

**THIS DOCUMENT AND THE ENCLOSED FORM OF PROXY AND APPLICATION FORM ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or transferred all of your Ordinary Shares in the Company, please send this document and the accompanying Form of Proxy and Application Form to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. Such documents should not, however, be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you have sold or transferred only part of your holding of shares, you should retain these documents and contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

**AIM is 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. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document.**

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to London Stock Exchange Plc for the New Ordinary Shares to be admitted to trading on AIM. It is expected that admission of the New Ordinary Shares to trading on AIM will become effective and that dealings will commence on 30 October 2017. The New Ordinary Shares will, on Admission, rank *pari passu* in all respects with, and will rank in full for all dividends and other distributions declared, made or paid in respect of, the Existing Ordinary Shares after the date of Admission.

**This document should be read in its entirety and, in particular, your attention is drawn to the section headed "Risk Factors" in Part III of this document.**

**Please note that Qualifying Participants wishing to participate in the Offer must complete and return their Application Form(s) with the appropriate remittance in accordance with instructions set out in this document and in the Application Form itself as soon as possible and in any event by no later than 10.00 a.m. on 25 October 2017.**

---

# HAYDALE GRAPHENE INDUSTRIES PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 07228939)*

**Placing and Subscription of 5,833,333 new Ordinary Shares at 120 pence per share to raise £7.0 million before expenses**

**Offer of up to 2,500,000 Offer Shares to Qualifying Participants**

**Notice of General Meeting**

**Nominated Adviser  
Cairn Financial Advisers LLP**

**Broker  
Arden Partners plc**

---

**You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter from the Chairman of the Company explaining the background to, and reasons for, the Fundraising which is set out in this document and which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting.**

**Notice of a General Meeting of the Company, to be held at the offices of Fieldfisher LLP, Riverbank House, 2 Swan Lane, London, EC4R 3TT at 10.00 a.m. on 27 October 2017 is set out at the end of this document. If you are unable to attend and vote at the General Meeting, a Form of Proxy for use at the meeting is enclosed. To be valid, Forms of Proxy should be completed, signed and returned so as to be received by the Company's Registrars, Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, as soon as possible, but in any event so as to be received not later than 48 hours (excluding non-working days) before the time of the General Meeting, being 10.00 a.m. on 25 October 2017. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish. Please refer to the detailed notes contained in the Notice of General Meeting and the Form of Proxy.**

**If you hold your Ordinary Shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the registrar (under CREST Participation ID 7RA36 ) by no later than 10.00 a.m. on 25 October 2017. The time of receipt will be taken to be the time from which the registrar is able to retrieve the message by enquiry to CREST in the manner proscribed by CREST.**

**Offer Shares and Subscription Shares will only be delivered in certificated form (i.e. not in CREST).**

## IMPORTANT INFORMATION

The distribution of this document and/or the accompanying Form of Proxy and Application Form in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Company and the Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

In issuing this document, Haydale is relying on the exemption from issuing a prospectus in section 86 and paragraph 9 of Schedule 11A of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”) and on paragraphs 43 and 60 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). Details of these exemptions are set out in Part II of this document. Applications in respect of the Offer from persons not falling within such exemption will be rejected and the Offer contained in this document is not capable of acceptance by such persons

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the offices of Fieldfisher LLP, 9th Floor, Riverbank House, 2 Swan Lane, London, EC4R 3TT, from the date of this document to the date of Admission.

**This document should be read in its entirety and, in particular, your attention is drawn to the section headed “Risk Factors” in Part III of this document.**

This document does not constitute or form part of any offer or invitation to buy, subscribe for, or sell Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, the New Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”) or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa or Japan and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan.

No person has been authorised to give any information or to make any representation about the Company and about the matters the subject of this document other than those contained in this document. If any such information or representation is given or made then it must not be relied upon as having been so authorised. The delivery of this document shall not imply that no change has occurred in the Company’s affairs since the date of issue of this document or that the information in this document is correct as at any time after the date of this document, save as shall be required to be updated by law or regulation.

Cairn Financial Advisers LLP (“**Cairn**”), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is Haydale’s nominated adviser for the purposes of the AIM Rules. Cairn is acting exclusively for the Company and will not regard any other person (whether or not a recipient of this document) as a client and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for providing advice in relation to the contents of this document or any other matter referred to herein. Cairn’s responsibilities as the Company’s nominated adviser under the AIM Rules for Nominated Advisers are owed to the London Stock Exchange and not to any other person in respect of their decision to acquire New Ordinary Shares in reliance on any part of this document. Cairn has not authorised the contents of this document for any purpose and no liability whatsoever is accepted by Cairn nor does it make any representation or warranty, express or implied, as to the accuracy of any information or opinion contained in this document or for the omission of any information. Cairn expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this document.

Arden Partners plc (“**Arden Partners**”), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is Haydale’s broker for the purposes of the AIM Rules. Arden Partners is acting exclusively for the Company and will not regard any other person (whether or not a recipient of this document) as a client and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for providing advice in relation to the contents of this document or any other matter referred to herein. Arden Partners has not authorised the contents of this document for any purpose and no liability whatsoever is accepted by Arden Partners nor does it make any representation or warranty, express or implied, as to the accuracy of any information or opinion contained in this document or for the omission of any information. Arden Partners expressly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this document.

The release, publication or distribution of this document and the accompanying Form of Proxy and Application Form in or into, jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document comes who are not resident in the United Kingdom should inform themselves about, and observe, any applicable restrictions. Shareholders who are in any doubt regarding such matters should consult an appropriate independent adviser in the relevant jurisdiction without delay. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this document may not be distributed, directly or indirectly, in or into the United States, Canada, the Republic of South Africa, Australia or Japan. Overseas shareholders and any person (including, without limitation, nominees and trustees), who have a contractual or other legal obligation to forward this document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

This document has been prepared for the purposes of complying with the AIM Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws or regulatory requirements of jurisdictions outside the United Kingdom. The statements contained in this document are not to be construed as legal, business, financial or tax advice.

This document includes “forward-looking statements” which include all statements other than statements of historical facts, including, without limitation, those regarding the Group’s financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company’s control that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules.

In accordance with the AIM Rules, this document will be available on the Company’s website ([www.haydale.com](http://www.haydale.com)) from the date of this document, free of charge, subject to certain restrictions relating to persons in any jurisdiction where release, publication or distribution of this document would constitute a violation of the securities law of such jurisdiction. Neither the content of the Company’s website nor any website accessible by hyperlinks to or on the Company’s website is incorporated in, or forms part of, this document.

