

**THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised for the purposes of the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities before taking any action. The whole of this document should be read. You should be aware that an investment in the Company involves a high degree of risk and prospective investors should in particular carefully consider the section entitled "Risk Factors" set out in Part II of this document.**

If you have sold or transferred all of your Ordinary Shares on or before the Record Date please forward this document, together with the Application Form, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other party through whom the sale or transfer was effected for transmission to the purchaser or transferee. Such documents should, however, not be forwarded to or transmitted into any jurisdiction outside of the UK if to do so would constitute a violation of the relevant law and/or regulations of such jurisdiction. Any failure to comply with such restriction may constitute a violation of the securities laws of any such jurisdiction. If you have sold or transferred only part of your registered holding of Ordinary Shares on or before the Record Date, you are advised to consult your stockbroker, bank or other agent through whom the sale or transfer was effected.

The total consideration under the Open Offer shall be less than €5 million (or an equivalent amount) in aggregate and the Placing Shares shall only be available to qualified investors for the purposes of the Prospectus Rules or otherwise in circumstances not resulting in an offer of transferable securities to the public under section 102B of FSMA. Neither the Placing nor the Open Offer constitutes an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the Financial Conduct Authority of the United Kingdom ("**FCA**") pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body. In addition this document does not constitute an admission document drawn up in accordance with the AIM Rules.

The Company's Ordinary Shares are currently admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Shares to be admitted to trading on AIM. The New Shares will not be admitted to trading on any other investment exchange. It is expected that Admission of the New Shares will become effective and that dealings will commence on 12 October 2016.

**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. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UKLA has examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Shares to the Official List.**

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# HAYDALE GRAPHENE INDUSTRIES PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 7228939)*

## Placing, Subscription and Open Offer of up to 1,619,687 New Shares at 160 pence per New Share

*Nominated Adviser*

**Cairn Financial Advisers LLP**

*Broker*

**Cantor Fitzgerald Europe**

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**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 Part I of this document and to the Risk Factors in Part II of this document which contains a discussion of certain factors that should be considered by Shareholders when considering whether or not to make an investment in the Company.**

This document does not constitute an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the applicable securities laws of any state of the United States or any province or territory of Canada, Japan or Australia. Accordingly, unless a relevant exemption from such requirements is available, the Open Offer Shares may not, subject to certain exceptions, be offered, sold, taken up, re-sold or delivered, directly or indirectly, within the United States, Canada, Japan or Australia or in any other country, territory or possession where to do so may contravene local securities laws or regulations. Shareholders who believe

that they, or persons on whose behalf they hold Ordinary Shares, are eligible for an exemption from such requirements should refer to paragraph 6 of Part IV of this document to determine whether and how they may participate.

**Overseas Shareholders and any person (including, without limitation, nominees, custodians and trustees) who has a contractual or other legal obligation to forward this document or an Application Form to a jurisdiction outside the UK should read paragraph 6 of Part IV of this document.**

Qualifying non-CREST Shareholders will find an Application Form enclosed with this document. Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of the sale or transfer of Ordinary Shares prior to the date on which the relevant Ordinary Shares are marked “ex” the entitlement by the London Stock Exchange. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer. The latest time for application and payment in full under the Open Offer is 11.00 a.m. on 10 October 2016 and the procedure for application and payment is set out in Part IV of this document.

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 the Company’s nominated adviser for the purposes of the AIM Rules. Cairn is acting exclusively for the Company in relation to the Fundraising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Fundraising 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 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.

Cantor Fitzgerald Europe (“**Cantor Fitzgerald**”), which is authorised and regulated in the United Kingdom by the FCA and is a member of the London Stock Exchange, is the Company’s broker for the purposes of the AIM Rules. Cantor Fitzgerald is acting exclusively for the Company in relation to the Fundraising and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Fundraising 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.

Cantor Fitzgerald has not authorised the contents of this document for any purpose and no liability whatsoever is accepted by Cantor Fitzgerald 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. Cantor Fitzgerald 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.

