10 February 2012

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

Annual Financial Report

For the period 20 December 2010 to 31 December 2011

To: Specialist Fund Market, London Stock Exchange and Bermuda Stock Exchange

CATCo Reinsurance Opportunities Fund Ltd. provides its shareholders the opportunity to participate in the returns from investments linked to catastrophe reinsurance risks, principally by investing in fully collateralised reinsurance contracts and also via a variety of insurance-based investments.

- Successful listing on the Specialist Fund Market, London Stock Exchange raising $80.39 million
- Dual listing on the Bermuda Stock Exchange
- Four successful corporate transactions during the period
- Net asset value $339.79 million as at 31 December 2011
- Net asset value total return of Ordinary Shares 5.09%, net asset value total return of C Shares 8.58%
- Declared 2011 final dividend of $0.051 for Ordinary Shares and C Shares

CHAIRMAN'S STATEMENT

I am pleased to present to shareholders the Company's Annual Financial Report for the period ended 31 December 2011.

The Company was admitted to trading on the Specialist Fund Market, London Stock Exchange on 20 December 2010 raising $80.39 million from the issue of 80,392,000 Ordinary Shares in the Company.

The Company's shares are now also listed on the Bermuda Stock Exchange following the Secondary Listing on 20 May 2011. At 31 December 2011, the Company had 87,642,000 Ordinary Shares and 244,118,029 C Shares, respectively, with a net asset value of $339.79 million.

Company Overview

The Company is established as a feeder fund that invests substantially all of its assets, via the CATCo Reinsurance Fund Ltd., CATCo Diversified Fund ("Master Fund"), in investments linked to catastrophe reinsurance risks.

This is achieved principally by investing in traditional reinsurance contracts accessed by investments in preferred shares of CATCo Re Ltd., a Bermuda domiciled and regulated Class 3 reinsurer, which writes fully collateralised reinsurance contracts.

In addition, the Master Fund has the ability to invest in a variety of insurance-based instruments. The Master Fund spreads its investment risk by having exposure to several non-correlated risk categories such as residential and commercial property losses caused by catastrophes such as hurricanes and earthquakes.

Investment Objective
The Company's investment objective is to seek to provide investors with significant capital returns and long-term distributions at a sustainable level. The Company targets an internal rate of return in excess of LIBOR plus 12% to 15% per annum.

Distribution Policy
The Company also targets distributions by way of a dividend in respect of each Fiscal Year, of an amount equal to LIBOR plus 5% of the Net Asset Value at the end of each Fiscal Year.

Corporate Activity in 2011
Following the IPO, the Company completed three additional fund raisings to take advantage of higher premiums and increased demand for retrocessional protection as a consequence of the natural catastrophes in Australia, New Zealand and Japan during the year.

The issue of C Shares enabled the Company to increase the diversification of its underlying portfolio throughout the year and benefit from increased retrocessional reinsurance pricing in the market.

Details of the subsequent corporate transactions completed by the Company are as follows:

- On 31 March 2011, $7,358,750 was raised through an additional issuance of 7,250,000 Ordinary Shares;

- $124,446,737 was raised through the issuance of 124,446,737 C Shares on 20 May 2011 and $850,000 was raised through the issuance of 850,000 C Shares on 23 May 2011; and

- A further $125,000,000 was raised through an additional issuance of 118,821,292 C Shares on 16 December 2011.

The Company’s Ordinary Shareholders are indirectly exposed to potential losses arising from the New Zealand earthquake that occurred on 22 February 2011 and the Japan earthquake on 11 March 2011 (respectively, "NZ Exposures" and "Japan Exposures"). Due to the uncertainty in valuing this exposure and the tenure of these contracts, the Master Fund’s Board of Directors designated the Master Fund's potential NZ Exposures and Japan Exposures as a Side Pocket Investment ("SP Investment").

As a result, Master Fund Shares that were issued to Master Fund Shareholders after 31 March 2011 would participate fully in the Master Fund's portfolio, except that they will not have any NZ Exposures or Japan Exposures and will accordingly not participate in any losses or premiums attributable to such exposures.

The Company’s C Shares operate in the same way and have no exposure to these events. The Company’s Investment Managers have recently had meetings with the reinsurance counterparties that have NZ and Japan Exposures included in the Side Pocket Investment and further information has been received.

It was the Company's intention to settle the Master Fund’s exposure to the NZ and Japan Exposures before 31 December 2011 to enable the Side Pocket Investment to be realised and for any C Shares issued throughout 2011 to be converted into Ordinary Shares. However, based on the new information received from our reinsurance counterparties in mid-December the SP Investments will remain in place until more conclusive information becomes available from the reinsurance counterparties.

