INDEPENDENT FAIRNESS OPINION

Assessment of the Financial Adequacy of the Proposed Sale of Mavuno Fertilizers Limited by ARM Cement PLC to Omya Schweiz (AG) and Pinner Heights Limited

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KESTREL CAPITAL (EAST AFRICA) LIMITED

7th November 2017

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1. Introduction

1.1 Mandate of the Board of Directors of ARM Cement PLC to Kestrel Capital (E.A.) Limited

Kestrel Capital (E.A.) Limited ("Kestrel Capital" or "Kestrel") received a mandate from the Board of Directors of ARM Cement PLC (respectively, the "Board" and "ARM" or "ARM Cement") to assist the Board in determining, in Kestrel Capital's own independent judgment, the financial adequacy of the proposed sale of 100 per cent of issued share capital of Mavuno Fertilizers Limited and its respective subsidiaries ("Mavuno" or the "Company") to Omya (Schweiz) AG ("Omya") and Pinner Heights Limited ("PHL") (together, the "Purchasers"). The aforementioned sale is after the transfer of ARM Cement's industrial minerals, fertilizers business, silicates business and associated mining business to Mavuno and its subsidiaries as per the specifications of the respective Business and Asset Transfer Agreements (BATAs). The proposed sale of Mavuno by ARM Cement is for the Kenya Shilling ("KES") equivalent of USD 16 million plus an amount equivalent to cash in the Company on closing less the amount equivalent to debt in the Company on closing less the target net working capital and plus any monies due for the transfer of inventory under the Industrial Minerals (IM) and Fertilizers BATA (the "Sale Price"). The Sale Price shall be subject to adjustments (if any) based on the performance of the mean FX conversion rate published by the Central Bank of Kenya (CBK) on the business day immediately prior to completion of the transaction. Any adjustments shall be according to the relevant clauses stipulated in the Share Purchase Agreement (SPA) between ARM and the Purchasers.

This Independent Fairness Opinion ("Opinion") has been prepared for the exclusive use of the Board, to assist the Board in taking decisions and making recommendations to shareholders for which it alone is responsible and for the sole purpose of providing the Board indicators and references to aid in determining the financial adequacy of the proposed sale of Mavuno. Any other use, including the communication or distribution, in whole or in part, of the contents of this Opinion, must first be authorized by Kestrel Capital in writing. Kestrel Capital accepts no responsibility to any person other than the Board of Directors of the Company in relation to the contents of this Opinion, even if it has been disclosed with our consent. Any other use, including the communication or distribution, in whole or in part, of the content of this Circular, must first be authorized by Kestrel Capital in writing, with the exception that this Circular be made available to shareholders as part of the Shareholders' Circular.

The valuations and this Opinion must be interpreted with exclusive reference to the specific proposed sale of Mavuno to the Purchasers. The statements and conclusions drawn in the Opinion are therefore based on the entirety of the information and valuations contained herein, and no part of it may be used without considering the Opinion in its entirety.

Kestrel Capital is an independent Investment Bank licensed by the Capital Markets Authority ("CMA") and a member of the Nairobi Securities Exchange ("NSE") since 1995. Kestrel Capital's principal business activity is that of a stockbroker and financial advisor. This business entails actively performing valuations of businesses such as Mavuno. We hereby confirm that we are eligible to be an Independent Advisor to the proposed sale as per Regulations 10 and 11 of the Capital Markets (Take-Overs and Mergers) Regulations, 2002.

Full disclosure of the interests held by Kestrel Capital or any of its employees in ARM Cement and Mavuno is attached in the Appendix. Our fees for this engagement do not involve any contingent element, nor does Kestrel Capital or any of its employees have any material financial interest dependent on the outcome of the sale, other than the fees payable for the valuation services and interests disclosed in the Appendix.

1.2 The Proposed Sale

ARM has entered into a conditional sale agreement with the Purchasers, pursuant to which the Purchasers will acquire 100% of the issued share capital of the Company for the Kenya Shilling equivalent of USD 16 million plus an amount equivalent to cash in the Company on closing less the amount equivalent to debt in the Company on closing less the target net working capital and plus any monies due for the transfer of inventory under the Industrial Minerals (IM) and Fertilizers BATA.