## **FORWARD-LOOKING STATEMENTS**

This document contains “forward-looking statements” which includes all statements other than statements of historical fact including, without limitation those regarding the Company’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”, “might”, “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 Company 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 Company’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 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.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlement under the Open Offer		21 September 2016
Announcement of the Fundraising		23 September 2016
Publication of Circular and Application Form posted to Qualifying Shareholders		23 September 2016
Ex-entitlement Date of the Open Offer	8.00 a.m.	26 September 2016
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	As soon as possible after 8.00 a.m.	26 September 2016
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m.	4 October 2016
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m.	5 October 2016
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m.	6 October 2016
<b>Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer and settlement of relevant CREST instructions (as appropriate)</b>	<b>11.00 a.m.</b>	<b>10 October 2016</b>
<b>Announcement of result of Open Offer</b>		<b>11 October 2016</b>
<b>Admission and commencement of dealings in New Shares</b>	<b>8.00 a.m.</b>	<b>12 October 2016</b>
New Shares in uncertificated form expected to be credited to accounts in CREST	As soon as possible after 8.00 a.m.	12 October 2016
Despatch of definitive share certificates for the New Shares in certificated form	By	19 October 2016
Admission of the Consideration Shares	As soon as possible after 8.00 a.m.	3 January 2017

*If any of the details contained in the timetable above should change, the revised time and dates will be notified to Shareholders by means of a Regulatory Information Service (as defined in the AIM Rules) announcement.*

*In this document, all references to times and dates are to times and dates in London, United Kingdom.*

*If you have any questions on the procedure for acceptance and payment, you should contact Share Registrars Limited on 01252 821390 from within the UK or +44 1252 821390 if calling from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Acquisition and/or the Fundraising nor give any financial, legal or tax advice.*

## SHARE CAPITAL AND FUNDRAISING STATISTICS

Issue Price for each New Share	160 pence
Basis of Open Offer	1 New Share for every 49.324 Existing Ordinary Shares
Number of Existing Ordinary Shares in issue as at the date of this document	15,413,898
Number of Placing Shares to be issued pursuant to the Placing	1,272,437
Number of Subscription Shares to be issued pursuant to the Subscription	34,750
Maximum number of Open Offer Shares to be issued pursuant to the Open Offer	312,500
Maximum Enlarged Share Capital immediately following completion of the Fundraising and Acquisition <sup>1,2</sup>	17,033,585
Market capitalisation at Issue Price <sup>2</sup>	£27.3 million
New Shares as a percentage of the Enlarged Share Capital <sup>2</sup>	9.51 per cent.
Estimated gross proceeds of the Fundraising <sup>2</sup>	£2.6 million
Estimated net proceeds of the Fundraising <sup>3</sup>	£2.4 million
ISIN – Ordinary Shares	GB00BKWQ1135
ISIN – Open Offer Basic Entitlements	GB00BD8GDN47
ISIN – Open Offer Excess Entitlements	GB00BD8GDP60

<sup>1</sup> Does not include the Consideration Shares pursuant to the Acquisition which are expected to admit to trading on AIM on or around 3 January 2017

<sup>2</sup> Assuming the issue of 312,500 Open Offer Shares and completion of the Placing, Subscription and Open Offer

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	John Knowles BSc Eng (Hons), <i>Chairman</i> Anthony Alfredo Belisario (Tony) B Tech (Hons), <i>Deputy Chairman</i> Raymond John Gibbs (Ray) BA (Hons) FCA, <i>Chief Executive Officer</i> Matthew Graham Wood (Matt) BA (Hons) FCA, <i>Finance Director</i> Graham Dudley Eves MA, <i>Non-Executive Director</i> Roger James Humm MBA BSc (Hons) FCA, <i>Non-Executive Director</i> Roger Anthony Smith BSc (Hons), <i>Non-Executive Director</i>
<b>Company Secretary</b>	Matt Wood  All of whose business address is at the Registered Office
<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>	Cantor Fitzgerald Europe One Churchill Place London E14 5RB
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Legal advisers to the Company</b>	FieldFisher LLP Riverbank House 2 Swan Lane London EC4R 3TT
<b>Legal Advisers to the broker</b>	Gateley Plc One Eleven Edmund Street Birmingham B3 2HJ
<b>Registrars and Receiving Agent for the Open Offer</b>	Share Registrars Ltd 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>	the admission of the New Shares (or any of them) (as the case may be) to trading on AIM becoming effective in accordance with the AIM Rules
<b>“ACM”</b>	ACMC Holding, Inc.
<b>“Acquisition”</b>	the acquisition by HTI of the entire issued share capital of ACM
<b>“Acquisition Agreement”</b>	the conditional share purchase agreement entered into between the Company (as guarantor), HTI (as buyer) and the Sellers relating to the Acquisition, further details of which are provided on page 50 of this document
<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>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“Applicant”</b>	a Qualifying Shareholder or a person by virtue of a <i>bona fide</i> market claim who lodges an Application Form or relevant CREST instruction under the Open Offer
<b>“Application Form”</b>	the application form relating to the Open Offer and enclosed with this document for use by Qualifying non-CREST Shareholders
<b>“Articles”</b>	the articles of association of the Company in force at the date of this document
<b>“Basic Entitlement(s)”</b>	the <i>pro rata</i> entitlement for Qualifying Shareholders to subscribe for Open Offer Shares, pursuant to the Open Offer as described in Part IV of this document
<b>“Board” or “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” or “Nomad”</b>	Cairn Financial Advisers LLP, the Company’s nominated adviser
<b>“Cantor Fitzgerald” or “Broker”</b>	Cantor Fitzgerald Europe, the Company’s broker
<b>“CCSS”</b>	the CREST Courier and Sorting Service, established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of certificated securities
<b>“certified” or “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” or “Document”</b>	this circular, dated 23 September 2016
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Closing Price”</b>	the closing middle market quotation of a share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange

