

Date: 10 August 2009
On behalf of: Eredene Capital PLC ("Eredene" or "the Company")
Embargoed until: 0700hrs

Eredene Capital PLC

Placing to raise approximately £7 million

Eredene Capital PLC (AIM: ERE), the AIM quoted investor in Indian infrastructure developments, announces today that it has conditionally raised approximately £7.1 million (before expenses) by way of a Placing (the "Placing") of 35,512,031 New Ordinary Shares at a price of 20 pence per share. The Placing has been supported by a number of Eredene's largest shareholders and it is intended that the proceeds will be used to seed a private development fund to be managed by Eredene to invest in new infrastructure projects in India ("Fund II").

It is planned that Fund II, which will be managed by a wholly owned subsidiary of Eredene, will finance projects in Eredene's current deal pipeline and continue its strategy of investing in Indian infrastructure - primarily in ports and port services, logistics and warehousing and transportation. If Fund II has not achieved a first closing by the end of October 2009 or within a reasonable period thereafter, the capital raised from the Placing will be invested directly by Eredene into Indian infrastructure projects.

Eredene has made nine investments in India to date, three of which are generating revenue and a fourth is taking sales deposits. One of the investments has also paid a dividend to the Company. Eredene's potential deal pipeline includes five ports, four logistics and warehousing projects and two transportation projects.

The Placing is fully underwritten by Numis Securities Limited and is conditional upon, amongst other things, the passing of certain resolutions at a General Meeting and Admission of the New Ordinary Shares to trading on AIM. A Circular to shareholders containing further details of the Placing and containing notice of a General Meeting to propose the resolutions required to be passed to implement the Placing is expected to be posted to shareholders later today. A copy of the Circular will also be available on the Company's website: www.eredene.com.

Alastair King, Chief Executive and Founder of Eredene, said:

"This share placement allows us to continue to develop significantly our activities in India."

-Ends-

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Numis Securities Limited, which is authorised and regulated by the Financial Services Authority, is acting for Eredene Capital PLC and for no-one else in connection with the contents of this document and will not be responsible to anyone other than Eredene Capital PLC for providing the protections afforded to clients of Numis Securities Limited, or for providing advice in relation to the contents of this document or any matters referred to herein.

The Circular to shareholders of the Company will contain the following letter from the Chairman of the Company:

Placing of New Ordinary Shares and Notice of General Meeting

1. Introduction

The Company announced earlier today that it proposes to raise approximately £7.1 million (before expenses) by way of a conditional placing of 35,512,031 New Ordinary Shares at a price of 20 pence per share.

The New Ordinary Shares have been conditionally placed solely with Relevant Persons by way of a placing carried out by Numis. The placing has been underwritten by Numis. Subject, inter alia, to the passing of the Resolutions at the General Meeting and to Admission, dealings in the New Ordinary Shares on AIM are expected to commence at 8.00 a.m. on 28 August 2009.

The Placing is conditional, inter alia, upon Shareholders passing the Resolutions at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of 2,670,710 Ordinary Shares, representing, in aggregate, approximately 1.1 per cent. of the Company's Existing Shares.

The purpose of this document is to provide you with information about the background to and the reasons for the Placing, to explain why the Independent Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole and why the Independent Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, notice of which is set out at the end of this document.

2. Background to and reasons for the Placing

Eredene raised £57.1 million (before expenses) in May 2006 through a placing on AIM. Eredene has so far allocated approximately £51 million of these funds to its current portfolio of nine investments.

As Eredene has allocated most of the funds that it raised in 2006 to its existing investments, an exercise is under way to raise capital to invest in a pipeline of potential additional investments that have been identified and evaluated by Eredene. One option which has been considered is to raise a private independent second fund to finance these and other future investments which would be managed by Eredene or a subsidiary of Eredene. Work has commenced in Europe, the Gulf, and Asia to raise such a fund, proposed to be named Eredene Infrastructure Fund II LP ("**Fund II**"), which would continue Eredene's policy of investing in Indian infrastructure and invest primarily in ports and port services, logistics and warehousing and transportation projects. Further details of some of the potential pipeline projects for Fund II to invest in are set out in paragraph 4 of this letter, and details of the proposed structure of Fund II are set out in paragraph 3 of this letter.