All the information required under Schedule 4 of the Capital Markets (Take-Overs and Mergers) Regulations, 2002, is attached in the Appendix.

1.3 Definition of Financial Adequacy and Fair Value

The sale price is deemed to be financially adequate, if the consideration, from a financial point of view, is fair. In Kestrel Capital's assessment of the financial adequacy of the sale price, Kestrel Capital has considered the quantitative as well as the qualitative elements surrounding the proposed sale. To determine the financial adequacy of the proposed sale, all significant factors were considered.

Fair value is defined as the price that a willing seller, with access to all relevant information and acting on an arm's length basis, would be prepared to accept from a willing buyer of an asset in an open, unrestricted and stable market.

1.4 Purpose of the Independent Fairness Opinion

The purpose of this Opinion is to provide the Board with elements and references to aid it in determining the financial adequacy of the proposed sale. The analyses and valuations contained in this Opinion have, as a result, the sole scope of identifying an appropriate fair value range for the sale price relating to the proposed sale. For this reason, the fair values obtained cannot in any way be considered estimates of economic value or historic, current or prospective market values of ARM or Mavuno.

This Opinion should not be interpreted as a recommendation to the shareholders of ARM.

1.5 Valuation Approaches

In determining the financial adequacy of the proposed sale, Kestrel Capital evaluated the fair value for each operating business (namely, Silicates, Minerals and Fertilizers) in Mavuno on a going concern basis.

1.6 Documentation and Information Used

For purposes of the going concern valuation, Kestrel Capital conducted the valuation based on the historical financial statements, financial forecasts, business plans and management discussions with ARM. Kestrel Capital also used publicly available information on the different businesses being transferred to the Company as well as their respective peer companies to conduct the valuation. The valuation has internalized the macroeconomic environment and industry dynamics as well as company specific factors. The Opinion is based on the prevailing economic, financial and capital markets conditions as well as other factors which existed and were reasonably expected to affect the Company's performance and valuation as at the time of preparation of the Opinion.

Kestrel Capital has assumed that the underlying information used to carry out the assessment is accurate and complete without having it audited or confirmed by third parties. The information and data provided to Kestrel Capital were assumed to be properly recorded.

In preparing the Opinion, Kestrel Capital assumed that:

- All information, data, statements, and reports – of a financial or other nature – provided to, analyzed or discussed with Kestrel Capital by the management of ARM are true and complete, with no independent verification being carried out by Kestrel Capital;
- The financial projections are reasonable and have been formulated based on best estimates and opinions available to management at the time in relation to the future performance of the Company;
- No materially relevant information has been omitted or withheld from Kestrel Capital;
- All authorizations necessary for the completion of the transaction are obtained with no material negative impact to Mavuno or the proposed sale.

The Board has confirmed that Kestrel Capital has been provided with, for the purpose of this Opinion, all the information relevant to the proposed sale that is known to the

Board and all the information contained therein is true and accurate in all material respects and is not misleading due to omission or otherwise. Kestrel Capital, therefore, assumes no responsibility or liability for the authenticity, completeness or accuracy of the information used, nor provides any guarantee, implicit or explicit, to that effect.

The valuations are based on the economic, regulatory, monetary, market and other conditions in effect as at 7th November 2017, and the information made available to Kestrel Capital as of the date hereof. Developments after 7th November 2017 may affect this opinion, which Kestrel is under no obligation to update, revise or reaffirm. Furthermore, Kestrel's opinion does not address any legal, regulatory, taxation or accounting matters.

2. Going Concern Valuation

2.1 Introduction

Valuation Date and Subsequent Events
The going concern valuation date has been set as 31st December 2016, which is the latest financial year end for the Company. No change in the condition of the Company in terms of earnings or of a financial, market or other nature after the valuation date has been considered in preparing this Opinion. Kestrel has assumed the current (pre-sale) structure of the Company as laid out in the conditions of the sale. Further, the management of ARM has advised Kestrel that no material events have occurred since the valuation date that were not already reflected in the financial forecasts and would have a material impact on the valuation outcomes. The going concern valuation of the Company is based on the assumption that the ownership, operational structure and general business remains unchanged.