<b>“Company”</b>	Haydale Graphene Industries Plc a company incorporated in England and Wales with company number 7228939 whose registered office is at Clos Fferws, Parc Hendre, Capel Hendre, Ammanford, Carmarthenshire, SA18 3BL
<b>“Consideration Price”</b>	184.0 pence, being the closing share price of the Company the day prior to the announcement of the Acquisition
<b>“Consideration Shares”</b>	415,618 new Ordinary Shares to be issued at the Consideration Price pursuant to the Acquisition Agreement (excluding the Earn-Out Shares)
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations 2001) 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 payment”</b>	shall have the meaning given in the CREST Manual issued by Euroclear
<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>“Disclosure and Transparency Rules”</b>	the disclosure guidance and transparency rules of the FCA as amended from time to time
<b>“Earn-Out Shares”</b>	means such number of shares as have a value up to US\$2,000,000 based upon the mid-market share price of the Company on the date of announcement of the annual accounts of the Company for the relevant earn-out period
<b>“EEA”</b>	the European Economic Union
<b>“Enlarged Share Capital”</b>	the issued Ordinary Share capital of the Company immediately following the issue of the New Shares
<b>“EU”</b>	the European Union
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>“Excess Entitlement(s)”</b>	Open Offer Shares in excess of the Basic Entitlement, but not in excess of the total number of Open Offer Shares, allocated to a Qualifying Shareholder pursuant to the Open Offer as described in Part IV of this document



<b>“Excess Application Facility”</b>	the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of the Basic Entitlement in accordance with the terms and conditions of the Open Offer
<b>“Excess CREST Open Offer Entitlement”</b>	in respect of each Qualifying CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to the Basic Entitlement credited to the Qualifying CREST Shareholder’s account in CREST, pursuant to the Excess Application Facility, which is conditional on the Qualifying CREST Shareholder taking up his Basic Entitlement in full and which may be subject to scaleback in accordance with the provisions of this document
<b>“Excess Shares”</b>	the Open Offer Shares for which Qualifying Shareholders may apply under the Excess Application Facility in addition to their Basic Entitlement
<b>“Ex-entitlement Date”</b>	the date on which the Existing Ordinary Shares are marked ‘ex’ for entitlement under the Open Offer being 26 September 2016
<b>“Existing Ordinary Shares”</b>	the 15,413,898 Ordinary Shares in issue as at the date of this document being the entire issued share capital of the Company prior to the Fundraising and Acquisition
<b>“FCA”</b>	the Financial Conduct Authority of the UK
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Fundraising”</b>	together, the Placing, the Subscription and the Open Offer
<b>“Group”</b>	together the Company and its subsidiary undertakings
<b>“Haydale”</b>	Haydale Limited, a wholly owned subsidiary of the Company
<b>“HTI”</b>	Haydale Technologies, Inc., a subsidiary of the Company
<b>“HCS”</b>	Haydale Composite Solutions Ltd, a wholly owned subsidiary of the Company
<b>“HMRC”</b>	Her Majesty’s Revenue & Customs
<b>“ISIN”</b>	International Securities Identification Number
<b>“Issue Price”</b>	160 pence per New Share
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“member account ID”</b>	the identification code or number attached to any member account in CREST
<b>“New Shares”</b>	up to 1,619,687 new Ordinary Shares to be issued pursuant to the Fundraising (assuming full take up under the Open Offer by Qualifying Shareholders)
<b>“Official List”</b>	the Official List of the UKLA
<b>“Open Offer”</b>	the conditional invitation to Qualifying Shareholders to apply for the Open Offer Shares at the Issue Price on the terms and conditions outlined in this document and, where relevant, in the Application Form