## CONTENTS

	<i>Page</i>
FUNDRAISING STATISTICS AND EXPECTED TIMETABLE OF PRINCIPAL EVENTS	5
DIRECTORS, SECRETARY AND ADVISERS	6
DEFINITIONS	7
PART I LETTER FROM THE CHAIRMAN	11
PART II FURTHER DETAILS OF THE OFFER	16
PART III RISK FACTORS	17
PART IV TERMS AND CONDITIONS OF THE OFFER	21
NOTICE OF GENERAL MEETING	25

## FUNDRAISING STATISTICS

Issue Price	120 pence
Number of Existing Ordinary Shares in issue as at the date of this document	19,597,713
Number of Placing Shares	5,775,000
Number of Subscription Shares	58,333
Maximum number of Offer Shares being offered pursuant to the Offer	2,500,000
Enlarged Share Capital immediately following completion of the Fundraising*	27,931,046
Market capitalisation at Issue Price*	£33.5 million
New Ordinary Shares as a percentage of the Enlarged Share Capital*	30 per cent
Estimated gross proceeds of the Fundraising*	£10.0 million
Estimated net proceeds of the Fundraising*	£9.5 million

\* Assuming all the New Ordinary Shares are issued (i.e. the Placing Shares, Subscription Shares and Offer Shares)

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date	9 October 2017
Publication of the Circular, Form of Proxy and Application Form	11 October
Latest time and date for receipt of completed Forms of Proxy and receipt of electronic proxy appointments via the CREST system for the General Meeting <b>and latest time for receipt of completed Application Forms and payment in full under the Offer</b>	10.00 a.m. on 25 October
General Meeting	10.00 a.m. on 27 October
Announcement of results of General Meeting and the Offer	27 October
Admission and commencement of dealings in the New Ordinary Shares on AIM and CREST accounts (only in relation to Placing Shares) expected to be credited	8.00 a.m. on 30 October
Expected date for posting of share certificates for the New Ordinary Shares in certificated form pursuant to the Placing (if applicable), the Subscription and the Offer (Please note that Subscription Shares and Offer Shares will only be delivered in certificated form (i.e. they will not be delivered in CREST))	13 November

Each of the times and dates referred to above and where used elsewhere in this Circular refer to London time and are subject to change by the Company (with the agreement of Arden), in which case details of the new times and dates will be notified to the London Stock Exchange and the Company will make an appropriate announcement through a Regulatory Information Service.

The Company's SEDOL code is GB00BKWQ1135 and ISIN code is BKWQ113.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	David Banks ( <i>Non-executive Chairman</i> ) Ray Gibbs ( <i>Chief Executive Officer</i> ) Matt Wood ( <i>Finance Director</i> ) Roger Smith ( <i>Executive Director</i> ) Graham Eves ( <i>Non-executive Director</i> ) Roger Humm ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Matt Wood
<b>Registered Office</b>	Clos Fferws Parc Hendre Capel Hendre Ammanford Carmarthenshire SA18 3BL
<b>Nominated Adviser</b>	Cairn Financial Advisers LLP Cheyne House Crown Court 62-63 Cheapside London EC2V 6AX
<b>Broker</b>	Arden Partners plc 125 Old Broad Street London EC2N 1AR
<b>Legal Advisers to the Company</b>	Fieldfisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
<b>Legal Advisers to the Broker</b>	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
<b>Registrars and Receiving Agent to the Offer</b>	Share Registrars Limited The Courtyard 17 West Street Farnham Surrey GU9 7DR

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“Act”</b>	the Companies Act 2006, as amended
<b>“Admission”</b>	in the case of; <ul style="list-style-type: none"><li>– the Offer Shares, admission to trading on AIM of the Offer Shares (<b>“Offer Admission”</b>) becoming effective in accordance with the AIM Rules;</li><li>– the Placing Shares, admission to trading on AIM of the Placing Shares (<b>“Placing Admission”</b>) becoming effective in accordance with the AIM Rules; and</li><li>– the Subscription Shares, admission to trading on AIM of the Subscription Shares (<b>“Subscription Admission”</b>) becoming effective in accordance with the AIM Rules</li></ul>
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies governing the admission to and operation of AIM published by the London Stock Exchange as amended from time to time
<b>“Applicant”</b>	a Qualifying Participant who lodges an Application Form under the Offer
<b>“Application Form”</b>	the application form relating to the Offer for use by Qualifying Participants to apply for Offer Shares pursuant to the Offer
<b>“Arden”</b>	Arden Partners plc, the Company’s broker
<b>“Articles”</b>	the articles of association of the Company in force at the date of this document
<b>“Board”</b> or <b>“the Directors”</b>	the directors of the Company, as at the date of this document, whose names are set out on page 6 of this document
<b>“Cairn”</b>	Cairn Financial Advisers LLP, the Company’s nominated adviser
<b>“in certificated form”</b>	in relation to a share or other security, a share or other security that is not in uncertificated form, that is not in CREST
<b>“Circular”</b> or <b>“document”</b>	this circular, dated 11 October 2017
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Company”</b> or <b>“Haydale”</b>	Haydale Graphene Industries Plc a company incorporated in England and Wales with company number 07228939 whose registered office is at Clos Fferws, Parc Hendre, Capel Hendre, Ammanford, Carmarthenshire, SA18 3BL
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades and the holding of uncertificated securities, operated by Euroclear, in accordance with the same regulations
<b>“CREST Manual”</b>	the rules governing the operation of CREST, as published by Euroclear

<b>“CREST member”</b>	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
<b>“CREST participant”</b>	a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3875), as amended
<b>“CREST sponsor”</b>	a CREST participant admitted to CREST as a CREST sponsor
<b>“CREST sponsored member”</b>	a CREST member admitted to CREST as a sponsored member (which includes all CREST Personal Members)
<b>“Enlarged Share Capital”</b>	the issued Ordinary Share capital of the Company immediately following the issue of the New Ordinary Shares
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>“Existing Ordinary Shares”</b>	the Ordinary Shares in issue as at the date of this document being the entire issued share capital of the Company at the date of this document
<b>“FCA”</b>	the Financial Conduct Authority of the UK
<b>“Form of Proxy”</b>	the form of proxy enclosed with this document for use in relation to the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Fundraising”</b>	together, the Placing the Subscriptions and the Offer
<b>“General Meeting”</b>	the General Meeting of the Company, convened for 10.00 a.m. on 27 October 2017 or any adjournment thereof, notice of which is set out at the end of this document
<b>“Group”</b>	together the Company and its subsidiary undertakings
<b>“ISIN”</b>	International Securities Identification Number
<b>“Issue Price”</b>	120 pence per New Ordinary Share
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“New Ordinary Shares”</b>	together, the Placing Shares, the Subscription Shares and Offer Shares
<b>“Notice of General Meeting”</b>	the notice convening the General Meeting, as set out at the end of this document
<b>“Offer”</b>	the conditional invitation to Qualifying Participants to apply for the Offer Shares at the Issue Price on the terms and conditions set out in this document and the Application Form
<b>“Offer Maximum”</b>	the aggregate maximum subscription under the Offer for up to 2,500,000 new Ordinary Shares to raise up to £3.0 million (before expenses)
<b>“Offer Shares”</b>	up to 2,500,000 new Ordinary Shares conditionally offered to Qualifying Participants pursuant to the Offer