The Company and its Investment Portfolio
As at 31 December 2011, the net asset value (“NAV”) per Ordinary Share of the Company was $0.9999 and the NAV per C Share was $1.0329. The share price of an Ordinary Share was $1.08 with a premium to NAV per Ordinary Share of 8.01%. The share price of a C Share was $1.08 with a premium to NAV per C Share of 4.56%.

On 15 November 2011 the Board declared a final dividend of $0.051 in respect of the Ordinary Shares and a final dividend of $0.051 in respect of the C Shares.

Outlook
2011 ranks as one of the two most expensive years for the insurance industry with approximately $105bn in insured natural catastrophe losses. This exceeds 2005's natural catastrophe losses of $101bn, which included hurricanes Katrina, Wilma and Rita.

It is particularly pleasing that despite the year’s events the Company generated shareholder returns in its first year of trading.

With the capital from the latest fund raising deployed, enhanced portfolio diversification and premiums at higher levels due to the severe industry losses in 2011, the Board fully expects to produce significantly higher projected returns in 2012.

I look forward to welcoming shareholders to our first Annual General Meeting to be held on 6 March 2012 at the offices of CATCo Investment Management Ltd., 9 Par La Ville Road, Hamilton HM11, Bermuda at 9.30am (local time).

Anthony Taylor
Chairman

MANAGER’S REVIEW

The insurance industry was faced with one of the most challenging years in its lengthy history due to a record number of natural catastrophes resulting in multi-billion dollar insured losses. Ignoring inflation adjustments, 2011 will go down as the most costly year ever for the insurance industry and, on an inflation-adjusted basis, it rivals 2005, the year of US hurricanes Katrina, Wilma and Rita.

The total insured losses resulting from natural catastrophes exceeded $100 billion as compared to the trended 30-year average, which is closer to $25 billion. 2011 is the first year to bear witness to three natural catastrophes of more than $10 billion each, which included the 22 February New Zealand earthquake, the 11 March Japan earthquake and the Thailand flooding beginning in July and continuing into December.

Despite the inordinate amount of catastrophic activity that occurred during 2011, the Company’s portfolio held up exceedingly well with positive annual returns generated for all of the Company’s shareholders. Further, the retrocessional reinsurance capacity available to the reinsurance industry was significantly depleted. As a result, retrocessional reinsurance pricing increased significantly and the Company’s capital base more than quadrupled since its launch less than 12 months earlier.

Performance
The Net Asset Value total return of Ordinary Shares was 5.09% for 2011. In addition, a significant amount of capital was raised during May of 2011.These C Share investors received a Net Asset Value total return of 8.58%. Hedging costs, related to US hurricane protections, were incurred in June 2011 and impacted returns negatively by roughly 2%.

Outlook
The 2012 retrocessional reinsurance investment portfolio has been largely finalised, with all of the Company’s available capital deployed, and includes more than 35 non-correlated risk perils. With the exception of the offshore marine pillar, the portfolio is largely comprised of storm and earthquake risks diversified geographically across the world’s insured properties.

The 2012 projected no-loss portfolio returns are significantly higher as compared to the 2011 portfolio, with a lower average risk level. On a gross basis, all possible worst-case, single-event loss scenarios result in positive returns. Therefore, if the world experiences a more tolerable level of natural catastrophes in 2012, then the Company's shareholders can look forward to higher returns in the year ahead. Concerning future corporate activity, the Managers do not envision any further capital raising activity for the Company for 2012, barring significant catastrophic events.

The Company's assets under management now stand at approximately $350m and the total funds invested by the Managers now exceed $1 billion. Annual expected organic growth, as well as private fund investment, will satisfy any additional reinsurance buyer demand for CATCo-Re Ltd.'s retrocessional protections.

Anthony Belisle
Director

DIRECTORS' RESPONSIBILITIES

In accordance with Chapter 4 of the Disclosure and Transparency Rules, and to the best of their knowledge, each Director of CATCo Reinsurance Opportunities Fund Ltd. confirms that the financial statements have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

Furthermore, each Director certifies that the report of the Directors includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

AUDITED STATEMENT OF ASSETS AND LIABILITIES

(Expressed in United States Dollars)	31 December 2011
Assets	
Investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund, at fair value (cost $206,435,090)	$ 227,981,444
Cash and cash equivalents	123,194,026
Other assets	7,260
Total assets	351,182,730
Liabilities	
Dividend payable	10,859,876
Accrued expenses and other liabilities	456,858
Management fee payable	72,184
Total liabilities	11,388,918
Net assets	$ 339,793,812