Internal Growth
The valuation of the Company is primarily based on its internal or "organic" growth. External growth (i.e. growth via acquisitions) was not evaluated. The valuation, therefore, does not consider the potential impact of possible acquisitions.

Valuation Perspective
The financial projections and valuations adopted a "pre-money" and "normal business conditions" perspective, based on the current position and prospects of the Company on an independent basis, without considering any new investment or financing, potential synergies or restructurings deriving from the proposed sale, which may create added value.

Financial Forecasts
Kestrel Capital has used its own financial and valuation assumptions, as well as the business plans and budgets of the Company, to develop the financial forecasts and a going concern value for the Company.

Planning Period and Terminal Value
The calculations are based on the period from December 2016 to December 2021. The free cash flow in 2021, which Kestrel regards as normalized with respect to growth, profitability and investment was used to calculate the terminal value at the end of the forecast period.

Plausibility of the Financial Forecasts
In the course of the analyses, Kestrel Capital assessed the most important factors influencing the going concern value with respect to their plausibility and consistency of the forecasts of Company. For this purpose, Kestrel consulted historic figures, budget figures and business plans. Management explained the assumptions of the forecasts to Kestrel Capital and Kestrel Capital made modifications wherever it considered prudent.

Valuation Approaches Adopted

Kestrel Capital was able to carry out the going concern valuation based on the historical financial statements, financial forecasts and business plans of the Company and had the opportunity to discuss these with ARM's management. Kestrel Capital considered the information provided by ARM to be plausible and consistent.

Fundamental to the going concern value is the consistency and comparability of the valuation assumptions made in relation to the earnings, capital structure and operational profiles of the Company. Consequently, the chosen valuation approaches cannot be analyzed individually but, rather, should be considered as intrinsic parts of a single valuation process. In light of this and taking into account (i) the purpose of the estimates, (ii) the standard valuation criteria used, and (iii) the particular characteristics of each operating business in the Company, the following principal valuation methods have been adopted to calculate a going concern value:

1. Discounted Cash Flow ("DCF") analysis; and,
2. Comparable Company Market Valuation Multiples method.

In selecting and applying the above methods, the characteristics and implicit limitations of each have been considered with regard to the specific characteristics of each operating business of the Company.

2.2 Discounted Cash Flow Analysis

The Discounted Cash Flow method defines the fair value of a firm as the sum of the:

i. Present value of future cash flows, for a predetermined time horizon, and
ii. Present value of the terminal value, calculated using an exit multiple approach on the earnings before interest, tax, depreciation and amortization ("EBITDA") in the final year of the projected time horizon.

In the DCF method, the present value of the forecasted unlevered free cash flows (before net interest expense attributed to the company's debt and cash balances) from the company's operations is calculated in the first step. The sum of the free cash flows' present values (including the residual value at the end of the forecast period) is equal to the enterprise value of the firm. Unlevered free cash flow is the cash available to all of the firm's investors, including stockholders and bondholders, before the payment of interest, dividends and debt amortization.

Enterprise value is the sum of all ownership interests in a company and claims on its assets from both debt and equity holders. (Enterprise Value = market value of equity + total debt at market value + preferred equity at market value + non-controlling interests – cash and cash equivalents). Enterprise value is a capital structure-neutral metric. Enterprise value is more relevant when looking at a strategic acquisition, as it is an indicator of the company value as a whole, irrespective of its capital structure. The value of an enterprise is determined by the unlevered cash flow that the company is expected to generate in the future considering, amongst other factors, its asset base including licenses and patents, investment plans, operating costs, products and market position, market demand, internal organization, employees and its management. The interest-bearing debt adjusted by excess cash is then subtracted from the enterprise value to determine the equity value of the firm.

To calculate the present value of the unlevered free cash flows we used the weighted average cost of capital (WACC) as the discount rate. The following input variables were considered in determining the WACC:

Cost of Equity
A firm's cost of equity represents the compensation equity investors demand in exchange for bearing the risk of ownership after all debts are repaid.