The Directors believe that the key benefits to the Company of raising capital through Fund II include the potential for the Company to share in management fees and carried interest entitlements and that a private fund of the type proposed would be able to attract capital from private investors seeking exposure to Indian infrastructure which the Company would not otherwise be able to access through the AIM market. Further, the Directors believe that the proposals would reduce the Company's cost base and,

through the proposed carried interest arrangements summarised in paragraph 3 of this letter, serve to incentivise key executives.

The proposals in relation to Fund II will only proceed if a sufficient initial level of investment into Fund II is raised, currently proposed to be US\$30 million (although the Company, subject to agreement of the other initial investors in Fund II, may accept a lower amount) ("**First Closing**"). The Directors are aiming to achieve First Closing by the end of October 2009. It is proposed that the net proceeds of the Placing be used as seed capital for Fund II to form part of the funds required for First Closing. Further, Caledonia Investments plc ("**Caledonia**"), the Company's largest shareholder, has indicated its intention to commit approximately £1.5 million into the Placing and up to US\$15 million as a private investment in Fund II (which will include subscription for 15 per cent. of the First Closing).

In the event that First Closing cannot be achieved within a reasonable period following the end of October 2009, the proceeds of the Placing will be used by the Company directly in order to finance projects in Eredene's current deal pipeline, in line with the Company's investment policy.

3. Proposed Structure of Fund II

It is proposed that Fund II be registered as a Scottish limited partnership and that Eredene General Partner Limited (the "**General Partner**"), a wholly owned subsidiary of the Company incorporated in Guernsey, would act as general partner of Fund II.

The Company would invest the net proceeds of the Placing into Fund II at First Closing and therefore be a seed investor in Fund II.

Under the proposals, the General Partner would, following First Closing, be entitled to a fixed share of 2 per cent. per annum on the aggregate amount of total commitments made by investors (over a commitment period of up to 5 years), reducing thereafter to 2 per cent. per annum of the acquisition costs of unrealised investments.

A second Scottish limited partnership, of which the Company would be a limited partner (the "Founder Partner"), would be established to participate in a carried interest profit share in Fund II. The Founder Partner would be entitled to receive a carried interest equal to 20 per cent. of Fund II's profits subject to prior distribution to the limited partners of their outstanding advances to Fund II plus a preferred return of 9 per cent. per annum on such advances. The Company would receive a 37.5 per cent. share of the carried interest from the Founder Partner, with the remainder to be shared amongst future and current executives including Alastair King, Nikhil Naik, Gary Varley and Ranveer Sharma.

It is proposed that other investors would contribute capital to and become limited partners in Fund II, and would share any remaining profits made by Fund II pro rata to their respective commitments.

4. Pipeline

Eredene's potential deal pipeline for Fund II comprises five ports, four logistics & warehousing and two transportation projects. These include the projects described below:

- **Ports and Port Services**

Ennore Container Terminal

Eredene is part of a consortium which has been short-listed (along with five other applicants) for the final stage of bidding for the development of a 1000m quay length container terminal on a Build-Operate-Transfer basis at Ennore Port near Chennai. The container terminal has a proposed capacity of up to 1.5 million Twenty Foot Equivalent Units per annum. If the tender is successful, as currently proposed the investment would comprise a 22 per cent. equity interest in the special purpose company formed to develop the container terminal, involving a capital outlay of approximately US\$30 million.

Development of port on India's south east coast

A deep draft all-weather port located on India's south east coast is to be developed on a Build-Operate-Transfer basis for a period of 30 years. Eredene has been offered an equity stake in the special purpose company developing the port, which would involve a proposed capital outlay of approximately US\$30 million. Eredene is negotiating a term sheet with the investment partner.

- **Logistics & Warehousing:**

Container freight station on India's west coast

Eredene is currently undertaking a financial and commercial analysis of this project, which relates to an established 30 acre container freight station close to India's largest private port. Eredene has been offered a 40 per cent. equity interest in this project, involving a proposed capital outlay of approximately US\$7 million.

Integrated logistics facility near Delhi

A proposed integrated logistics facility with one of Eredene's investment partners with whom Eredene has already completed two investments in its current portfolio. The facility would be located outside the 'National Capital Region' of Delhi and would provide container handling and storage facilities. Eredene is currently in discussions with the investment partner in relation to potential investment in the project.