<b>“Open Offer Entitlements”</b>	entitlements for Qualifying Shareholders to subscribe for Open Offer Shares pursuant to the Basic Entitlement and Excess Entitlement
<b>“Open Offer Shares”</b>	up to 312,500 New Shares to be issued pursuant to the Open Offer
<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>“Placing”</b>	the placing by Cantor Fitzgerald, as agent of and on behalf of the Company, of Placing Shares at the Issue Price on the terms and subject to the conditions in the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 23 September 2016 between the Company and Cantor Fitzgerald, relating to the Fundraising, a summary of which is set out in paragraph 2 of Part V of this document
<b>“Placing Shares”</b>	the 1,272,437 New Shares to be issued pursuant to the Placing
<b>“Prospectus Rules”</b>	the Prospectus Rules made in accordance with EU Prospectus Directive (2003/71/EC) in relation to offers of securities to the public and admission of securities to trading on a regulated market
<b>“Publicly Available Information”</b>	any information published by the Company using a Regulatory Information Service
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Record Date, are in uncertificated form in CREST
<b>“Qualifying non-CREST Shareholders”</b>	Qualifying Shareholders holding Existing Ordinary Shares which, on the register of members of the Company on the Record Date, are in certificated form
<b>“Qualifying Shareholders”</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 Open Offer Shares under the Open Offer in accordance with the terms and conditions set out in this document
<b>“Record Date”</b>	21 September 2016
<b>“Registrar”, “Receiving Agent” or “Share Registrars”</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>“Restricted Jurisdictions”</b>	the United States, Australia, Canada, Japan and any other jurisdiction where the extension or availability of the Open Offer would breach any applicable law
<b>“Securities Act”</b>	the United States Securities Act of 1933, as amended
<b>“Sellers”</b>	Thomas Quantrille and Marvin Murrell
<b>“Shareholders”</b>	registered holders of Ordinary Shares
<b>“Subscription”</b>	the subscription by Trevor Rudderham, John Knowles, Raymond Gibbs, Matthew Wood and Roger Humm for in aggregate 34,750 new Ordinary Shares at the Issue Price on the terms and subject to the conditions of subscription letters to be entered into between (1) the Company and (2) such persons
<b>“Subscription Shares”</b>	the 34,750 new Ordinary Shares to be issued pursuant to the Subscription
<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
<b>“US or United States”</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
<b>“USE”</b>	unmatched stock event

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

A reference to \$ or US\$ is to United States of America (USA) dollars, being the lawful currency of the USA.

A reference to € or Euro is to the lawful currency of the Euro area.

## GLOSSARY

<b>“CNT”</b>	carbon nanotube
<b>“composite”</b>	a material made by combining two or more dissimilar materials to create a product that exhibits characteristics combining the attributes of the constituents; the constituents remain as discrete phases
<b>“functionalisation”</b>	functionalisation of nanomaterials provides a means by which the surface chemistry of the materials may be modified
<b>“GNPs”</b>	graphene nanoplatelets – short stacks of platelet shaped graphene sheets
<b>“graphene”</b>	graphene is a flat monolayer (a 2D material) of carbon atoms, arranged in a hexagonal pattern (a honeycomb crystal lattice). The term graphene is generally accepted to apply to materials up to ten layers thick
<b>“plasma”</b>	plasma is one of the four fundamental states of matter – the others being solids, liquids and gas
<b>“polymer”</b>	a large molecule composed of repeated subunits (monomers)
<b>“proprietary”</b>	the ownership by Haydale or the Company of know-how and/or pending patent application(s) in respect of the process and product
<b>“SiC”</b>	silicon carbide