<b>“Official List”</b>	the Official List of the UKLA
<b>“Ordinary Shares”</b>	ordinary shares of 2 pence each in the capital of the Company having the rights and being subject to the restrictions contained in the Articles
<b>“Overseas Shareholders”</b>	Shareholders with registered addresses, or who are citizens or residents of, or incorporated in, countries outside of the United Kingdom
<b>“participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
<b>“Placees”</b>	persons who have agreed to subscribe for Placing Shares under the Placing
<b>“Placing”</b>	the conditional placing by Arden, as agent of and on behalf of the Company, of the Placing Shares at the Issue Price on the terms and subject to the conditions of the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 10 October 2017 between the Company and Arden, relating to the Placing, a summary of which is set out in the letter from the Chairman of the Company set out in this document
<b>“Placing Shares”</b>	the 5,775,000 new Ordinary Shares which are to be issued under the Placing
<b>“Qualifying Participants”</b>	subject to any restrictions imposed on Overseas Shareholders, holders of Existing Ordinary Shares whose names appear on the register of members of the Company on the Record Date as holders of Existing Ordinary Shares and who are eligible to be offered Offer Shares under the Offer in accordance with the terms and conditions set out in this document and the Application Form and for the avoidance of doubt the Offer is not being made to persons in Restricted Jurisdictions
<b>“Record Date”</b>	9 October 2017
<b>“Registrar”</b>	Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR
<b>“Regulatory Information Service”</b>	a service approved by the London Stock Exchange for the distribution to the public of AIM announcements and included within the list on the website of the London Stock Exchange
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
<b>“Restricted Jurisdictions”</b>	the United States, Australia, Canada, Japan, Republic of South Africa and any other jurisdiction where the extension or availability of the Offer would breach any applicable law
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended
<b>“Shareholders”</b>	registered holders of Ordinary Shares
<b>“Subscribers”</b>	David Banks, Ray Gibbs and Matt Wood

<b>“Subscription” or “Subscriptions”</b>	the conditional subscriptions by the Subscribers for the Subscription Shares at the Issue Price on the terms and subject to the conditions set out in the Subscription Agreements
<b>“Subscription Agreements”</b>	the conditional letter agreements each dated 10 October 2017 between the Company and each of the Subscribers, relating to the Subscriptions, summaries of which are set out in the letter from the Chairman of the Company set out in this document
<b>“Subscription Shares”</b>	58,333 new Ordinary Shares in aggregate which are to be issued pursuant to the Subscriptions
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UKLA”</b>	the UK Listing Authority, being the FCA acting as the competent authority for the purposes of Part VI of the FSMA
<b>“uncertificated” or “in uncertificated form”</b>	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

A reference to £ is to pounds sterling, being the lawful currency of the UK.

## PART I

### LETTER FROM THE CHAIRMAN

# HAYDALE GRAPHENE INDUSTRIES PLC

*(incorporated and registered in England and Wales with registered number 07228939)*

To holders of Ordinary Shares and, for information only, to holders of options and warrants over Ordinary Shares

Dear Shareholder,

#### **Placing and Subscription of 5,833,333 new Ordinary Shares at 120 pence per share to raise £7.0 million before expenses**

#### **Offer of up to 2,500,000 Offer Shares to Qualifying Participants**

#### **Notice of General Meeting**

### **1. Introduction**

On 10 October 2017, the Company announced that it had conditionally raised £6.9 million (before expenses) through a conditional placing of 5,775,000 new Ordinary Shares to certain existing and new institutional and other investors. The Company also announced that it had conditionally raised approximately £70,000 through conditional Subscriptions for new Ordinary Shares by certain Directors. All such shares are to be issued at the Issue Price.

The Board considers it important to allow existing Shareholders the opportunity to participate on the same terms as investors who participated under the Placing and the Subscriptions. To that end, the Board is providing Qualifying Participants with the opportunity to subscribe for Offer Shares under the Offer. In connection with the Offer the Company will allot (conditional on Offer Admission) up to 2,500,000 Offer Shares and will make an announcement in due course once the total number of Offer Shares subscribed for is known and application will be made for all the New Ordinary Shares (comprising the Placing Shares, Subscription Shares and the Offer Shares) to be admitted to trading on AIM which is expected to occur at 8.00 a.m. on 30 October 2017. The aggregate maximum subscription under the Offer (before expenses) is capped at £3.0 million.

#### **Information about the Offer, the Company's business and the risks of investing in the Company, are set out in this document, which you are encouraged to read carefully.**

In summary the Fundraising comprises:

- a placing of 5,775,000 Placing Shares to raise approximately £6.9 million (before expenses);
- subscriptions for 58,333 Subscription Shares by the Subscribers to raise approximately £70,000 (before expenses); and
- an Offer to Qualifying Participants to subscribe for up to 2,500,000 Offer Shares at the Issue Price to raise up to £3.0 million (before expenses).

The Issue Price of 120 pence represents a discount of approximately 32 per cent. to the closing mid-market price of 176 pence per share on 9 October 2017, the latest practicable date prior to the date of the Fundraising announcement made on 10 October 2017.

Each of the Placing, the Subscriptions and the Offer are conditional, *inter alia*, upon Shareholders approving the Resolutions at the General Meeting that will grant to the Directors the authority to allot the New Ordinary Shares for cash on a non-pre-emptive basis. The Resolutions are contained in the Notice of General Meeting at the end of this document. Admission of the New Ordinary Shares is expected to occur no later than 8.00 a.m. on 30 October 2017 or such later time and/or date as Arden and the Company may agree. The Placing and Subscription are not underwritten.

**The purpose of this document is to provide you with details of and the background to the Fundraising and to explain why the Directors believe that the Fundraising is in the best interests of the Company and its Shareholders as a whole.**

## **2. Background to and reasons for the Fundraising**

The Directors believe that the Group is a market leader in applying advanced materials, including graphene, to enhance clients' existing products across a wide range of industries. For the last few years, the Group has been working closely with a number of major customers in industries such as the self-monitoring blood glucose ("**SMBG**") sensor market, the glass reinforced plastic ("**GRP**") pipe market, hard-edged cutting tools and in the cookware market. In order for the Group to take advantage of the potential significant sales opportunities available to the Group in these and other markets, the Group requires growth capital.

