

Cambria Africa Plc (“Company” or “Cambria”) is listed on the AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies.

A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The risks and uncertainties described below are not the only risks and uncertainties the Company faces. Additional risks and uncertainties not presently known to the Company, or that the Company currently believes are immaterial, could also impair the Company’s financial condition, results of operations or prospects. If any of the following risks actually occur, the Company’s financial condition, results of operations or prospects and share price could be materially adversely affected. Investment in the Company is suitable only for persons who can bear the economic risk of a substantial or total loss of their investment.

## **RISK ANALYSIS**

### ***Risks relating to emerging markets***

*The Company’s investments in emerging markets; specifically in Zimbabwe, countries surrounding Zimbabwe, as well as the remainder of Sub-Saharan Africa, with a bias towards Southern and Eastern Africa, are subject to greater risks than investments in developed countries.*

The Company expects to invest in the securities of public and private issuers in emerging markets. Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risk of less publicly available information, more volatile markets, less strict securities market regulation, less favourable tax provisions, and a greater likelihood of severe inflation, unstable currency, limited liquidity, corruption, war and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities.

Emerging markets generally may not operate as efficiently as those in developed countries. In some cases, a market for a given security may not exist locally, and transactions will need to be made on a neighbouring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Moreover, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported. Furthermore, some securities may be subject to brokerage or stock transfer taxes levied by governments, which would have the effect of increasing the cost of

investment and which may reduce the realised gain or increase the loss on such securities at the time of sale. The issuers of some of these securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. In addition, settlement of trades in some emerging markets is much slower and subject to a greater risk of failure than in markets in developed countries. In addition, dividend and interest payments from, and capital gains in respect of, certain securities may be subject to taxes that may or may not be reclaimable.

With respect to an emerging market country, there is the possibility of nationalisation, expropriation or confiscatory taxation, imposition or withholding or other taxes on dividends, interest, capital gains or other income, political changes, government regulation, social instability, terrorism, civil wars, guerrilla activities, military repression, crime, extreme fluctuations in currency exchange rates and hyperinflation, which could affect adversely the economies of such countries or the value of the Company's investments in those countries.

Many of the laws that govern private investment, securities transactions and other contractual relationships in emerging markets are new and largely untested. As a result, the Company may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets and lack of enforcement of existing regulations. Furthermore, it may be difficult to obtain and enforce a judgment in certain of the emerging markets in which the Company's assets will be invested. The Company can offer no assurance that this difficulty in protecting and enforcing rights will not adversely affect its investments.

Regulatory control and corporate governance of companies in emerging markets confer little protection on minority shareholders. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty to shareholders by officers and directors is also limited when compared to such concepts in developed markets. In certain instances management may take significant actions without the consent of shareholders and anti-dilution protection also may be limited.

In the event that any of the above risks are realised, the Company could suffer a material adverse effect on its financial condition, results of operations and share price.

### ***Risks Relating to the Company and its Investment Strategy***

*There are no restrictions on the investments the Company may make, and as a result an investment in the Company may entail greater risk than is typical of other investments.*

Although the Directors intend to seek the consent of the Shareholders for the investment strategy on a regular basis, there will be no restrictions, formal or operational, individually or in the aggregate, on the investments the Company is permitted to make.

As a result, an investment in the Company may entail greater risk than is typical of investments in other funds / similar companies. For example, the Company's portfolio could become concentrated in a relatively small number of very large investments, in which case the adverse performance of any one of these could have a material adverse effect on the Company's financial performance, results of operations and share price.

Similarly, the Company's portfolio may be concentrated in investments in a small number of countries, in which case adverse economic, political or other developments specific to the relevant country or countries could have a material adverse effect on the Company's financial condition, results of operations and share price. Moreover, despite the Company's intention to seek majority positions in companies, a significant proportion of the Company's investments may be made in (i) minority stakes in companies, which could impair the Company's ability to exercise effective control over those companies, or (ii) concentrated in a particular sector, which could have a material adverse effect on such investments if there is a downturn in the economic condition of such sector.