## PART I – LETTER FROM THE CHAIRMAN

# HAYDALE GRAPHENE INDUSTRIES PLC

(incorporated and registered in England and Wales with registered number 7228939)

### Directors

John Knowles BSc Eng. (Hons), *Chairman*  
Anthony Alfredo Belisario (Tony) B Tech (Hons), *Deputy Chairman*  
Raymond John Gibbs (Ray) BA (Hons) FCA, *Chief Executive Officer*  
Matthew Graham Wood (Matt) BA (Hons) FCA, *Finance Director*  
Graham Dudley Eves MA, *Non-Executive Director*  
Roger James Humm MBA BSc (Hons) FCA, *Non-Executive Director*  
Roger Anthony Smith BSc (Hons), *Non-Executive Director*

### Registered Office

Clos Fferws  
Parc Hendre  
Capel Hendre  
Ammanford  
Carmarthenshire  
SA18 3BL

23 September 2016

Dear Shareholder,

### **Placing, Subscription and Open Offer of up to 1,619,687 New Shares at 160 pence per New Share**

#### **1. Introduction**

The Company announced today that it has entered into an agreement to acquire the entire issued share capital of ACM, a silicon carbide whisker manufacturer based in South Carolina, United States, for a total consideration of up to \$7.0 million to be settled in cash and shares. See paragraph 4 of this Part I for further details.

To support the Acquisition, the Company also announced that Cantor Fitzgerald has conditionally raised £2.1 million (before expenses) by means of a Placing and Subscription to certain new and existing institutional and other investors of 1,307,187 New Shares at 160 pence per share.

In addition, in order to provide Shareholders who have not taken part in the Placing with an opportunity to participate in the proposed issue of New Shares, the Company is providing all Qualifying Shareholders with the opportunity to subscribe for an aggregate of up to 312,500 Open Offer Shares, to raise up to approximately £0.5 million (before expenses), on the basis of 1 New Share for every 49.324 Existing Ordinary Shares held on the Record Date, at 160 pence per share. Shareholders subscribing for their full entitlement under the Open Offer may also request additional New Shares through the Excess Application Facility.

The Placing, Subscription and Open Offer are within the Company's existing allotment authorities. The Placing and Open Offer are not underwritten.

The Issue Price represents a discount of approximately 6.8 per cent. to the price of 171.7 pence per Existing Ordinary Share, being the average Closing Price for the preceding 20 business days prior to the announcement of the Fundraising.

The purpose of this document is to provide you with details of and the background to the Acquisition and Fundraising and to explain why the Directors believe that the Acquisition, Fundraising and certain other matters are in the best interests of the Company and Shareholders.

#### **2. Information on ACM**

ACM, founded in 1976 through a joint venture to develop and license new methods of synthesising SiC, is today a US-based manufacturer of SiC materials, in particular high purity SiC whiskers, which are used to reinforce and toughen ceramics and polymers.

In 2006, ACM was acquired by way of a management buyout in conjunction with existing management and private investors from Tateho Chemical Industries Company, Ltd of Japan. Following the management buyout

ACM has continued to expand its capabilities to develop and manufacture performance materials and solutions.

ACM reported audited revenues of approximately \$3.8 million in the year ended 31 December 2015 and has an existing order book in excess of \$4.5 million. ACM's annual sales are underpinned by a recently signed 3-year contract with a Japanese customer who accounts for approximately \$2.0 million of ACM's annual revenue. ACM is currently break-even.

### **3. Background to and reasons for the Acquisition and Fundraising**

The Company having evaluated the North American market, has concluded that the best way to secure a strategic territorial foothold is to acquire a complementary business offering significant growth potential and synergistic products, whilst also allowing for substantial cross selling opportunities.

The Acquisition provides the Group with an established base and market position in SiC fibre and whisker in North America which will be the first US "Centre of Excellence", situated in the high growth tech region of South Carolina. The strategy is to take advantage of a fragmented and largely untapped graphene and nano technology market. This operation has quality technical and now commercial management following the appointment of Trevor Rudderham as CEO of HTI.

The North American market appears generally untapped and of equal importance to both Europe and the Far East. The decision to have a full time staff member and the new acquisition of ACM is a significant positive development for the Group's US operation. HTI, having acquired ACM, will operate from Greenville, South Carolina, with the ACM facility being capable of housing the Company's plasma reactors and it is expected to install one there in 2017.