See accompanying notes to audited financial statements

AUDITED STATEMENT OF OPERATIONS

Period from 20 December 2010 (commencement of operations) to 31 December 2011

(Expressed in United States Dollars)

Net investment loss allocated from CATCo Reinsurance Fund Ltd. - CATCo Diversified Fund	
Performance fee	$ (2,739,375)
Management fee	(2,537,082)
Professional fees and other	(185,807)
Administrative fee	(177,249)
Miscellaneous expenses	(48,469)
Total net investment loss allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(5,687,982)
Fund investment income	
Interest	515
Fund expenses	
Professional fees and other	(617,174)
Management fee	(145,142)
Administrative fee	(33,000)
Total Fund expenses	(795,316)
Net investment loss	(6,482,783)
Net realised and net change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	
Net realised gain (loss) on securities	-
Net change in unrealised gain on securities	27,234,336
Net gain on investments	27,234,336
Net increase in net assets resulting from operations	$ 20,751,553

See accompanying notes to audited financial statements

AUDITED STATEMENT OF CHANGES IN NET ASSETS

Period from 20 December 2010 (commencement of operations) to 31 December 2011

(Expressed in United States Dollars)

Operations	
Net investment loss	$ (6,482,783)
Net realised gain (loss) on securities	-
Net change in unrealised gain on securities	27,234,336
Net increase in net assets resulting from operations	20,751,553
Capital share transactions	
Issuance of shares	338,047,487
Dividend declared	(10,859,876)
Offering costs	(8,145,352)
Net change in net assets resulting from capital share transactions	319,042,259
Net change in net assets	339,793,812
Net assets, beginning of period	-
Net assets, end of period	$ 339,793,812

See accompanying notes to audited financial statements

AUDITED STATEMENT OF CASH FLOWS

Period from 20 December 2010 (commencement of operations) to 31 December 2011

(Expressed in United States Dollars)

Cash flows from operating activities	
Net increase in net assets resulting from operations	$ 20,751,553
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Net investment loss, net realised gain (loss) and change in unrealised gain on securities allocated from CATCo Reinsurance Fund Ltd. – CATCo Diversified Fund	(21,546,354)
Changes in operating assets and liabilities:	
Purchase of investment in CATCo Reinsurance Fund Ltd.- CATCo Diversified Fund	(206,435,090)
Other assets	(7,260)
Accrued expenses and other liabilities	456,858
Management fee payable	72,184
Net cash used in operating activities	(206,708,109)
Cash flows from financing activities	
Proceeds from issuance of shares	338,047,487
Offering costs	(8,145,352)
Net cash provided by financing activities	329,902,135
Net change in cash	123,194,026
Cash, beginning of period	-
Cash, end of period	$ 123,194,026

See accompanying notes to audited financial statements

1. Nature of operations and summary of significant accounting policies

Nature of Operations

CATCo Reinsurance Opportunities Fund Ltd. (the "Fund") is a closed-ended fund, registered and incorporated as an exempted mutual fund company in Bermuda on 30 November 2010 and commenced operations on 20 December, 2010. The Fund was organized as a feeder fund to invest substantially all of its assets in CATCo Diversified Fund (the "Master Fund"). The Master Fund is a segregated account of CATCo Reinsurance Fund Ltd. a mutual fund company incorporated in Bermuda and registered as a segregated account company under the Segregated Accounts Company Act 2000, as amended (the "SAC Act"). The Master Fund will establish a separate account for each class of shares comprised in each segregated account (each, an "account"). Each account is a separate individually managed pool of assets constituting, in effect, a separate fund with its own investment objective and policies and overseen by the Investment Manager. Pursuant to an investment management agreement, the Fund is managed by CATCo Investment Management Ltd. (the "Investment Manager"). Refer to the Fund's prospectus for more information.

The Fund's Shares are listed and traded on the Specialist Fund Market, a market operated by the London Stock Exchange. The Fund's Shares are also listed on the Bermuda Stock Exchange following the Secondary Listing on 20 May 2011.

The objective of the Master Fund is to give the shareholders the opportunity to participate in the investment returns of various insurance-based instruments, including preferred shares through which the Master Fund would be exposed to reinsurance risk, insurance-linked securities (such as notes, swaps and other derivatives), and other financial instruments. All of the Master Fund's exposure to reinsurance risk is obtained through its investment (via preferred shares) in CATCo-Re Ltd. (the "Reinsurer"). The Fund's ownership is greater than 50% of the Master Fund at 31 December 2011.