Shareholders will not know in advance which investments will be chosen, will not be given an opportunity to consent to individual investment decisions, and must rely on the Directors to make appropriate investment decisions and to implement the Company's investment strategy. Investors must rely on the Directors to identify and acquire suitable investments. While the Directors intend to seek the consent of the Shareholders for the investment strategy on an annual basis, generally Shareholders will not otherwise participate in evaluating individual investment opportunities or in strategic decision making. Shareholders will thus be unable to evaluate the economic merit of particular investments prior to their acquisition and similarly will be unable to evaluate the Company's strategy with respect to managing investments, the decision whether to hold or exit from particular investments or the proposed terms of any such exit strategy.

The Company's Directors will have full discretion to make investment decisions on behalf of the Company. The Company's success will thus depend to a significant extent on the skill and judgment of the various Directors. The Company cannot guarantee that the Directors will identify suitable investment opportunities, properly evaluate such opportunities or develop and implement a successful overall investment strategy.

There can be no guarantee that suitable investment opportunities will materialise, prove attractive or be sufficient in quantity or size to permit the Company to achieve its investment objective.

#### ***Risks Relating to Investment Personnel***

*The performance of the Company will depend on the ability and services of the Company's Directors and advisers.*

The Company relies on the skill and experience of its staff and in particular the Company's future success is substantially dependent upon its Directors and advisers. The loss of any member of the Board or advisers could harm or delay the business whilst management time is directed to finding suitable replacements or if no suitable replacement is available. In either case this could have a

material adverse effect on the future of the Company's financial condition, results of operations and the price of Ordinary Shares.

While the Company has entered into service agreements with each of its Directors and formal engagement arrangements with each of its specialist advisers, the retention of their services cannot be guaranteed.

### ***Risks Relating to the Investments***

*The Company's business is concentrated in Zimbabwe but also seeks to actively invest in countries surrounding Zimbabwe, as well as the remainder of Sub-Saharan Africa, with a bias towards Southern and Eastern Africa.*

The due diligence process that the Company intends to undertake in connection with investments may not reveal all relevant facts.

Before making investments, the Company intends to conduct due diligence to the extent it deems reasonable and appropriate based on the applicable facts and circumstances. The objective of the due diligence process will be to identify attractive investment opportunities and to prepare a framework that may be used from the date of investment to drive operational performance and value creation. When conducting due diligence, the Company will be expected to evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisers, accountants and investment banks are expected to be involved in the due diligence process in varying degrees depending on the type of investment.

The due diligence process may at times be required to rely on limited or incomplete information particularly with respect to newly established companies for which only limited information is available. Accordingly, the Company cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Company to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which could have a material adverse effect on the Company's financial performance, results of operations and share price.

The Company's investments may include a substantial portion of investments in companies that it does not directly control.

The Company's investments may include investments in equity securities of companies that it does not directly control. In particular, ownership legislation may prevent the Company from acquiring majority control of businesses. The Company's ability to make investments and/or acquisitions may also be affected by regulatory requirements. There is no guarantee that the requisite consents in respect of the Company's investment proposals will be obtained by the Company. Furthermore, the Company may also dispose of investments in portfolio companies over time in a manner that results in it retaining a minority investment.

Minority holdings are subject to the risk that the company in which the investment is made may make business, financial or management decisions with which the Company does not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve the Company's interests. The Company's equity investments in such companies may also be diluted further if it does not participate in future equity or equity-linked fundraising opportunities.

The Company cannot guarantee that the value of the investments it reports from time to time will in fact be realised.

The Company anticipates that a substantial majority of its investments will be in the form of investments for which market quotations are not readily available. The Company will be required to make good faith determinations as to the fair value of these investments on a half-yearly basis in connection with the preparation of its financial statements. Assets and investments in Africa, particularly property related assets, are inherently difficult to value due to the individual nature of each investment. There is no single standard for determining fair value in good faith and, in many cases; fair value is best expressed as a range of fair values from which a single estimate may be derived. The types of factors that may be considered when applying fair value pricing to an investment in a particular company include the historical and projected financial data for the company, valuations given to comparable companies, the size and scope of the company's operations, the strengths and weaknesses of the company, expectations relating to investors' receptivity to an offering of the company's securities, the size of the Company's holding in the company and any control associated therewith, information with respect to transactions or offers for the company's securities (including the transaction pursuant to which the investment was made and the period of time that has elapsed from the date of the investment to the valuation date), applicable restrictions on transfer, industry information and assumptions, general economic and market conditions, the nature and realisable value of any collateral or credit support and other relevant factors. Fair values may be established using a market multiple approach that is based on a specific financial measure (such as EBITDA, adjusted EBITDA, cash flow, net income, revenues or net asset value) or, in some cases, on a cost basis or a discounted cash flow or liquidation analysis. As valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, these may fluctuate over short periods of time and may be based on estimates. In addition, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed.