## **3. Current trading**

Haydale has income visibility from its long-term grant awards, the ongoing advanced composite consulting services from its highly skilled team at Loughborough, and silicon carbide micro fibres ("**SiC**") sales orders from its US operation which, in aggregate, provided the Group with a record order book of £5.4 million at the year-end, that has since grown to approximately £6.0 million as at the date of this document.

The Group has evolved from an R&D focused business to a commercial entity with a real geographic presence and this past year, has grown total income by more than 100 per cent. The recent overseas investments together with sales focussed management actions results in an expectation of significant increases in product sales in the current financial year; the Directors believe that this should build the foundations for Haydale to achieve its near-term and long-term growth objectives.

The Directors believe that the long-term repeatability of its core markets, with Haydale's solutions being designed into the customers' end products, should add to its increasing sales and sales order visibility over time.

Further details of the Group's trading in the year to 30 June 2017 are set out in the Group's preliminary audited results which were released on 10 October 2017.

## **4. Use of proceeds of the Fundraising**

The Company intends to use the net proceeds of the Fundraising for general working capital purposes and to develop commercial opportunities with the Group currently in discussions with a number of potential customers in core markets that could result in significantly increased demand. Current commercial opportunities include:

- fulfilment of SiC order book through the Company's USA facility and further development of SiC and other advanced composites with the highly skilled Loughborough based team;
- long term supply agreements with print houses for speciality functional inks developed by the Group with particular application in self-diagnostic biomedical sensors;
- realising commercial applications of graphene in the cookware market and developing manufacturing relationships beyond existing geographic territories;
- continued development and testing with Flowtite Technology AS currently scheduled for early 2018 to bring next generation products to market; and
- consolidate market position and develop Far East and US markets following creation of two sales and profit focussed Strategic Business Units, the recruitment of experienced managing directors to lead each unit and target commercial opportunities arising from the Group's expertise and developing product range.

## 5. Director Participation

Certain of the Directors have agreed to subscribe for 58,333 New Ordinary Shares at the Issue Price. Such Directors may wish, following allotment of these New Ordinary Shares, to transfer them to their respective SIPPs.

<i>Name</i>	<i>Amount (£)</i>	<i>New Ordinary Shares</i>
David Banks	50,000	41,667
Ray Gibbs	10,000	8,333
Matt Wood	10,000	8,333

Participation by the above mentioned Directors in the Subscriptions as stated above is considered a “related party transaction” under the AIM Rules for Companies. The Directors (other than David Banks, Ray Gibbs and Matt Wood) consider, having consulted with the Company’s Nominated Adviser, that the terms of participation for David Banks, Ray Gibbs, Matt Wood in the Subscriptions are fair and reasonable in so far as the Company’s Shareholders are concerned.

## 6. Details of the Placing, the Subscription and the Offer

The Company announced the Fundraising on the 10 October 2017.

Pursuant to the Fundraising the Company has conditionally raised £6.9 million (before expenses) through the proposed issue to certain existing and new institutional and other investors of 5,775,000 Placing Shares at the Issue Price of 120 pence per share to raise approximately £6.9 million before expenses pursuant to the Placing.

The Company has also conditionally raised approximately £70,000 (before expenses) through the proposed issue to the Subscribers (comprising certain of the Directors (namely David Banks, Ray Gibbs and Matt Wood)) of 58,333 new Ordinary Shares at the Issue Price. Such Directors may wish, following allotment of these New Ordinary Shares, to transfer them to their respective SIPPs.

The Board considers it important that Qualifying Participants have an opportunity to participate in the Fundraising on the same terms as investors in the Placing and Subscription. Subject to certain conditions the Company invites Qualifying Participants to subscribe for, in aggregate, up to 2,500,000 Offer Shares. Further details of the Offer are set out in Part II of this document. The Directors may use their absolute discretion (with the agreement of Arden) to scale back applications under the Offer as they see fit. For further information on the Offer, your attention is drawn to Parts II of this document and the Application Form. **In order to apply for Offer Shares, Qualifying Participants should complete the Application Form in accordance with the instructions set out in Parts II and IV of this document and on the Application Form itself and return the Application Form together with the appropriate remittance, by post, to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, or by hand (during normal business hours only) to Share Registrars Limited at that address together, in each case, with payment in full, so as to be received by not later than 10.00 a.m. on 25 October 2017.**

The Issue Price of 120 pence represents a discount of approximately 32 per cent. to the closing mid-market price of 176 pence per share on 9 October 2017, the latest practicable date prior to the date of the Fundraising announcement made on 10 October 2017. The Fundraising is not underwritten by Arden or any other person.

The Placing is conditional, amongst other things, on the following:

- the passing of the Resolutions at the General Meeting;
- the Placing Agreement not being terminated prior to Admission of the Placing Shares and being otherwise unconditional in all respects; and
- Admission of the Placing Shares becoming effective on or before 8.00 a.m. on 30 October 2017 (or such later date and/or time as the Company and Arden may agree, being no later than 10 November 2017).

The Placing is not conditional on either the Subscription or the Offer completing or on admission to AIM of the Subscription Shares or on admission to AIM of the Offer Shares.

The Company entered into the Placing Agreement with Arden on 10 October 2017. Under the Placing Agreement, the Company has agreed to pay to Arden a placing commission equal to 5 per cent. of the aggregate value at the Issue Price of the Placing Shares, together with all costs and expenses and VAT thereon, where appropriate. The Placing Agreement contains certain warranties and an indemnity from the Company in favour of Arden. Arden is entitled, in certain limited circumstances, to terminate the Placing Agreement prior to Placing Admission and to the payment of outstanding expenses on such termination.

The Subscription by the Subscribers is conditional, amongst other things, on the following:

- the passing of the Resolutions at the General Meeting;
- the Placing Agreement becoming unconditional and not being terminated in accordance with its terms; and
- Admission of the Placing Shares and the Subscription Shares becoming effective on or before 8.00 a.m. on 30 October 2017 (or such later date and/or time as the Company and Arden may agree, being no later than 10 November 2017).

Subscription Admission is not conditional on Admission of the Offer Shares.

The Company entered into the Subscription Agreements with each of the Subscribers on 10 October 2017. Under the Subscription Agreements, the Subscribers have agreed to subscribe for the Subscription Shares at the Issue Price. Each of the Subscription Agreements contains certain limited warranties from each of the Company and the Subscribers to the other.

The Offer is conditional, amongst other things, on the following:

- the passing of the Resolutions at the General Meeting;
- Admission of the Offer Shares becoming effective on or before 8.00 a.m. on 30 October 2017 (or such later date and/or time as the Company and Arden may agree, being no later than 10 November 2017).

Offer Admission is not conditional on Admission of either the Placing Shares or the Subscription Shares.

The New Ordinary Shares to be issued pursuant to the Fundraising will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that dealing in the New Ordinary Shares issued pursuant to the Fundraising will commence on or around 30 October 2017.