- **Transportation:**

Rail-linked inland container depots

Eredene is currently evaluating an operating container transport business which has obtained a 20-year pan-India licence from the Indian government for operating container trains. The business would operate rail-linked inland container depots catering to both export-import and domestic traffic within India. Eredene has been offered up to a 49 per cent. equity stake in the business, which would involve a proposed capital outlay of approximately US\$45 million.

Aviation City

This project involves the development of an existing private airport into a large scale aviation services centre providing maintenance, repair and overhauling services. Eredene has been offered up to a 74 per cent. equity stake in the business, which would involve a proposed capital outlay of approximately US\$35 million.

5. Trading update

On 30 June 2009, the Company released the Group's audited annual results for the fifteen month period ending 31 March 2009. During this period, the Company made a loss of £6.4m (2007: profit of £0.2m) representing 2.61p per share (2007: gain of 0.08p per share). This loss includes non-cash movement of £5.1m following revaluations (as discussed below). As at 31 March 2009, the Group had cash balances of £26.2m (2007: £48.6m) representing 10.7p per share (2007: 19.9p) and a Net Asset Value ("NAV") attributable to equity shareholders of £53.7m (2007: £59.0m) representing 21.9p per share (2007: 24.1p). Ernst & Young India performed an independent, fair-value valuation exercise on Eredene's non-consolidated investments in India as at 31 March 2009 which led to a downward fair-value adjustment of £5.1m (2007: gain of £1.8m). This adjustment was primarily due to a decline in value of Matheran Realty due to falling land prices in Mumbai.

The Company reported continued progress in relation to its nine investments in India. During the period, the Group received its first dividend from an investee company, Sattva Vichoor CFS, which was paid less

than two years after the start of construction. Three investee companies are revenue generating and a fourth is taking sales deposits. All investee companies are forecast to be revenue generating by the end of 2010.

India's political outlook is increasingly stable following the May 2009 parliamentary elections, which consolidated the Congress Party coalition's hold on power. With healthy growth rates, the Directors believe that India remains an attractive investment destination in the current global economic climate.

6. Details of the Placing

The Company proposes to raise approximately £7.1 million (before expenses) through the issue of the New Ordinary Shares at the Placing Price. The expenses of the Placing are expected to be approximately £113,000. The Placing Price represents a discount of approximately 2.4 per cent. to the closing mid-market price of 20.5 pence per Existing Share on 7 August 2009, being the last dealing day prior to the announcement of the Placing. The New Ordinary Shares will represent approximately 12.7 per cent. of the Enlarged Share Capital.

Pursuant to the terms of the Placing Agreement, Numis, as agent for the Company, has agreed to use reasonable endeavours to procure subscribers for the New Ordinary Shares at the Placing Price failing which Numis will subscribe for any remaining New Ordinary Shares itself. Numis has conducted a placing process to determine demand for participation among Relevant Persons in the Placing at the Placing Price. Members of the general public were not eligible to take part in the Placing and Shareholders who were not Relevant Persons were therefore not entitled to participate. Only those persons (whether or not they are Shareholders) who are Relevant Persons were entitled to take part in the Placing. The Company announced today that Numis has placed the New Ordinary Shares at the Placing Price, conditional upon, inter alia, the Resolutions being duly passed at the General Meeting.

The Placing Agreement is conditional upon, inter alia, the Resolutions being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 28 August 2009 (or such later date as the Company and Numis may agree, but in any event no later than 11 September 2009). The Placing Agreement contains provisions entitling Numis to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will not proceed. The Placing is being underwritten by Numis.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares on AIM will commence at 8.00 a.m. on 28 August 2009.

The New Ordinary Shares will rank pari passu in all respects with the Existing Shares, including the right to receive all dividends and other distributions declared on or after the date on which they are issued. It is expected that CREST accounts will be credited with entitlements to New Ordinary Shares as soon as possible after 8.00 a.m. on the day of Admission and that share certificates (where applicable) will be despatched by 11 September 2009.