The Reinsurer is a Bermuda licensed Class 3 reinsurance company, registered as a segregated accounts company under the SAC Act, through which the Master Fund accesses all of its reinsurance risk exposure. The Reinsurer will form a segregated account that corresponds solely to the Master Fund's investment in the Reinsurer with respect to each particular reinsurance agreement.

The Reinsurer focuses primarily on property catastrophe insurance and may be exposed to losses arising from hurricanes, earthquakes, typhoons, hailstorms, floods, tsunamis, tornados, windstorms, extreme temperatures, aviation accidents, fires, explosions, marine accidents and other perils.

The financial statements of the Fund should be read and considered in conjunction with the annual audited financial statements of the Master Fund.

Basis of Presentation

The financial statements are expressed in United States dollars and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments, such as money market funds, that are readily convertible to known amounts of cash and have original maturities of three months or less.

Valuation of Investment in CATCo Diversified Fund

The Fund records its investment in the Master Fund at fair value. Valuation of investments held by the Master Fund, including, but not limited to the valuation techniques used and classification within the fair value hierarchy of investments held are discussed as follows.

Fair Value - Definition and Hierarchy (Master Fund)

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Master Fund uses various valuation approaches. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs are to be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Master Fund. Unobservable inputs reflect the Master Fund's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Master Fund has the ability to access. Valuation adjustments are not applied to Level 1 investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realised due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Master Fund in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Master Fund's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Master Fund uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many investments. This condition could cause an investment to be reclassified to a lower level within the fair value hierarchy.

During 2010, the Master Fund adopted Accounting Standard Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements", which provides guidance on how investment assets and liabilities are to be valued and disclosed. The adoption of this pronouncement did not have a material impact on the Master Fund's financial statements.

In May 2011, the Financial Accounting Standard Board ("FASB") issued ASU 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", which expands on current guidance relating to valuation methodologies for investments that are categorized within level 3 of the fair value hierarchy. The amendments are effective during interim and annual periods beginning after 15 December 2011. The Investment Manager is evaluating the impact of this update on its current disclosures.

Fair Value - Valuation Techniques and Inputs

Investments in Securities (Master Fund)

The value of preferred shares issued by the Reinsurer and subscribed for by the Master Fund and held with respect to a reinsurance agreement will equal:

(i) the amount of capital invested in such preferred shares; plus

(ii) the amount of Earned Premium (as described below) that has been earned period-to-date for such contract; plus

(iii) the amount of the investment earnings earned to date on both the capital invested in such preferred shares and the associated reinsurance premiums in respect of such contract; minus

(iv) the amount of any loss estimates associated with potential claims triggering Covered Events (see "Covered Event Estimates" below).

The value of preferred shares issued by the Reinsurer will also recognize expenses which are directly attributable to the Master Fund as a result of the Reinsurer conducting reinsurance activities that inure to the benefit or detriment of the Master Fund.

Investments in Securities held by the Reinsurer

<u>Industry Loss Warranties (“ILWs”)</u>

ILWs will be marked similar to preferred shares held with respect to reinsurance agreements, except that following a Covered Event, loss information from the index provider on the trade will be used.

<u>Insurance-Linked Securities (“ILS”)</u>

Cat Bonds and other ILS will be valued at the average of the bids from the pricing sheets or indicative bids provided by at least two broker-dealers or other market makers.

<u>Risk Transfer Derivative Agreements</u>

Risk transfer derivative agreements will be marked similar to ILWs except that following a Covered Event, loss information provided by the Investment Manager or the counterparty will be used.

<u>*Earned Premiums*</u>

Premiums shall be considered earned with respect to computing the Master Fund's Net Asset Value in direct proportion to the percentage of the risk that is deemed to have expired year-to-date. Generally, all premiums shall be earned uniformly over each month of the risk period. However, for certain risks, there is a clearly demonstrable seasonality associated with these risks. Accordingly, Seasonality Factors are utilized for the establishment of certain instruments, including preferred shares relating to reinsurance agreements, ILWs and risk transfer derivative agreements, where applicable. Prior to the investment in any seasonal contract, the Investment Manager is required to produce a schedule of Seasonality Factors, which will govern the income recognition and related Market Value Price for such seasonal contract in the absence of a Covered Event. The Investment Manager may rely on catastrophe modeling software, historical catastrophe loss information or other information sources it deems reliable to produce the Seasonality Factors for each seasonal contract.

