

CATCo Reinsurance Opportunities Fund Ltd. ("the Company")

Proposed Return of Value to Shareholders of US\$0.20 per Existing Ordinary Share, Share Capital Consolidation and Notice of Special General Meeting

To: SFM, London Stock Exchange
and Bermuda Stock Exchange

Date: 3 January 2014

Further to the announcement of the 6th December 2013, the Board are pleased to announce its intention to make a return of value to Shareholders of US\$0.20 per Existing Ordinary Share, equivalent to approximately US\$74 million in aggregate (the "Return of Value"). Based on the closing middle market price of US\$1.112 per Existing Ordinary Share on 31 December 2013 (being the latest practicable date prior to posting of the Circular), the proposed Return of Value to Shareholders equates to approximately 18 per cent. of the Company's market capitalisation at that date.

A Circular has today been published which provides further details of a proposal which will provide greater flexibility in how Shareholders can receive the proposed Return of Value, for which approval is being sought at the Special General Meeting to be held at 10.00 a.m. (Bermuda time) on 27 January 2014. However, if the Return of Value is not approved or does not otherwise become unconditional, the Directors intend to declare a special dividend of US\$0.20 per Existing Ordinary Share on or around 28 February 2014.

The proposed Return of Value is to be made using a B Share scheme with associated Share Capital Consolidation. This method of return has been chosen as it allows all Shareholders to be treated equally on a *pro rata* basis and gives the potential for Shareholders (other than Restricted Shareholders) to receive the return as either income or capital (as further described in the Circular).

Shareholders will also be offered the opportunity to remain invested for a proportion or all of their share of the Return of Value, subject to an aggregate maximum of US\$25 million remaining invested.

Reasons for, and background to, the Return of Value

With no significant insured losses incurred on the 2013 investment portfolio the Company has concluded a successful year with the net asset value benefitting from approximately 20 cents per Ordinary Share of net insurance premiums earned over the full year.

As at 1 January 2014, the Master Fund has deployed collateralised retrocession reinsurance capacity at rates in excess of the Company's target returns.

The Directors remain mindful of the need to maintain a disciplined investment approach with regards to risk while remaining focused on the Company's investment objective which is to target an internal rate of return in excess of LIBOR plus 12 per cent. to 15 per cent. per annum. To that end, the Directors believe that there is an

optimum level of capital required to achieve these aims beyond which they may start to become impaired.

The Directors are therefore proposing to return up to approximately US\$74 million by way of the proposed Return of Value, or if the Return of Value is not approved by Shareholders simply by way of a dividend.

For the avoidance of doubt, the Return of Value is separate and in addition to the target annual distribution of an amount equal to LIBOR plus 5 per cent. of the Net Asset Value at the end of each Fiscal Year. The Directors currently expect to declare this annual distribution in the week commencing 6 January 2014.

The Directors, as advised by the Investment Manager and following consultation with certain Shareholders, have determined that the Return of Value is in the best interests of the Company and the Shareholders as a whole as:

- It better enables the Company to maintain a disciplined investment approach and to target an internal rate of return in excess of LIBOR plus 12 per cent. to 15 per cent. per annum.
- It provides Shareholders with the opportunity to realise a significant portion of the net insurance premiums since launch.
- It gives all Shareholders (with the exception of Restricted Shareholders) the choice as to how they receive their share of the Return of Value, which is intended to afford UK tax resident Shareholders flexibility in the tax treatment of their proceeds.
- Subject to an aggregate maximum of US\$25 million of the total Return of Value remaining invested, it allows Shareholders (with the exception of Restricted Shareholders) to elect to remain invested in respect of a proportion or all of the monies that would otherwise be returned to them.
- It treats all Shareholders equally relative to the size of their existing shareholdings in the Company.

The Return of Value

The proposed Return of Value comprises a special distribution to Shareholders of US\$0.20 per Existing Ordinary Share, being approximately US\$74 million in aggregate. To give Shareholders flexibility in how they receive their share of the Return of Value, it is proposed that the Return of Value is to be implemented by way of a B Share scheme under which each Shareholder will receive one B Share for every Existing Ordinary Share held at the Record Time (such entitlement being the "B Share Entitlement") and each Shareholder will be entitled to elect how the Company treats their B Shares from the three alternatives set out below (the "B Share Alternatives").

Shareholders who do not make a valid election, and all Restricted Shareholders, will be deemed to have elected for the Income Alternative and will automatically receive their share of the Return of Value in cash by way of the B Share Dividend.

Shareholders are not entitled to split their B Share Entitlement between the B Share Alternatives.

Shareholders should also note that the Return of Value is conditional upon the passing of Resolution 1 at the Special General Meeting.