Cost of Equity = Risk Free Rate + Equity Risk Premium

Risk Free Interest Rate
The derivation of the risk-free interest rate is based on the Kenyan Shilling interest rate for a (virtually) risk free investment. In this context Kestrel used the yield of benchmark 5- year Treasury Bonds issued by the Government of Kenya as the risk-free rate. Bonds issued by the Kenyan Government with 5-year tenor of maturity offered an average yield of approximately 12.5% over the past 5 years.

Equity Risk Premium
Since investors take on additional risk when investing in the equity of a company, an equity risk premium on top of a risk-free rate is necessary. In determining an appropriate equity risk premium and expected return on equity, Kestrel reviewed and considered various academic studies, the equity risk premium for the Kenyan stock market and other market factors, to deduce an equity risk premium for the Company.

The Company being an unlisted company in a frontier market, Kestrel ascribed an equity risk premium of 5.5% and as a result, a cost of equity of 18.0%.

Cost of Debt
The cost of debt is the current normalized market rate the company is paying on its debt. As companies benefit from the tax deductions available on interest paid, the net cost of the debt is the interest paid less the tax savings resulting from the tax-deductible interest payment.

After-tax cost of debt = cost of debt * (1 - corporate tax rate)

Weighted Average Cost of Capital
To find the appropriate rate for discounting future unlevered cash flows, the capital structure of the underlying company must be considered. Based on the data specified above, the weighted average cost of capital (“WACC”) for a company is calculated as follows:

WACC = (E/V) * Re + (D/V) * Rd * (1-Tc)

Where:

Re = estimated cost of equity
Rd = cost of debt
E = market value of the firm's equity
D = market value of the firm's debt
V = E + D
E/V = percentage of capital structure that is equity
D/V = percentage of capital structure that is debt
Tc = corporate tax rate

WACC is the weighted average of the cost of equity and the cost of debt, based on the proportion of equity and debt in the company's capital structure.

Terminal Value
The Terminal Value was determined by applying an exit multiple on the EBITDA in the final year of the forecast period.

Results of the DCF Valuation
Using Kestrel Capital's adjusted unlevered forecasted free cash flows for the Company and applying the estimated weighted average cost of capital, the DCF valuation implies a fair value of KES 1,095.5 million for 100% of the share capital of the Company.

DCF	Fair Value (KES)	Sale Price Premium (%)*
Silicates	56.5 million	
Minerals	211.6 million	
Fertilisers	827.4 million	
Total	**1,095.5 million**	**46.1%**

**Assumes the Company is sold for the Kenya Shilling equivalent of USD 16 million and FX rate of US$1 : KES 100*

2.3 Comparable Company Market Valuation Multiples

The comparable company market valuation multiples method estimates the value of a company based on the comparison of operating metrics and valuation multiples for publicly listed peer companies to those of the Company. These multiples are then applied to the same financial indicators of the Company so that an equity value is determined.

Kestrel Capital evaluated the fair value of the Company using P/E and EV/EBIT multiples, which are the most common valuation metrics for publicly traded companies. Kestrel Capital used the current valuation multiples of the comparable companies to calculate the equity value of the Company. Kestrel Capital applied the multiples of the 2017 forecasted earnings as the figures as at 31st December 2017 are most representative of Mavuno's normalized performance.

Choosing Comparable Companies for Mavuno

Kestrel Capital ranked listed, comparable companies according to their similarity to Mavuno's operations, including business line, market capitalization and markets of operation. Kestrel Capital compared the Company to comparable small/medium sized manufacturing companies on the Nairobi Securities Exchange.