The Acquisition is expected to open sales and collaboration opportunities in what is perceived as a fragmented market offering significant revenue opportunities. The directors believe there are substantial cross selling opportunities to increase ACM's existing profits through targeted sales of their silicon carbide products and the Company has already introduced a client to ACM who requires an enhanced scratch resistant cookware coating that ACM has previously supplied to another manufacturer. Pleasingly, following a rapid response by ACM to the inbound enquiry, the coating is now under evaluation with encouraging results. In addition to the Acquisition, discussions have commenced with two strategically important parties in the US regarding the acquisition of Haydale plasma reactors.

### **4. Details of the Acquisition and use of proceeds from the Fundraising**

The Acquisition would establish the Group's US base from which it can start to expand its graphene capabilities in the North American market and cross-sell ACM's nanomaterials through the Group's other territories.

The initial consideration for the Acquisition is approximately \$5.0 million in aggregate, to be settled in cash and shares, as set out below:

- repayment of existing asset backed loan of approximately \$2.9 million;
- repayment of existing working capital facility of approximately \$0.5 million;
- cash consideration payable to vendors of ACM of \$0.6 million; and
- equity consideration of \$1.0 million payable in Consideration Shares at the Consideration Price.

In addition, an earn-out amount is payable upon the satisfaction of certain conditions in the Acquisition Agreement which shall be an amount of no more than \$2,000,000 and shall be payable at the option of HTI in cash or the equivalent amount in new ordinary shares of the Company based upon the mid-market share price of the Company's shares on AIM on the close of business on the day before the announcement of the annual accounts for the relevant earn-out period.

The Fundraising has been undertaken to provide funding for the Acquisition. The net proceeds of the Fundraising of up to \$3.3 million (£2.4 million) will be used to:

- satisfy the initial vendor's cash consideration of \$0.6 million;

- provide working capital, supply new plasma reactor and transaction costs totalling \$1.0 million to ACM; and
- make net loan repayments of \$1.7 million after agreeing a new secured loan of \$1.7 million.

ACM's existing management (who are also the Sellers) and technical team are keen to stay and assist in growing the US business, where they have the opportunity to increase their consideration dependent on agreed sales growth over the period to 30 June 2020.

## 5. Current Trading

The Company has also today announced its preliminary results for the year ended 30 June 2016, a copy of which is available to download from the Company's website at [www.haydale.com](http://www.haydale.com).

During the year to 30 June 2016, income increased by over 30 per cent. to £1.92 million (2015: £1.48 million), generated from a mixture of reactor sales, grant income and HCS' traditional composite consulting business. In addition to the £0.59 million of reactor sales revenue recognised in the year, the Group has £0.2 million of deferred income at the year end to release during the current financial year in respect of reactor sales made in the year under review. The provision of composite consultancy services by HCS to third parties was, as budgeted, £0.54 million during the year ended 30 June 2016, a planned reduction on prior years due to the focus on internally generated novel products and their surrounding IP and know-how.

In the year to 30 June 2016, the Company's income generated from grant funded projects totalled £0.75 million (2015: £0.83 million) and arose where a consortium of often world renowned and strategically important international companies collaborate to develop new products with viable market needs.

Overall research and development spend for the year increased by almost two-thirds to £0.94 million (2015: £0.56 million), of which £0.51 million was expensed during the year, with the balance of £0.43 million being capitalised and will be amortised over 20 years. This planned increase in internal development work is expected to deliver material levels of sales of new products in the current and future financial years. The Group's other administrative costs for the year totalled £5.09 million (2015: £3.66 million) and included a full year of costs from HCS acquired in November 2014.

Overall, the loss from operations for the year was £4.01 million (2015: £3.01 million loss), and included non-cash items of £0.76 million (2015: £0.61 million). The loss per share for the year was -£0.26 (2015: -£0.25).

As at 30 June 2016, net assets amounted to £6.60 million (2015: £4.29 million), including cash balances of £2.86 million (2015: £2.05 million). Other current assets increased to £1.44 million at the year-end (2015: £0.95 million) complementing a reduction in current liabilities to £1.00 million as at 30 June 2016 (2015: £1.33 million).

