C Shares.

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

Since November 2008, the Company has bought back to hold in treasury 4.07 million Ordinary Shares for an aggregate total amount of approximately US\$2.81 million.

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 intends to seek 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

Investments are managed by FourWinds Capital Management.

The Company ticker is PTF.

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