Covered Event Estimates

The Investment Manager provides monthly loss estimates for all incurred loss events ("Covered Events") potentially affecting investments relating to a reinsurance agreement of the Reinsurer. As the Reinsurer's reinsurance agreements are fully collateralized, any loss estimates above the contractual thresholds as contained in the reinsurance agreements will require capital to be held in a continuing Reinsurance Trust Account with respect to the maximum contract exposure with respect to the applicable Covered Event.

"Fair Value" Pricing used by the Master Fund

Any investment that cannot be reliably valued using the principles set forth above (a "Fair Value Instrument") is marked at its fair value, based upon an estimate made by the Investment Manager, in good faith and in consultation or coordination with the Administrator where practicable, using what the Investment Manager believes in its discretion are appropriate techniques consistent with market practices for the relevant type of investment. Fair valuation in this context depends on the facts and circumstances of the particular investment, including but not limited to prevailing market and other relevant conditions, and refers to the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Fair value is not the amount that an entity would receive or pay in a forced transaction or involuntary liquidation.

The process used to estimate a fair value for an investment may include a single technique or, where appropriate, multiple valuation techniques, and may include (without limitation and in the discretion of the Investment Manager, or in the discretion of the Administrator subject to review by the Investment Manager where practicable) the consideration of one or more of the following factors (to the extent relevant): the cost of the investment to the Master Fund, a review of comparable sales (if any), a discounted cash flow analysis, an analysis of cash flow multiples, a review of third-party appraisals, other material developments in the investment (even if subsequent to the valuation date), and other factors.

For each Fair Value Instrument, the Investment Manager and/or the Administrator, may as practicable, endeavor to obtain quotes from broker-dealers that are market makers in the related asset class, counterparties, the Master Fund's prime brokers or lending agents and/or pricing services. The Investment Manager, may, but will not be required to, input pricing information into models (including models that are developed by the Investment Manager or by third parties) to determine whether the quotations accurately reflect fair value.

In addition, the Investment Manager, may in its discretion, consult with the members of the investment team to determine the appropriate valuation of an instrument or additional valuation techniques that may be helpful to such valuation.

From time to time, the Investment Manager may change its fair valuation technique as applied to any investment if the change would result in an estimate that the Investment Manager in good faith believes is more representative of fair value under the circumstances. The determination of fair value is inherently subjective in nature, and the Investment Manager has a conflict of interest in determining fair value in light of the fact that the valuation determination may affect the amount of the Investment Manager's Performance Fee.

At any given time, a substantial portion of the Master Fund's portfolio positions may be valued by the Investment Manager using the Fair Value Pricing policies. Prices assigned to portfolio positions by the Administrator or the Investment Manager may not necessarily conform to the prices assigned to the same financial instruments if held by other accounts or by affiliates of the Investment Manager.

The Board of Directors of the Master Fund (the "Board"), in consultation with the Investment Manager, may classify certain Insurance-Linked Instruments as investments in which only persons which are Shareholders at the time of such classification can participate ("*Side Pocket Investments*"). This typically will happen if a Covered Event has recently occurred or seems likely to occur under an Insurance-Linked Instrument, because determining the level of losses once a Covered Event has occurred under an Insurance-Linked Instrument is often both a highly uncertain and a protracted process. Side Pocket Investments are valued in the Statement of Assets and Liabilities at their fair value as determined in good faith by the board of directors following consultation with the Investment Manager.

Financial Instruments

The fair values of the Fund's assets and liabilities, which qualify as financial instruments under ASC 825, Financial Instruments, approximate the carrying amounts presented in the statement of assets and liabilities.

Investment Transactions and Related Investment Income and Expense

The Fund records its proportionate share of the Master Fund's income, expenses, and realised and changes in unrealised gains and losses on a monthly basis. In addition, the Fund incurs and accrues its own income and expenses.

Investment transactions of the Master Fund are accounted for on a trade-date basis. Realised gains or losses on the sale of investments are calculated using the specific identification method of accounting. Interest is recognized on the accrual basis.

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into United States dollar amounts at the period-end exchange rates. Transactions denominated in foreign currencies, including purchases and sales of investments, and income and expenses, are translated into United States dollar amounts on the transaction date. Adjustments arising from foreign currency transactions are reflected in the statement of operations.

The Fund does not isolate the portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Such fluctuations are included in net gain (loss) on investments in the statement of operations.

Income Taxes

Under the laws of Bermuda, the Fund is generally not subject to income taxes, until 31 March 2035. However, certain United States dividend income and interest income may be subject to a 30% withholding tax. Further, certain United States dividend income may be subject to a tax at prevailing treaty or standard withholding rates with the applicable country or local jurisdiction.