Results of Comparable Companies Valuation

Relative valuation	Fair Value (KES)	Sale Price Premium (%)*
P/E	1,414.1 million	13.1%
EV/EBIT	1,505.2 million	6.3%
Simple average	**1,459.6 million**	**9.6%**

Source for Comparable Companies Valuation Multiples: Bloomberg LLP

**Assumes the Company is sold for the Kenya Shilling equivalent of USD 16 million and FX rate of US$1 : KES 100*

2.4 Principal Difficulties and Limitations of Valuations

The principal difficulties encountered in the valuation process and the limitations of the valuations performed in this case are summarized below:

1. Valuation methods: the valuation performed reflect the limitations and particularities of each valuation method used.
2. Use of forecast data: forecast data by its very nature contains elements of uncertainty and potential discrepancies.

3. Conclusion

Based on the underlying valuation analyses in this Opinion, we consider the proposed sale price of KES equivalent of USD 16 million plus an amount equivalent to cash in the Company on closing less the amount equivalent to debt in the Company on closing less the target net working capital and plus any monies due for the transfer of inventory under the Industrial Minerals (IM) and Fertilizers BATA, to be financially fair and adequate as per the valuation date.

Andre DeSimone
7th November 2017

4. Disclosures

Information and Statements required in an Independent Advisor's Circular

Disclosure of interests held by Kestrel Capital and its employees in ARM Cement or the Purchasers

Kestrel Capital or any of its employees do NOT hold any direct or indirect interest in the Purchasers. Please find the ownership interests held in ARM Cement (an NSE listed company) below,

Name of Person/Entity	Relation to Kestrel Capital	Type of interest	Number of shares in ARM Cement	% of total issued share capital
Anika Holdings Ltd	Shareholder	Indirect	112,000	0.0132%

As at 7th November 2017

Kestrel Capital is eligible to act as an Independent Advisor under Regulation 11 of the Capital Markets (Take-Overs and Mergers) Regulations, 2002.

Intentions regarding the continuation of the business

The Purchasers intend to acquire the entire share capital of Mavuno Fertilizers Ltd and its subsidiaries, and apart from the Silicates business, has no present intention of disposing it. The Purchasers intend to continue to cultivate the vision of the business. Omya has significant experience in selling industrial minerals throughout the world, and brings to the table a developed supply chain that will catalyze the development of the minerals and fertilizer business.

With regards to the Silicates business, the entire issued share capital of ARM Energy Ltd will be transferred to PHL upon completion of the sale, in accordance with the Silicates Back to Back agreement as outlined in the Shareholders Circular.

Intentions regarding any major changes to be introduced in the business

Upon completion of the Sale Purchase Agreement, the entire issued share capital of ARM Energy (Silicates business) shall be transferred to PHL Kenya in accordance with the Silicates Back to Back agreement. Apart from the Silicates Back to Back, the Purchasers have no plans to introduce major changes in the business of Mavuno Fertilizers and its subsidiaries arising directly from the take-over. The Purchasers' have no plans to liquidate Mavuno Fertilizers and its subsidiaries, sell its assets, re-deploy its assets or otherwise effect major changes to its operations. The future development of Mavuno Fertilizers and its subsidiaries business will be determined by the Purchasers'.

Long-term commercial justifications for the proposed sale

Over the past 5 years, ARM has exclusively focused on the cement business, which has been the focus of ARM's growth and the non-cement business operations did not receive the working capital or the capital equipment investment to enhance its production capacity.

In 2016, when CDC became a shareholder, a strategic review was conducted, and the Board decided to sell the non-cement business to focus on and continue growing the cement business. The sale of the non-cement business will help reduce the total debt, allow funding of working capital and create efficiencies in management and resources mobilization to enable better focus on the cement business.

Omya, as a strategic investor, will continue to cultivate the vision of the non-cement businesses. Omya is the leading global producer of industrial minerals and a worldwide distributor of specialty chemicals, with a global presence in more than 175 locations in over 50 countries with over 8000 employees. Omya has significant experience in selling industrial minerals throughout the world and through its expertise and investment will catalyze the development of the minerals and fertilizer business.

Intentions regarding the continued employment of employees

There are no significant changes to management and employees of Mavuno Fertilizers and its subsidiaries expected to be made as a direct result of the sale.

The employees of ARM who work in the non-cement businesses shall be declared redundant by ARM in compliance with applicable laws and offered new employment contracts in Mavuno and its subsidiaries, and their employment with ARM will be terminated upon completion of the transfer of the respective businesses.