## **7. General Meeting**

The General Meeting of the Company, notice of which is set out at the end of this document, is to be held at 10.00 a.m. on 27 October 2017 at the offices of Fieldfisher LLP, 9th Floor, Riverbank House, 2 Swan Lane, London, EC4R 3TT. The General Meeting is being held for the purpose of considering and, if thought fit, passing the Resolutions which are summarised below:

1. Resolution 1 is an ordinary resolution, to authorise the Directors to allot the New Ordinary Shares pursuant to the Fundraising; and
2. Resolution 2 is a special resolution to authorise the Directors, under section 571 of the Act, to allot the New Ordinary Shares pursuant to the Fundraising for cash on a non-pre-emptive basis.

Save in respect of the allotment of the New Ordinary Shares, the Directors have no current intention to allot new Ordinary Shares, or rights to subscribe for or convert into Ordinary Shares, in the capital of the Company.

## 8. Action to be taken

You will find enclosed with this document a Form of Proxy for use by Shareholders at the General Meeting together with the Application Form. Whether or not you intend to be present at the General Meeting, you are requested to complete and return the Form of Proxy in accordance with the instructions printed thereon. To be valid, completed Forms of Proxy must be received by Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR as soon as possible and in any event not later than 10.00 a.m. on 25 October 2017, being 48 hours (excluding non-working days) before the time appointed for holding the General Meeting. Completion of a Form of Proxy will not preclude you from attending the meeting and voting in person if you so choose.

**Qualifying Participants wishing to participate in the Offer should carefully read the Application Form and accompanying instructions and send their completed Application Form along with the appropriate remittance to Share Registrars Limited at the address specified in the instructions as soon as possible and in any event not later than 10.00 a.m. on 25 October 2017.**

## 9. Admission, settlement and CREST

Application will be made to the London Stock Exchange for the Admission of the New Ordinary Shares to trading on AIM. It is expected that Admission will become effective at 8.00 a.m. on 30 October 2017 and that dealings in the New Ordinary Shares will commence at that time.

The Articles permit the Company to issue shares in uncertificated form. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form. The Existing Ordinary Shares are already admitted to CREST and therefore the New Ordinary Shares will also be eligible for settlement in CREST. CREST is a voluntary system and Placees who wish to retain certificates will be able to do so upon request. The New Ordinary Shares due to uncertificated holders are expected to be delivered in CREST on 30 October 2017. Please note that the Subscription Shares and Offer Shares will only be delivered in certificated form.

## 10. Overseas Shareholders

The distribution of this document, the Form of Proxy and Application Form to persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the UK or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the UK may be affected by the laws or regulatory requirements of the relevant jurisdictions.

Accordingly, any persons into whose possession this document comes should inform themselves about and observe any applicable restrictions or requirements. No action has been taken by the Company that would permit possession or distribution of this document in any jurisdiction where action for that purpose is required. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

## 11. Recommendation

**The Directors believe that the passing of the Resolutions is in the best interests of the Company and Shareholders, taken as a whole. Accordingly the Directors unanimously recommend Shareholders to vote in favour of the Resolutions, as they will do in respect of their Ordinary Shares in the Company, representing 4.97 per cent. of the Existing Ordinary Shares.**

**Each element of the Fundraising (comprising the Placing, the Subscriptions and the Offer) is conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, none of the Placing, the Subscriptions or Offer will proceed and the Company will not receive the net proceeds of the Fundraising.**

Yours faithfully

**David Banks**  
Chairman

## PART II

### FURTHER DETAILS OF THE OFFER

#### 1. The Offer

The Offer comprises a conditional offer to Qualifying Participants of up to 2,500,000 Offer Shares with the aggregate consideration to be received by the Company limited to £3.0 million, the Offer Maximum. Qualifying Participants can apply for as many Offer Shares as they wish. However, the Directors reserve the right to exercise their absolute discretion, with the agreement of Arden, in the allocation of successful applications, including, without limitation, to ensure no Offer Shares are issued so as to exceed the Offer Maximum.

The Offer is only open to Qualifying Participants and, save as set out in the preceding paragraph, there is no maximum or minimum subscription per applicant. No Qualifying Participant may subscribe for Offer Shares in excess of the Offer Maximum. Multiple applications may be submitted. Qualifying Participants who are joint Shareholders may only apply for Offer Shares as joint applicants.

The Offer is conditional on, *inter alia*, Admission of the Offer Shares occurring on 30 October 2017 (or such later date, being not later than 10 November 2017, as the Company and Arden may agree may decide). If Admission of the Offer Shares has not occurred by such time and date, applications are expected to be returned without interest by crossed cheque in favour of the applicant(s) (at the applicant's risk) through the post as soon as practicable. Any interest earned on the application monies will be retained for the benefit of the Company. The Offer will close at 10.00 a.m. on 25 October 2017 unless previously closed or extended. The Offer is not being underwritten. The Application Form and accompanying procedure for application sets out, in detail, how Qualifying Participants may participate under the Offer.

Applications must be made on the terms and conditions set out in Part IV of this document and in the Application Form and by duly completing and returning the Application Form and appropriate remittance.

The Offer Shares will be allotted and issued fully paid and will, on issue, rank *pari passu* with the then existing Ordinary Shares, including the right to receive, in full, all dividends and other distributions thereafter declared, made or paid after the date of issue together with all rights attaching to them and free from all liens, charges and encumbrances of any kind. Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. Admission of the Offer Shares to trading on AIM is expected to occur at 8.00 a.m. on 30 October 2017.

The limited size of the Offer means that it falls within an exemption in paragraph 9 of Schedule 11A of the Financial Services and Markets Act 2000 (as amended). In addition, since the Placing and Subscriptions are with UK Subscribers and directed at qualified investors only, the Placing falls within an exemption in Section 86 of the Financial Service and Markers Act 2000 (as amended). As such this document does not constitute a prospectus.

Furthermore, this document is exempt from the general restriction contained in section 21 of the Financial Services and Markets Act 2000 relating to the communication of invitations or inducements to engage in investment activity on the grounds that it is being made available by the Company only to Qualifying Participants. Accordingly, the Offer is only capable of being accepted by Qualifying Participants. As this document relies on the exemption set out in paragraph 43 of the Financial Promotion Order (non-real time communications by or on behalf of a body corporate to members of that body corporate) and paragraph 60 of the Financial Promotion Order (participation in employee share schemes), it has not been drawn up in accordance with the FCA's Handbook or its Conduct of Business Sourcebook.