7. Related Party Transactions

The following existing substantial Shareholder has agreed to subscribe for Placing Shares in the Placing and such participation constitutes a related party transaction within the meaning of the AIM Rules:

<i>Shareholder</i>	<i>Current Number of Ordinary Shares</i>	<i>Percentage of existing issued share capital</i>	<i>New Ordinary Shares subscribed for in the Placing</i>
Ruffer	51,335,124	21.0	15,000,000

The Independent Directors consider, having consulted with Numis, the Company's nominated adviser, that the terms of the subscription in this transaction are fair and reasonable insofar as Shareholders are concerned.

As Charles Cayzer is treated as being connected with Caledonia (a substantial Shareholder which has agreed to subscribe for 7,677,701 new Ordinary Shares in the Placing) for the purposes of the AIM Rules, he has abstained from the discussions and the decisions of the Board as regards the terms of the Placing and the recommendation to Shareholders contained in paragraph 10 of this letter.

8. General Meeting

Included in the Circular to shareholders is a notice convening the General Meeting to be held on 27 August 2009 at 12.00 p.m. at 7 Pilgrim Street, London EC4V 6LB, at which the Resolutions will be proposed.

The Resolutions to be proposed at the General Meeting are as follows:

● Resolution 1 – Investing policy

As an AIM quoted investing company, the Company is required to publish its investing policy and to have that policy approved by its shareholders. The Company is seeking the approval of the following investing policy, which has been modified in light of Eredene's proposed investment in Fund II to allow the Company to invest through third party funds that it manages as well as through its own funds:

Eredene Capital PLC is an equity investor in Indian infrastructure operating companies and holds its investments as part of an investment portfolio. The Company may invest through its own funds or through funds that it manages. Its investment portfolio includes minority stakes which are accounted for as investments and majority stakes which are consolidated. It has no restrictions or maximum exposure limits on its investments and would intend, on average, to hold its investments for at least seven years until the underlying business reached full maturity. Its investment policy is focused on:

- *Indian infrastructure – primarily investment in Ports and Port Services, Logistics and Warehousing, Transportation and Real Estate sectors.*
- *Investment in businesses with a potential to generate substantial capital growth providing a long-term capital appreciation and a steady dividend yield.*
- *Target individual investments typically up to US\$35 million and equity holdings of greater than 20 per cent.*
- *Active role in investments through board participation and by sourcing experienced and trusted local partners. The Management Team of Eredene has significant experience in the target sectors.*
- *Investment in a diversified portfolio of infrastructure assets and further diversification via balanced regional geographical exposure within India with a range of co-investment partners.*
- *Gearing utilised at SPV level with the investee company raising debt with no recourse to Eredene.*
- *Generating management and performance fees in return for the investment and management of third party funds.*

Resolution 1 will be proposed as an ordinary resolution. It is intended that, if Resolution 1 is passed at the General Meeting, the resolution approving the investment policy to be tabled at the Annual General Meeting of the Company to be convened on 8 September 2009 will be withdrawn.

- **Resolutions 2 and 3 – Authority to allot shares and disapplication of pre-emption rights**

Resolution 2 is an ordinary resolution which will authorise the Directors to allot the New Ordinary Shares. Unless revoked, varied or extended, such authority shall expire on 14 September 2009.

Resolution 3 is a special resolution which disapplies Shareholders' statutory pre-emption rights in relation to the issue of the New Ordinary Shares. Unless revoked, varied or extended, such resolution shall cease to have effect on 14 September 2009.

In accordance with section 95(5) of the Act, the Directors believe that the proposed disapplication of pre-emption rights as detailed in Resolution 3 will be necessary in order to carry out the Placing, which is to be effected at the Placing Price.

9. Action to be taken

A Form of Proxy for use at the General Meeting accompanies the Circular to shareholders. The Form of Proxy should be completed in accordance with the instructions thereon and returned to the Company's registrars, Neville Registrars, as soon as possible, but in any event so as to be received by no later than 12.00 p.m. on 25 August 2009. The completion and return of a Form of Proxy will not preclude Shareholders from attending the General Meeting and voting in person should they so wish.

10. Recommendation

The Independent Directors consider the Placing to be in the best interests of the Company and its Shareholders as a whole and accordingly unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors intend to vote in favour of the Resolutions at the General Meeting in respect of their beneficial holdings amounting, in aggregate, to 2,670,710 Existing Shares, representing approximately 1.1 per cent. of the Existing Shares.

Yours sincerely,

David Coltman
Chairman