The Fund is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realised upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Fund recording a tax liability that reduces ending net assets. Based on its analysis, the Fund has determined that it has not incurred any liability for unrecognized tax benefits as of 31 December 2011. However, the Fund's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Fund recognizes interest and penalties related to unrecognized tax benefits in interest expense and other expenses, respectively. No interest expense or penalties have been recognized as of and for the period ended 31 December 2011.

Generally, the Fund is subject to income tax examinations by major taxing authorities for all tax years since its inception.

The Fund may be subject to potential examination by U.S. federal or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal or foreign tax laws.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Fund's management to make estimates and assumptions that affect the amounts disclosed in the financial statements and accompany notes. Actual results could differ from those estimates.

Offering costs

The costs associated with each capital raise are expensed as incurred.

2. Schedule of the Fund's share of the investments held in the Master Fund and fair value measurements

The following table reflects the Fund's proportionate share of the market value of investments in the Reinsurer held by the Master Fund at 31 December 2011:

Investments in securities, at fair value	Fair Value
Preferred Shares	
Investments in CATCo-Re Ltd.	
Class A preferred Shares	$ 26,123,929
Class B preferred Shares	6,573,657
Class C preferred Shares	31,889,016
Class D preferred Shares	21,494,602
Class E preferred Shares	16,077,344
Class F preferred Shares	34,447,557
Class G preferred Shares	10,124,083
Class H preferred Shares	22,008,743
Class I preferred Shares	5,288,068
Class J preferred Shares	43,356,315
Class K preferred Shares	24,881
Class L preferred Shares	-
Class SP preferred Shares	10,573,249
Total Investments in CATCo-Re Ltd.	$227,981,444

The Fund's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Fund's significant accounting policies in Note 1. The following table presents information about the Fund's assets measured at fair value as of 31 December 2011:

Assets (at fair value)	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in securities				
Preferred shares	$ -	$ -	$ 227,981,444	$ 227,981,444
Total Investments in securities	$ -	$ -	$ 227,981,444	$ 227,981,444

Transfers between Levels 1 and 2 generally relate to whether a market becomes active or inactive.

Transfers between Levels 2 and 3 generally relate to whether significant relevant observable inputs are available for the fair value measurements in their entirety. See Note 1 for additional information related to the fair value hierarchy and valuation techniques and inputs. All transfers are recognized by the Fund at the end of each reporting period.

There were no transfers between levels for the period ended 31 December 2011.

The following table presents additional information about Level 3 assets and liabilities measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Fund has classified within the Level 3 category. As a result, the unrealised gains and losses for assets and liabilities within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value for the period ended 31 December 2011 were as follows:

	Beginning Balance 20 December, 2010	Change in Realised & Unrealised Gains (Losses)(a)	Purchases	Sales	Settlements	Transfers In/(Out) Level 3	Ending Balance 31 December 2011	Change in Unrealised Gains for Securities Still held 31 Dec 2011 (b)
Assets (at fair value)								
Investments in Preferred shares	$ -	$ 21,546,354	$ 206,435,090	$ -	$ -	$ -	$227,981,444	$21,546,354

(a) Realised and change in unrealised gains are all included in net gain (loss) on securities in the statement of operations.

(b) The change in unrealised gains for the period ended 31 December 2011 for securities still held at 31 December 2011 are reflected in the net change in unrealised gains on securities in the statement of operations.

3. Concentration of credit risk

In the normal course of business, the Fund maintains its cash balances in financial institutions, which at times may exceed federally insured limits. The Fund is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties. At 31 December 2011 cash is held with HSBC Bank Bermuda Ltd. which has a credit rating of A+.

4. Concentration of reinsurance risk

The following table illustrates the diversified risk profile of the Reinsurer's portfolio by geography and peril, with the percentage exposure representing the relative weighting of each event risk against the Reinsurer's portfolio as a whole:

Event Risk	% Exposure	Event Risk	% Exposure
US/Canada Quake	13%	GA to VA Wind	3%
US/Caribbean Wind	13%	Florida Wind	3%
2nd Event Protections	12%	US 2nd Event Wind	3%
Japan/Caribbean Quake	9%	US 3rd Event Wind	3%
Marine Non-Elemental	8%	Japan Wind	2%
Europe All Natural Perils	6%	CA Quake	2%
Florida 2nd Event Wind	5%	US Excluding CA Quake	2%
Gulf of Mexico Wind	5%	Europe Wind	2%
Northeast Wind	5%	Japan All Natural Perils	1%
Rest of World	3%		

1. Not all of the 19 Event Risks listed above are fully non-correlated. However, no single event exposure is greater than 18%.