Alternative 1 – The Reinvestment Alternative

Under the Reinvestment Alternative, conditional upon admission of the Ordinary Shares to be issued (the "Reinvestment Ordinary Shares") to trading on the Specialist Fund Market and the BSX and subject to the potential scaling back outlined below, Shareholders will be entitled to elect for all (but not part of) of their B Share Entitlement to remain invested in the Company by way of conversion of their B Shares into Reinvestment Ordinary Shares on 28 January 2014, free of all dealing expenses and commissions, at a price per Reinvestment Ordinary Share based on the average of the middle market prices of Ordinary Shares for 20 January 2014 and the four subsequent dealing days (the "Reference Share Price").

The Reinvestment Alternative is limited to an aggregate maximum of US\$25 million being reinvested and, in the event of oversubscription, Shareholders' elections will be scaled back pro rata to the number of Existing Ordinary Shares elected for the Reinvestment Alternative by each Shareholder at the Election Deadline. B Shares that are not converted into Reinvestment Ordinary Shares due to the operation of scaling back or the Reinvestment Alternative not becoming unconditional will, at the election (or deemed election) of the Shareholder, be treated as being subject to the Capital or the Income Alternative.

On conversion, Shareholders will receive their pro rata share of such number of Reinvestment Ordinary Shares as is equal to US\$0.20 (being the amount of the Return of Value per B Share)/Reference Share Price multiplied by the aggregate number of B Shares being converted, rounded down to the nearest whole Reinvestment Ordinary Share, with fractional entitlements being treated as described in Part 4 of the Circular.

Alternative 2 - The Capital Alternative

Those Shareholders who elect for the Capital Alternative in respect of all (but not part of) of their B Share Entitlement will have those B Shares redeemed by the Company, free of all dealing expenses and commissions, and then cancelled. The redemption proceeds will equal US\$0.20 per B Share (with the aggregate entitlement of each holder being rounded down to the nearest cent) (the "Capital Repayment") and will be sent by cheque or credited through your CREST account by 7 February 2014.

The amounts received under the Capital Alternative should generally be taxed as capital for UK tax purposes. *Alternative 3 - The Income Alternative (B Share Dividend)*

Those Shareholders who elect (or who are deemed to elect) for the Income Alternative in respect of their B Share Entitlement will receive a dividend of US\$0.20 per B Share (the "B Share Dividend"), which will become payable on each B Share on 28 January 2014. Such dividend (with the aggregate entitlement of each holder

being rounded down to the nearest cent) will be sent by cheque or credited through your CREST account by 7 February 2014.

The amounts received under the Income Alternative should generally be taxed as income for UK tax purposes.

Shareholders who elect for the Reinvestment Alternative or the Capital Alternative will be deemed to have waived any entitlement to the B Share Dividend on their B Shares (save in respect of B Shares that are not reinvested as a result of any scaling back of the Reinvestment Alternative and are not elected to the Capital Alternative).

For the avoidance of doubt, the Return of Value is separate and in addition to the target annual distribution of an amount equal to LIBOR plus 5 per cent. of the Net Asset Value at the end of each Fiscal Year. The Directors currently expect to declare this annual distribution in the week commencing 6 January 2014.

The Share Capital Consolidation

The Directors believe that the Existing Ordinary Shares, like those of other closed-ended investment funds, are generally valued in the market by reference to the Net Asset Value per Ordinary Share. Accordingly, in connection with the Return of Value, the Directors are also proposing a Share Capital Consolidation, the objective of which is to seek to ensure that the Net Asset Value per Ordinary Share is the same before and after the Return of Value.

In order to effect the Share Capital Consolidation, immediately following the issue of B Shares all of the Existing Ordinary Shares will be sub-divided and consolidated into a smaller number of New Ordinary Shares, with the New Ordinary Shares having the same Net Asset Value per New Ordinary Share as the Net Asset Value per Existing Ordinary Share on 31 December 2013 as adjusted downwards to reflect the declaration of the Company's annual dividend (which is expected to be declared in the week commencing 6 January 2014 with a record date prior to the implementation of the Share Capital Consolidation).

The Net Asset Value will not be recalculated for the purposes of the Share Capital Consolidation and will be based upon the 31 December 2013 Net Asset Value adjusted as appropriate to reflect the Company's annual dividend and the Return of Value. Accordingly, the number of New Ordinary Shares to be issued in place of the Existing Ordinary Shares and hence the conversion ratio will be determined by dividing the Net Asset Value of an Existing Ordinary Share immediately following the issue of the B Shares, which will equal the 31 December Net Asset Value adjusted downwards to reflect the annual dividend and the Return of Value, by the Net Asset Value of an Existing Ordinary Share as at 31 December 2013, adjusted downwards to reflect the Company's annual dividend.