## PART III

### RISK FACTORS

**Shareholders should be aware that an investment in the Company is highly speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below, which are not presented in any order of priority and may not be exhaustive.**

**The following risk factors are all those known by the Directors which are considered to be material in their opinion. Additional risks and uncertainties not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business, financial condition and results of operations.**

**An investment in the Company may not be suitable for all recipients of this document. Qualifying Participants are advised to consult an independent financial adviser duly authorised under the FSMA who specialises in advising on the acquisition of shares and other securities before making a decision to invest.**

#### **Risk factors relating to the business and operations of the Group**

##### ***Health and Safety***

Many of the Group's products of advanced materials are nano in size and, although there is little actual evidence of any health risks associated with the handling of the Group's products, there is a theoretical risk that the Group's products could be a danger to health if an individual is exposed to and/or inhales/ingests some of the Group's products. The Group takes health and safety very seriously and manages the potential health and safety risk by regular staff training and restricting activities to only certain qualified individuals.

##### ***Acceptance of the Group's Products***

The success of the Group will depend on the market's acceptance of, and attribution of value to, advanced materials technology developed by the Group based on converting principally raw, mined graphite and other synthetically produced graphenes into high quality functionalised Graphene Nano Platelets, using a dry and low energy process, without using wet chemicals or acids.

Notwithstanding the technical merits of the processes developed by the Group, and the extensive market and product research carried out by management to assess the likelihood of acceptance of the Group's products, there can be no guarantee that its targeted customer base for the processes will ultimately purchase the Group's products.

##### ***Intellectual Property Risk***

The Group's success will depend in part on its ability to maintain adequate protection of its IP portfolio, covering its manufacturing process, additional processes, products and applications, including in relation to the development of specific functionalisation of graphene and other types of carbon-based nanomaterials for use in particular applications. The IP on which the Group's business is based is a combination of granted patents, patent applications and confidential know-how.

The Group aims to mitigate any risk that any of the Group's patents will not be held valid if challenged, or that third parties will claim rights in, or ownership of, the patents and other proprietary rights held by the Group through general vigilance, regular international IP searches as well as monitoring activities and regulations for developments in copyright/intellectual property law and enforcement.

##### ***Growth Risk***

Expansion of the business of the Group may place additional demands on the Group's management administrative and technological resources and marketing capabilities, and may require additional capital expenditure. The Group monitors the additional demands on resources on a regular basis and strengthens resources as necessary. If the Group is unable to manage any such expansion effectively, then this may

adversely impact the business, development, financial condition, results of operations, prospects, profits, cash flow and reputation of the Group.

### ***Competition Risk***

The Group's current and potential competitors include companies and academic institutions, many of whom have significantly greater financial resources than the Group and management regularly reviews the competitive landscape. There can be no assurance that competitors will not succeed in developing products that are more effective or economic than any developed by the Group or which would render the Group's products non-competitive or obsolete.

### ***Dependence on Key Personnel***

The Group's business, development and prospects are dependent upon the continued services and performance of its Directors. The experience of the Group's personnel helps provide the Group with a competitive advantage. The Directors believe that the loss of services of any existing key executives, for any reason, or failure to attract and retain necessary additional personnel, could adversely impact on the business, development, financial condition, results of operations and prospects of the Group.

The Group aims to mitigate this risk by providing well-structured and competitive reward and benefit packages that ensure our ability to attract and retain key employees.

### **Risks relating to the Placing, Subscriptions and the Offer**

#### ***Conditional nature of the Fundraising and Fundraising not underwritten***

The Fundraising is conditional and there is no guarantee that the conditions of any element of the Fundraising will be satisfied. The Fundraising is not underwritten. If any element of the Fundraising does not proceed then the Company will not receive the proceeds in respect of that element of the Fundraising.

#### ***Investment in AIM Securities***

An investment in shares traded on AIM may be less liquid and is perceived to involve a higher degree of risk than an investment in a company whose shares are listed on the Official List. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Group. Investors may therefore realise less than, or lose all of, their investment.

#### ***AIM Rules***

The AIM Rules are less onerous than those of the Official List. Neither the FCA nor the London Stock Exchange has examined or approved the contents of this document. Shareholders and prospective investors (as appropriate) should be aware of the risks of investing in AIM quoted shares and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

#### ***Dilution of ownership of Ordinary Shares***

Shareholders' proportionate ownership and voting interest in the Company may be reduced pursuant to the Fundraising. Subject to certain exceptions, Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Offer.

#### ***Volatility of share price***

The trading price of the Ordinary Shares may be subject to wide fluctuations in response to a number of events and factors, such as variations in operating results, announcements of innovations or new services by the Group or its competitors, changes in financial estimates and recommendations by securities analysts, the share price performance of other companies that investors may deem comparable to the Group, news reports relating to trends in the Group's markets, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory changes and general economic conditions. These fluctuations may adversely affect the trading price of the Ordinary Shares, regardless of the Group's performance.

The following factors, in addition to other risks described in this document, may have a significant effect on the market price of the Ordinary Shares:

- variations in operating results;
- actual or anticipated changes in the estimates of operating results or changes in stock market analyst recommendations regarding the Ordinary Shares, other comparable companies or the industry generally;
- macro-economic conditions in the countries in which the Group may do business;
- foreign currency exchange fluctuations and the denominations in which the Group may conduct business and holds cash reserves;
- market conditions in the industry, the industries of customers and the economy as a whole;
- actual or expected changes in the Group's growth rates or competitors' growth rates;
- changes in the market valuation of similar companies;
- trading volume of the Ordinary Shares;
- sales of the Ordinary Shares by the Directors or other Shareholders; and
- adoption or modification of regulations, policies, procedures or programs applicable to the Group's business.

In addition, if the stock market in general experiences loss of investor confidence, the trading price of the Ordinary Shares could decline for reasons unrelated to the Group's business, financial condition or operating results. The trading price of the Ordinary Shares might also decline in reaction to events that affect other companies in the industry, even if such events do not directly affect the Group. Each of these factors, among others, could harm the value of the Ordinary Shares.

#### ***Future capital raisings may not be successful***

If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, the Company's share price and trading volume of the Ordinary Shares could decline. The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares could be negatively impacted. In the event that the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

#### ***Future payment of dividends***

There can be no assurance as to the level of future dividends (if any). The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors and shareholders of the Company and will depend upon, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

#### ***Valuation of shares***

The Issue Price has been determined by the Company and may not relate to the Company's net asset value, net worth or any established criteria or value. There can be no guarantee that the Ordinary Shares will be able to achieve higher valuations or, if they do so, that such higher valuations can be maintained.

#### ***Market perception***

Market perception of the Company may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds by the issue of further Ordinary Shares or otherwise.

***Suitability***

A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this document. Prospective investors are advised to consult a person authorised by the FCA (or, if outside the UK, another appropriate regulatory body) before making their decision.