Even if market quotations are available for the Company's investments, such quotations may not reflect the value that would actually be realised because of various factors, including the possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility, foreign exchange fluctuations or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance.

The Company's financial conditions, results of operations and share price could be adversely affected if the values of investments that it records are materially higher than the values that are

ultimately realised upon the disposal of the investments. In addition, changes in values attributed to investments from time to time may result in volatility in the net asset values and results of operations reported from period to period. The Company cannot guarantee that the investment values recorded from time to time will ultimately be realised as results or capital gains.

The Company's equity investments may be in companies that are highly leveraged.

The Company may make investments in companies, whose capital structures have a significant degree of leverage, including leverage resulting from the structuring of the Company's investment in such companies. Indebtedness may constitute a significant portion of the total debt and equity capitalisation of certain portfolio companies. In addition, portfolio companies that are not or do not become highly leveraged at the time an investment is made may increase their leverage after the time of investment, including in connection with an expansion into additional or different markets. Investments in highly leveraged companies are inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. In addition, the incurrence of a significant amount of indebtedness by a portfolio company may, among other things:

- i. give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which may limit the company's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- ii. limit the portfolio company's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- iii. limit the portfolio company's ability to engage in strategic acquisitions that may be necessary to generate attractive returns or further growth; and
- iv. limit the portfolio company's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or general corporate purposes.

In addition, to the extent that a portion of the Company's capital is invested in portfolio companies whose capital structures have a significant degree of indebtedness; it may be subject to additional risks associated with changes in prevailing interest rates. As a result, the risk of loss associated with a leveraged company is generally greater than for companies with comparatively less debt. The Company may incur indebtedness in addition to the indebtedness that is incurred by portfolio companies. Such additional indebtedness could subject the Company to additional risks.

The Company may use borrowings in relation to its investments. The extent of the borrowings and the terms thereof will depend on the Company's ability to obtain access to credit facilities or other forms of debt financing. Any delay in obtaining or failure to obtain suitable or adequate financing from time to time may impair the Company's ability to invest in suitable opportunities and achieve its intended portfolio size within the projected timeframe or at all, which may impact negatively on the Company's financial condition, results of operations and share price.

Such indebtedness is likely to contain financial and operating covenants, which could affect the Company's ability to engage in certain types of activities or to make distributions in respect of equity.

As the Company anticipates that a significant proportion of its investments will be illiquid and will not generate distributable cash on a regular basis, it may not be able to meet any debt service obligations. If the Company were to incur indebtedness in the future and fail to satisfy any debt service obligations or breach any related financial or operating covenants, it could be prohibited from making any distributions until such breach is cured or the lender could declare the full amount of the indebtedness to be immediately due and payable and could foreclose on any assets pledged as collateral. Any of these outcomes could have a material adverse effect on the Company's financial condition, results of operation and share price. This indebtedness would also give rise to additional costs, including servicing costs, and the amount and timing of realisations on investments may not match the amount and timing of such costs.

In addition, any financing arrangements entered into by the Company may contain cross-default provisions such that a default under one particular financing arrangement could automatically trigger defaults under other financing arrangements. Such cross-default provisions could, therefore, magnify the effect of an individual default, and if such provisions were exercised, result in a substantial loss to the Company.

The success of the Company will depend on the Company's ability to effectively and efficiently acquire attractive investment opportunities, obtain the necessary approvals and manage the operations in a new operating environment.