The effect of the Share Capital Consolidation will be to reduce the number of issued Ordinary Shares to reflect the overall change in the Company's Net Asset Value resulting from the Return of Value, but Shareholders will own the same proportion of the Company as they did previously, subject to fractional entitlements and not taking into account the ability of Shareholders to reinvest other than on a *pro rata* basis under the Reinvestment Alternative.

Special General Meeting

The Return of Value is conditional upon the passing of Resolution 1 and the Share Capital Consolidation is conditional upon the passing of Resolution 2 (which is also conditional on the passing of Resolution 1 and Admission), both of which will be put to Shareholders at the Special General Meeting.

The Special General Meeting will be held at Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda at 10.00 a.m. (Bermuda time) on 27 January 2014. Notice of the Special General Meeting is set out in Part 8 of the Circular.

Recommendation

The Directors are of the opinion that the Return of Value, the Share Capital Consolidation and the Resolutions to be proposed at the Special General Meeting are in the best interests of the Company and the Shareholders as a whole. The Directors unanimously recommend that Shareholders vote in favour of the Resolutions as the Directors intend to do for their respective individual beneficial holdings of, in aggregate, 490,555 Existing Ordinary Shares, representing approximately 1.33 per cent. of the current total issued share capital of the Company.

The Board makes no recommendation to Shareholders in relation to the elections for the B Share Alternatives. Shareholders need to take their own decision in this regard and are recommended to consult their own independent professional adviser.

Unless otherwise defined, capitalised words and phrases in this announcement shall have the meaning given to them in the Circular.

Expected Timetable of Principal Events

Event	Time and/or date, 2014
Latest time and date for receipt of Forms of Direction or CREST Proxy Instructions from the Depository Interest Holders for the Special General Meeting	10.00 a.m. (Bermuda time) on 22 January
Election Deadline: latest time and date for receipt of: (i) TTE Instructions from Depository Interest Holders in relation to the B Share Alternatives; and (ii) Forms of Election from certificated Shareholders in relation to the B Share Alternatives	1.00 p.m. on 24 January
Latest time and date for receipt of Forms of Proxy for the Special General Meeting	10.00 a.m. (Bermuda time) on 25 January
Special General Meeting	10.00 a.m. (Bermuda time) on 27 January
Latest time and date for dealings in Existing Ordinary Shares. Existing Ordinary Share register closed and Depository Interests in respect of Existing Ordinary Shares disabled in CREST	5.00 p.m. on 27 January
Record Time for the Share Capital Consolidation and entitlement to B Shares	5.00 p.m. on 27 January
B Shares issued	As soon as practicable after 8.00 a.m. on 28 January
Share Capital Consolidation	Immediately after the B Shares are issued on 28 January
New Ordinary Shares admitted to trading on the Specialist Fund Market and the BSX. Dealings commence in New Ordinary Shares	28 January
CREST accounts for Depository Interests in respect of New Ordinary Shares credited	As soon as practicable after

	8.00 a.m. on 28 January
B Share Dividend becomes payable on B Shares issued pursuant to the Income Alternative; outstanding B Shares or which B Share Dividend has been paid automatically reclassified as Deferred Shares	28 January
Redemption of B Shares	28 January
Conversion of B Shares into Reinvestment Ordinary Shares	Following the payment of the B Share Dividend, the conversion of B Shares into Deferred Shares and the redemption and subsequent cancellation of B Shares on 28 January
Reinvestment Ordinary Shares admitted to trading on the Specialist Fund Market and the BSX	29 January
CREST Accounts credited for Depository Interests in respect of Reinvestment Ordinary Shares issued	As soon as practicable after 8.00 a.m. on 29 January
Despatch of share certificates in respect of the New Ordinary Shares and Reinvestment Ordinary Shares	7 February
Despatch of cheques, or if Depository Interests held in CREST, CREST accounts credited in respect of proceeds under the Capital Alternative	7 February
Despatch of cheques, or if Depository Interests held in CREST, CREST accounts credited in respect of proceeds under the Income Alternative	7 February

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Copies of the following documents will be available for inspection at the registered office of the Company, Crawford House, 50 Cedar Avenue, Hamilton HM11, Bermuda during normal business hours until the conclusion of the Special General Meeting: (i) the existing Bye-Laws of the Company; (ii) the Bye-Laws of the Company proposed to be adopted at the Special General Meeting, showing the amendments to the Company's existing Bye-Laws; and (iii) a copy of the Circular.

None of the B Shares, Depository Interests, New Ordinary Shares, Reinvestment Ordinary Shares or Deferred Shares have been or will be registered under the US Securities Act or the state securities laws of the United States and none of them may be offered or sold in the United States unless pursuant to a transaction that has been registered under the US Securities Act and the relevant state securities laws or that

is not subject to the registration requirements of the US Securities Act or such laws, either due to an exemption therefrom or otherwise.

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