## PART IV

### TERMS AND CONDITIONS OF THE OFFER

- (a) The contract created by the acceptance by the Company (at the absolute discretion of the Directors with the agreement of Arden) of applications from Qualifying Participants under the Offer is conditional upon, *inter alia*, Admission of the Offer Shares occurring on 30 October 2017 (or such later date, being not later than 10 November 2017, as the Company and Arden may decide).
- (b) The right is reserved by the Company to present all cheques and bankers' drafts for payment on receipt and on which no interest will be payable to the applicant and to retain surplus application monies pending clearance of successful applicants' cheques. The Company also reserves the right to reject, in whole or in part, any application. If any application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or as the case may be the balance thereof, will be returned by crossed cheque in favour of the applicant, through the post at the sole risk of the person entitled thereto (on which no interest will be payable), within 14 days of the closing of the Offer.
- (c) By completing and delivering an Application Form each Qualifying Participant who applies for Offer Shares:
- i. offers to subscribe for the amount of Offer Shares specified in such applicant's Application Form (or such lesser amount for which such applicant's application is accepted) on the terms of, and subject to, this document, including (without limitation) these terms and conditions, the Articles of the Company and the terms and conditions set out in the Application Form;
  - ii. represents and agrees that such applicant's application shall not be revoked and this paragraph shall constitute a collateral contract between such applicant and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Registrars of such applicant's Application Form;
  - iii. represents and warrants that such applicant's remittance will be honoured on first presentation and agrees that, if it is not so honoured, such applicant will not be entitled to receive a share certificate for the Offer Shares applied for unless and until such applicant makes payment in cleared funds for such Offer Shares and such payment is accepted by the Company in its absolute discretion with the agreement of Arden (which acceptance will be on the basis that such applicant indemnifies the Company and Arden against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of such applicant's remittance to be honoured on first presentation) and such applicant agrees that, at any time prior to the unconditional acceptance(s) by the Company, the Company may (without prejudice to any other rights(s)) avoid the agreement to issue such Offer Shares and may issue such Offer Shares to some other person, in which case such applicant will not be entitled to any payment in respect of such Offer Shares;
  - iv. agrees that, in respect of those Offer Shares for which such applicant's application has been received and is not rejected, acceptance of such applicant's application shall be constituted, at the election of the Company by notification of acceptance thereof to the Registrars;
  - v. agrees that any monies returnable to such applicant may be retained by the Registrars pending clearance of such applicant's remittance and the completion of any verification of identity required by the UK Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and/or any amendment, modification, and/or re-enactment of the same (the "**Regulations**") and that such monies will not bear interest;
  - vi. authorises the Registrars to send a share certificate in respect of the number of Offer Shares for which such applicant's application is accepted and/or to send a crossed cheque for any monies returnable, by post, at the sole risk of the person entitled thereto, to the address of the person named as the applicant in the Application Form;
  - vii. represents and warrants that, if such applicant signs an Application Form on behalf of somebody else, such applicant has due authority to do so on behalf of that other person and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and such applicant further

- undertakes to enclose such applicant's power of attorney or a copy thereof duly certified by a solicitor with the Application Form;
- viii. agrees that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law, and that such applicant submits to the jurisdiction of the English Courts and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - ix. confirms that, in making such application, such applicant is not relying on any information, representation and/or warranty in relation to the Company other than the information contained in this document and, accordingly, such applicant agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any such other information, representation and/or warranty;
  - x. agrees that, having had the opportunity to read this document, such applicant shall be deemed to have had notice of all information concerning the Company contained herein including, without limitation, the Risk Factors set out in Part III of this document;
  - xi. in the case of any Qualifying Participant who is a joint Shareholder, agrees that such joint Shareholder applicants may only apply for Offer Shares as joint applicants;
  - xii. confirms, represents and warrants that such applicant has read and complied with paragraph (f) below;
  - xiii. represents and warrants that such applicant is not a person who, by virtue of being resident in, or a citizen of, any country outside the United Kingdom, is prevented by the law of any relevant jurisdiction from lawfully applying for Offer Shares;
  - xiv. represents and warrants that such applicant is a Qualifying Participant;
  - xv. confirms, represents and warrants that such applicant has read the restrictions contained in paragraph (g) below and represents and warrants as provided therein;
  - xvi. represents and warrants that such applicant is not under the age of 18;
  - xvii. represents and warrants that such applicant is a person of the kind described in Article 43 or Article 60 of the Financial Promotion Order, being a Shareholder or employee of the Group at the Record Date; and
  - xviii. agrees that all documents and cheques sent by post, by or on behalf of the Company or the Registrars, will be sent at the risk of the person(s) entitled thereto.
- (d) All payments must be in pounds sterling and made by cheque or banker's draft made payable to "Share Registrars Limited Receiving Agent Account" and crossed "A/C Payee Only". Cheques should be drawn on the personal account to which the applicant has sole or joint title to such funds. Cheques or banker's drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque or draft to such effect. The account name should be the same as that shown on the Application Form. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt.

The Company reserves the right to instruct the Registrars to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Offer that cheques shall be honoured on first presentation and the Company may elect to treat as invalid acceptances applications in respect of which cheques are not so honoured. All documents, cheques and banker's drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

If cheques or banker's drafts are presented for payment before all of the conditions of the Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account.

If the Offer does not become unconditional, no Offer Shares will be issued and all monies will be returned (at the applicant's sole risk), without payment of interest, to applicants as soon as reasonably practicable following the lapse of the Offer.

- (e) To ensure compliance with the Regulations, the Registrars may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements").

If the Registrars determines that the verification of identity requirements apply to any application, the relevant Offer Shares (notwithstanding any other term of the Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. The Registrars are entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any application and whether such requirements have been satisfied, and neither the Registrars nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates. If, within a reasonable time following a request for verification of identity, the Registrars has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the monies payable on acceptance of the Offer will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply:

- if the applicant is an organisation required to comply with Regulations and/or the EU Money Laundering Directive(s) including without limitation the European Union Fourth Anti-Money Laundering Directive on, *inter alia*, the prevention of the use of the financial system for the purpose of money laundering and terrorist financing; and
- if the applicant (not being an applicant who delivers his application in person) makes payment by way of a cheque drawn on an account in the applicant's name; or
- if the aggregate subscription price for the Offer Shares is less than €15,000.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- i. if payment is made by cheque or banker's draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society which bears a UK bank sort code number in the top right hand corner the following applies. Cheques should be made payable to "Share Registrars Limited Receiving Agent Account" in respect of an application by a Qualifying Participant and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/banker's draft to such effect. However, third party cheques will be subject to the Regulations which would delay applicants receiving their Offer Shares. The account name should be the same as that shown on the Application Form; or
- ii. if the Application Form(s) is/are in respect of Offer Shares with an aggregate subscription price of €15,000 or more and is/are lodged by hand by the applicant in person, or if the Application Form(s) in respect of Offer Shares is/are lodged by hand by the applicant and the accompanying payment is a banker's draft or building society cheque, he or she should ensure that he or she has with him or her evidence of identity bearing his or her photograph (for example, his or her passport) and separate evidence of identity of his or her address. If, within a reasonable period of time following a request for verification of identity, and in any case, the Registrar has not received evidence satisfactory to it as aforesaid, the Registrar may, at its absolute discretion, as

agent of the Company, reject the relevant application, in which event the monies submitted in respect of that application will be returned without interest to the account at the drawee bank from which such monies were originally debited (without prejudice to the rights of the Company to undertake proceedings to recover monies in respect of the loss suffered by it as a result of the failure to produce satisfactory evidence as aforesaid); or