Reasonableness of the take-over offer and accuracy of profit forecasts

Based on the underlying valuation analyses in this Circular, Kestrel Capital considers the proposed Sale Price to be financially adequate. The offer document does not contain any profit forecasts.

Outlook on the Industry and Prospects of Mavuno

The performance of the non-cement business is dependent on various factors affecting the individual operating businesses. We highlight the key factors below.

Fertilizers

Increased agricultural activity and the need for improved agricultural productivity is likely to drive demand but the fertilizers industry is expected to be impacted by the entry of 2 large manufacturers. We expect pressure on margins and sales volumes in the long run due to competition from larger players. We note that ARM's fertilizers business is very dependent on county government business.

Mavuno Fertilizers is a relatively smaller producer and given the large working capital requirements in the fertilizers business, we expect it to be difficult environment for the company unless it makes major investments in working capital and increasing its production capacity.

Silicates

Over the past few years, the Silicates business has lost market share in key markets such as Mombasa and Dar-es-Salaam which prefer to import directly. The Silicates business is expected to face a tough operating environment due to the lack of capital investment in the past years making the plant technology outdated, intensifying competition and lack of bargaining power with buyers and suppliers. We anticipate that for the company to compete effectively, it requires significant investments in capital equipment and working capital.

Minerals

We expect the Minerals business to endure declining sales volumes driven by capacity constraints and lower margins driven by intensifying competition from smaller companies. ARM needs to invest in capital equipment to maintain its production capacity over the next 5 years. We note that majority of the end customers are linked to the construction and real estate industry e.g., paint manufacturers and therefore the operations are subject to the cyclicality in this industry.

Information regarding the holdings of any voting shares or convertible securities

ARM Cement does not hold directly or indirectly, any voting shares or convertible securities in the Purchasers.

Except for Pradipkumar Harjivandas Paunrana, whose interests in the Purchasers is stated below, no director holds any voting shares or convertible securities in the Purchasers, directly or indirectly.

PHL Kenya is a company beneficially owned by the Manor Trust which is a trust set up for the benefit of Pradipkumar Harjivandas Paunrana and his family. Upon completion of the SPA, PHL Kenya is to acquire 65,135 redeemable preference shares and 49 ordinary shares (being approximately 49% of the issued share capital) of Mavuno and the entire issued share capital of ARM Energy.

Save for the shares set out below, there are no voting shares or convertible securities in ARM Cement held directly or indirectly by any other Director of ARM Cement.

As at the date of this Circular, the Directors and their respective shareholdings, direct and indirect, are as follows:

Director	Number of Shares	Shareholding %
Pradipkumar Harjivandas Paunrana	89,680,000	10.6%
Amanat Investments Ltd (Beneficial equity interest of Pradipkumar Harjivandas Paunrana)	128,975,245	15.2%
Tannel World (Beneficial equity interest of Wilfred Murungi)	5,834,310	0.7%

Additionally,

1. Pradipkumar Harjivandas Paunrana has a beneficial interest in ARM shares through 31,529,100 units issued to him under the ARM ESOP and 55,000,000 ESOP units capable of being issued to him subject to the Company achieving various targets in relation to its financial performance.
2. Surendra Bhatia has a beneficial interest in ARM shares through 9,100,000 units issued to him under the ARM ESOP and 5,000,000 ESOP units capable of being issued to him subject to the Company achieving various targets in relation to its financial performance.

Directors intention in respect of their own beneficial holdings

The Directors intend to vote in favor of the resolutions to be proposed at the EGM in respect of their own beneficial holdings of ordinary shares.

Information regarding dealings of voting shares

The directors of ARM Cement have not dealt in the voting shares of ARM Cement during the period commencing 6 months prior to the beginning of the offer period and ending with the latest practicable date prior to the sending of the offer document.

Information regarding the service contracts of directors

With respect to the appointment of directors, there are no service contracts of any Director with offeree or any other subsidiaries. There have been no new service contracts or amendments within six months of the date of the Share Purchase Agreement.