2. The 2nd event risk pillar provides additional coverage for the risk pillars excluding US 3rd event wind above at the same attachment points and in the same percentage exposure as the 1st event coverage.

5. Loss reserves

The reserve for unpaid losses and loss expenses recorded by the Reinsurer includes estimates for losses incurred but not reported as well as losses pending settlement.

The Reinsurer makes a provision for losses on contracts only when an event that is covered by the contract has occurred. When a potential loss event has occurred, the Reinsurer obtains and uses assessments from counterparties as a baseline, incorporating its own models and historical data regarding loss development, to determine the level of reserves required.

Future adjustments to the amounts recorded as of period-end, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Reinsurer's statement of operations in future periods when such adjustments become known. Future developments may result in losses and loss expenses materially greater or less than the reserve provided.

During 2011, the Reinsurer paid claims of $1,165,933 net of additional loss premium of $1,875,000 pertaining to the Tohoku, Japan earthquake in March 2011. At 31 December 2011, the Reinsurer established net reserves of $11,622,167 associated with the 2011 earthquakes in Christchurch, New Zealand and Tohoku, Japan.

6. Capital share transactions

As of 31 December 2011, the Fund has authorized capital stock of 500,000,000 unclassified shares of par value $0.0001 per share.

The Fund had an initial placing which closed on 20 December 2010 raising $80,392,000 through the issuance of 80,392,000 Ordinary Shares. On 31 March 2011 a further $7,358,750 was raised through an additional issuance of 7,250,000 Ordinary Shares. The Fund had a further placing opening on 18 May 2011 resulting in $124,446,737 being raised through the issuance of 124,446,737 C Shares on 20 May 2011 and $850,000 being raised through the issuance of 850,000 C Shares on 23 May 2011. A further $125,000,000 was raised through an additional issuance of 118,821,292 C Shares on 16 December 2011.

As of 31 December 2011, the Fund has issued 87,642,000 Class 1 Ordinary Shares and 244,118,029 Class 2 C Shares (collectively the "Shares").

Transactions in Shares during the period, and the Shares outstanding and the net asset value ("NAV") per Share as of 31 December 2011 is as follows:

	Beginning Shares	Shares Issued	Shares Redeemed	Ending Shares
Class 1 - Ordinary shares	-	87,642,000	-	87,642,000
Class 2 - C Shares	-	244,118,029	-	244,118,029

	Beginning Shares	Amounts Issued	Amounts Redeemed	Ending Net Assets	Ending NAV Per Share
Class 1 - Ordinary shares	$ -	$87,750,750	$ -	$87,633,736	$0.9999
Class 2 - C Shares	$ -	$250,296,737	$ -	$252,160,076	$1.0329

The Fund has been established as a closed-ended fund and, as such, shareholders do not have the right to redeem their Shares. The Shares are held in trust by Capita IRG Trustees Limited (the "Depository") in accordance with the Depository Agreement between the Fund and the Depository. The Depository holds the Shares and in turn issues depository interests in respect of the underlying Shares which have the same rights and characteristics of the Shares.

The Board of Directors of the Fund (the "Board") has the ability to issue C Shares during any period when the Master Fund has designated one or more investments as "Side Pocket Investments". This typically will happen if a covered or other pre-determined event has recently occurred or seems likely to occur under an Insurance-Linked Instrument. In such circumstances, only those Shareholders on the date that the investment has been designated as a Side Pocket Investment will participate in the potential losses and premiums attributable to such Side Pocket investment. Any Shares issued when side pockets exist will be as C Shares that will participate in all of the Master Fund's portfolio other than in respect of potential losses and premiums attributable to any Side Pocket Investments in existence at the time of issue. If no Side Pocket Investments are in existence at the time of proposed issue, it is expected that the Fund will issue further Ordinary Shares.

The Reinsurer has entered into fully collateralized reinsurance contracts under which it is potentially exposed to losses arising from the New Zealand earthquake on 22 February 2011 and the Japan earthquake on 11 March 2011 (respectively, "NZ Exposures" and "Japan Exposures"). Due to the uncertainty in valuing these investments and the tenure of these contracts, the Master Fund's Board has designated the Master Fund's potential NZ Exposures and Japan Exposures as a Side Pocket Investment, represented by a new Class of shares ("SP Shares"). Accordingly, SP Shares have been issued as at 1 April 2011 to each Master Fund Shareholder by way of the conversion of a pro rata proportion of their Master Fund Class A, B and C Shares into SP Shares. In this way, Master Fund shares that are issued to Master Fund shareholders after 31 March 2011 will participate fully in the Master Fund's portfolio, except that they will not have any NZ Exposures or Japan Exposures for the events that have already occurred and will accordingly not participate in any losses or premiums attributable to such exposures.