- iii. If the Application Form(s) is/are in respect of Offer Shares with an aggregate subscription price of £50,000 or more the Registrars require certified copy verification of identity comprising photographic ID such as passport or driving licence and certified copy proof of address such as a utility bill or bank statement (not less than three months old). Certification can be by a bank, a solicitor or other professional person.
- (f) No person receiving a copy of this document and/or any Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including (without limitation) obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (g) The Offer Shares have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorised, passed upon or endorsed the merit of the Offer or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The Offer Shares have not been and will not be registered under the Securities Act or under the securities laws of any state or other jurisdiction in the United States, neither do they qualify for distribution under any of the relevant securities laws of Canada, Australia, Republic of South Africa or Japan.

Persons subscribing for Offer Shares shall be deemed and shall be required to represent and warrant to the Company that they are not a person in the United States, Canada, Australia, Republic of South Africa and/or Japan and that they are not subscribing for such Offer Shares for the account of any such person and will not offer, sell, renounce, take up, transfer or deliver, directly or indirectly, such Offer Shares in the United States or to any such person or into Canada, Australia, Republic of South Africa and/or Japan.

- (h) Applicants are encouraged to submit their Application Forms early. In the event that applications are received for an amount in aggregate in excess of £3.0 million, the Directors reserve the right to exercise their absolute discretion, with the agreement of Arden, in the allocation of successful applications. The right is also reserved to reject in whole or in part any application or any part thereof for any reason whatsoever, including (without limitation) a breach of any of the terms, conditions, representations and/or warranties set out in this document and/or the Application Form and to treat as valid any application not in all respects completed in accordance with the instructions relating to the Application Form.
- (i) Save where the context otherwise requires, words and expressions defined in this document have the same meaning when used in the Application Form and any explanatory notes in relation thereto.

## NOTICE OF GENERAL MEETING

# HAYDALE GRAPHENE INDUSTRIES PLC

*(Incorporated and registered in England and Wales with registered number 07228939)*

**NOTICE IS HEREBY GIVEN** that a General Meeting of Haydale Graphene Industries plc (the “**Company**”) will be held at the offices of Fieldfisher LLP, 9th Floor, Riverbank House, 2 Swan Lane, London, EC4R 3TT at 10.00 a.m. on 27 October 2017 for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

### ORDINARY RESOLUTION

1. THAT, in addition to all existing authorities granted pursuant to section 551 of the Companies Act 2006 (the “**Act**”), the Directors be and are hereby generally and unconditionally authorised for the purpose of section 551 of the Act to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for, or convert any securities into, shares in the Company up to a nominal amount of £166,666.66 in connection with the Fundraising (as such term is defined in the circular to shareholders issued by the Company dated 11 October 2017, containing this Notice of General Meeting (the “**Circular**”)) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017, save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted, or rights to be granted, after such expiry and the Directors may allot shares or grant rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

### SPECIAL RESOLUTION

2. THAT, in addition to all existing authorities granted pursuant to section 571 of the Act, the Directors be and are hereby generally and unconditionally empowered pursuant to section 571 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash, pursuant to the authority conferred by resolution 1, as if section 561(1) of the Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to the allotment of equity securities for cash up to a maximum nominal amount of £166,666.66 in connection with the Fundraising (as such term is defined in the Circular) and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2017, save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted, or rights to be granted, after such expiry and the Directors may allot shares or grant rights in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

**Matt Wood**  
*Company Secretary*

Dated: 11 October 2017

By order of the Board

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to exercise all or any of the member's rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. If a member appoints more than one proxy in relation to the meeting, each proxy must be appointed to exercise the rights attached to a different share or shares held by that member.
2. To appoint as a proxy a person other than the chairman of the meeting, a member must insert the proxy's full name in the box on the proxy form. If a member signs and returns a proxy form with no name inserted in the box, the chairman of the meeting will be deemed to be the member's proxy. Where a member appoints as a proxy someone other than the chairman, the member is responsible for ensuring that the proxy attends the meeting and is aware of the member's voting intentions. If a member wishes a proxy to make any comments on the member's behalf, the member will need to appoint someone other than the chairman and give them the relevant instructions directly.
3. A member which is a corporation is entitled to appoint one or more corporate representatives to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member. If a member which is a corporation appoints more than one corporate representative in relation to the meeting, each representative must exercise the rights attached to a different share or shares held by that member. In the case of a member which is a corporation, the proxy form must be executed under the corporation's common seal or signed on its behalf by a duly authorised officer of the corporation or an attorney for the corporation.
4. A Form of Proxy is enclosed. To be valid, the Form of Proxy (and any power of attorney or other authority (if any) under which it is signed) must be duly completed and signed and deposited at the office of the Company's registrars, Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR not less than 48 hours (excluding non-working days) before the time for holding the meeting (or any adjourned meeting). Completion of a Form of Proxy does not preclude a member from attending and voting in person at the meeting if (s)he so wishes.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members entered in the Company's register of members at 10.00 a.m. on 25 October 2017 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Changes in the Company's register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting. If the meeting is adjourned, only those members entered in the Company's register of members 48 hours (excluding non-working days) before the time and date of the adjourned meeting shall be entitled to attend and vote at the adjourned meeting.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 27 October 2017 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's Registrars, Share Registrars Limited (CREST Participant ID: 7RA36 ), no later than 48 hours (excluding non-working days) before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
8. CREST members and, where applicable, their CREST sponsor or voting service provider should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsor or voting service provider are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this notice or in any related documents to communicate with the Company for any purposes other than those expressly stated.
11. Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your reference number (as attributed to you by the Company or its registrars). The Company determines the purposes for which, and the manner in which, your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.
12. As at 10 October 2017 (being the last practicable date prior to the publication of this notice), the Company's issued share capital consisted of 19,597,713 ordinary shares of 2 pence each, carrying one vote per share. Therefore, the total voting rights in the Company as at 10 October 2017 (being the latest practicable date prior to the posting of this document) were 19,597,713.