In order to expand its asset base, the Company may seek to acquire selected rights, properties or assets, or may acquire trading companies. The Company's success in making any acquisitions will depend on a number of factors, including, but not limited to:

- negotiating acceptable terms with the seller of the business or asset(s) to be acquired;
- obtaining approval from relevant regulatory authorities for the business or asset(s) to be acquired, as applicable;
- assimilating the operations of an acquired business or asset(s) in a timely and efficient manner;
- maintaining the Company's financial and strategic focus while integrating the acquired business or asset(s); and
- to the extent that the Company makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Any problems experienced by the Company in making an acquisition as a result of one or more of these factors could have a material adverse effect on its business, operating results and financial condition.



Information relating to the investment region and industry data that has been provided by third party sources may prove incorrect or unreliable.

There is a limited amount of publicly available information and research in relation to the Company's investment region. Information regarding the investment region is based on data and reports compiled by third parties, and on the Company's knowledge of the regions in which it intends to invest. There can be no guarantee that the data and reports provided are accurate or complete. Further, such data and reports may be the product of a biased third party who may purposefully provide false or misleading information.

In many cases, there is no readily available external information (whether from government bodies or other organisations) to validate analysis and estimates related to the region. Further, should this data prove to be incorrect, the Company's financial condition, results of operations, and share price may be adversely affected.

The Company's operations are subject to potential losses that may not be covered by insurance.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war that may be uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose capital invested in the affected property as well as anticipated future revenue from that property. Inflation, changes in ordinances, environmental considerations, and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds might not be adequate to restore the Company's economic position. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose capital invested in the affected asset as well as anticipated future income from that investment. In addition, the Company could be liable to repair damage caused by uninsured risks. The Company may also remain liable for any debt or other financial obligation related to that asset. No guarantee can be given that material losses in excess of insurance proceeds will not occur in the future.

Shareholders may be adversely affected by currency movements.

The Company may be making investments and incurring costs in currencies other than its reporting currency, United States Dollars. Dividends (if any) will be declared in United States Dollars and payment of dividends (if any) will be made in United States Dollars. The movement of exchange rates between the United States Dollar and any other currencies in which the Company's investments are denominated may have a separate effect, potentially unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company.

There is a risk that the fair value of future cash flows will fluctuate as a result of changes in currency exchange rates. Furthermore, strict foreign exchange controls may adversely impact the Company's ability to mitigate risks. Any, or all, of these factors may adversely affect the Company's financial condition, results of operations, and share price.



The Companies Act of 2006 of the Isle of Man (as amended by the Isle of Man Companies (Amendment) Act 2009)

The Company is a limited company incorporated under the Companies Act 2006 of the Isle of Man (as Amended 2009). The Act does not make a distinction between public and private companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the Act are not provided for under the applicable Isle of Man law.

***Risks Relating to the Ordinary Shares***

The Company may issue additional securities that dilute existing Shareholders' holdings.

In order to attract and retain suitable personnel, the Directors have authority under the Company's Articles of Association to grant options up to 10 per cent of the number of Ordinary Shares as was in issue at the date of the Company's most recent annual general meeting, such options to be issued to Directors, officers, employees and consultants at the discretion of the remuneration committee as new appointments are made. Any further options shall be granted on no less favourable terms and conditions.

Furthermore, it may be necessary for the Company to raise further funds in the future, to, for example, ensure continued planned growth, refinance an existing investment or in order to fund acquisitions. The Company may raise funds by way of the issue of Ordinary Shares on a non-pre-emptive basis which would result in a dilution of the interests of Shareholders at that time of such issue. If the required funds are not available, the Company may have to reduce expenditure on certain initiatives or reduce the scope of its existing or planned operations, financial condition and prospects which could negatively affect the price of Ordinary Shares.

Shareholders have no right to have their Ordinary Shares redeemed or repurchased by the Company.

Shareholders will have no right to compel the Company to redeem or repurchase their Ordinary Shares at any time. Shareholders wishing to realise their investment in the Company will be required to dispose of their Ordinary Shares on the open market. Accordingly, the ability of Shareholders to realise any value of, or any value in respect of, their Ordinary Shares is dependent on the existence of a liquid market in the Ordinary Shares and the market price of such Ordinary Shares.

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