Once the loss position in respect of the NZ and Japan Exposures is clarified, the Side Pocket Investment will be realised and the SP Shares will be exchanged for Master Fund Class A, B and C Shares.

Following the realization of the Side Pocket Investment in such circumstances, it is expected that any Class C Shares which have been issued will be converted into Ordinary Shares and will accordingly participate in any losses or premiums attributable to such Ordinary Shares.

7. Investment management agreement

Pursuant to the Investment Management Agreement dated 16 December 2010, the Investment Manager is empowered to formulate the overall investment strategy to be carried out by the Fund and to exercise full discretion in the management of the trading, investment transactions and related borrowing activities of the Fund in order to implement such strategy.

8. Related party transactions

The Investment Manager of the Fund is also the Investment Manager of the Master Fund and the Reinsurer.

The Investment Manager is entitled to a management fee, calculated and payable monthly in arrears equal to 1/12 of 1.5% of the net asset value of the Fund which is not attributable to the Fund's investment in the Master Fund Shares as at the last calendar day of each calendar month. Performance fees are charged in the Master Fund.

Qatar Insurance Company, an affiliate of the Investment Manager, holds 31.4% of voting rights of the Ordinary Shares issued in the Fund. In addition, the Directors of the Fund are also Shareholders of the Fund.

9. Administrative Fee

Prime Management Limited (the "Administrator") serves as the Fund's Administrator and performs certain administrative and clerical services on behalf of the Fund. For the provision of the service under the Administration Agreement, the Administrator receives an annual flat fee.

10. Financial highlights

Financial highlights for the Ordinary Shares are for the period 20 December 2010 (commencement of operations) to 31 December 2011 while the C Shares are for the period 20 May 2011 to 31 December 2011 and are as follows:

	Class 1 Ordinary Shares	**Class 2 C Shares**
	United States Dollar	United States Dollar
Per share operating performance		
Net asset value, beginning of period	1.0000	1.0000
Offering costs	(0.0231)	(0.0389)
Income (loss) from investment operations:		
Net investment loss	(0.0360)	(0.0255)
Net gain on investments	0.1086	0.1383
Total from investment operations	0.0726	0.1128
Premium	0.0014	0.0100
Dividend *	(0.0510)	(0.0510)
Net asset value, end of period	0.9999	1.0329
Total return		
Total return before performance fee	8.82%	12.98%
Performance fee**	(1.39)	(1.29)
Total return after performance fee	7.43%	11.69%
Ratio to average net assets		
Expenses other than performance fee	(2.15)%	(1.18)%
Performance fee**	(1.30)	(1.01)
Total expenses after performance fee	(3.45)%	(2.19)%
Net investment loss	(3.60)%	(2.55)%

The ratios to weighted average net assets are calculated for each Class of Share taken as a whole. An individual shareholder's return and ratios to weighted average net assets may vary from these amounts based on the timing of capital transactions. Returns and ratios shown above are for the period ended 31 December 2011 and have not been annualized.

* Subject to shareholder approval
** The performance fee is charged in the Master Fund.

11. Indemnifications or warranties

In the ordinary course of its business, the Fund may enter into contracts or agreements that contain indemnifications or warranties. Future events could occur that lead to the execution of these provisions against the Fund. Based on its history and experience, management believes that the likelihood of such an event is remote.

12. Subsequent events

On 1 January 2012, the Fund subscribed $110,500,000 in Class C Shares of the Master Fund.

These financial statements were approved by management and available for issuance on 30 January 2012. Subsequent events have been evaluated through this date.

The Directors of CATCo Reinsurance Opportunities Fund Limited confirm that the annual report and financial statements of the Company (the "Annual Report") for the year ended 31 December 2011 have been posted to shareholders today.

The Annual Report is available on the Company's website, www.catcoim.com

For further information, please contact:

CATCo Investment Management Ltd
Jason Bibb, Director
Telephone: +1 441 531 2227
Email: jason.bibb@catcoim.com

Mark Way, Corporate Communications
Telephone: +44 7786 116991
Email: mark.way@catcoim.com

Numis Securities Limited
David Benda / Hugh Jonathan
Telephone: +44 (0) 20 7260 1000

Prime Management Ltd
Michael Toyer / John Whiley
Tel: +1 (441) 295 0329

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