Expenditure on capital equipment utilised a significant portion of cash during the year at £0.47 million (2015: £1.18 million) as the Group continued to invest in reactor and processing capacity during the year. In November 2015, the Company settled the entire deferred contingent consideration due on its acquisition of HCS in November 2014 of £0.77 million.

Key milestones achieved in the last 15 months (to date) include:

- Collaboration agreement signed with a world leading resin company, Huntsman Advanced Materials. The agreement specified a joint development of "graphene" enhanced resins such as Huntsman's market leader epoxy resin Araldite® in key composite markets, focussing initially on thermal conductivity. This work is the platform for development of a range of new graphene enhanced Araldite® resins which will be targeted at the industrial composites, automotive and aerospace markets;
- Confirmation of granted patent by the European Patent Office of the Haydale Plasma functionalisation process for, crucially, carbon and other nano particles, plus granted patents in China and Australia;
- Delivery, commissioning and installation of a HT60 R&D reactor to UK based, Centre of Process and Innovation;
- Grant funded development projects of over £0.8 million in aggregate secured;

- Joint development agreement entered into with Lincoln based SHD Composites Limited to launch graphene loaded resin impregnated woven fabrics (known as pre preg). The target markets include aerospace, automotive and sporting goods, together with the \$1.25 billion “out of autoclave” carbon fibre curing resin industrial tooling market;
- Establishment of composite pipe testing facility at HCS to enable the development and approval of graphene enhanced polymer pipes for the oil and gas industry;
- Focus on conductive ink has culminated in a second patent application from the Swansea University pipeline agreement, this time in wearable heated apparel aimed at high performance material for elite sports. The Company has strengthened its ink capability through a commercial tie up with Taiwan specialist ink manufacturer Downton Electronic Materials Co., Ltd., for the development, production, sales and marketing of a Haydale-branded graphene enhanced screen printable ink which will be aimed initially at the biomedical market;
- Joint development agreement between HCS and Flowtite Technology AS, the wholly owned GRP Pipe technology and R&D Centre of The Saudi Arabian Amiantit Company, one of the world’s largest glass fibre reinforced plastic (“GRP”) pipe companies. The programme is to develop the next generation GRP pipe systems for water and sewerage applications; and
- Collaboration agreement between Haydale and GK, part of AMG Advanced Metallurgical Group N.V., focusing on the development of new value added nano-material products using Haydale’s functionalisation process and certain GK graphitic feedstock material, primarily from its mine in Sri Lanka. Under the agreement Haydale supplies, under licence, one R&D reactor (HT60) and one larger capacity reactor (HT200) at commercial rates to GK for use in new R&D programs and the commencement of processing commercial volumes.

## 6. Director and Key Management Participation

Certain of the Directors and key management have subscribed for 34,750 Subscription Shares at the Issue Price.

<i>Name</i>	<i>Amount (£)</i>	<i>New Ordinary Shares</i>
Ray Gibbs	£9,600	6,000
Matt Wood	£10,000	6,250
Roger Humm	£10,000	6,250
John Knowles	£10,000	6,250
Trevor Rudderham	£16,000	10,000

The issue and allotment of the Subscription Shares will not exceed the Company’s existing authorities and therefore does not require shareholder approval.

Participation by certain Directors and Trevor Rudderham in the Subscription as stated above is considered a “related party transaction” under the AIM Rules. The Directors (other than Ray Gibbs, Matt Wood, John Knowles and Roger Humm) consider, having consulted with the Nomad, that the terms of participation for Ray Gibbs, Matt Wood, John Knowles, Roger Humm and Trevor Rudderham in the Subscription are fair and reasonable in so far as its Shareholders are concerned.

## 7. Details of the Placing

In addition to the Subscription, the Company has announced today that it had conditionally placed 1,272,437 Placing Shares at 160 pence per Placing Share with certain new and existing institutional and other investors to raise £2.0 million (before expenses). The issue and allotment of the Placing Shares will not exceed the Company’s existing authorities and therefore does not require Shareholder approval. In addition the Placing is not being underwritten by Cantor Fitzgerald or any other person.

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

- (i) the Placing Agreement not being terminated prior to Admission of the Placing Shares and being otherwise unconditional in all respects;



- (ii) the Acquisition Agreement becoming unconditional in all respects (save for any condition in the Acquisition Agreement relating to the Placing and Open Offer becoming unconditional); and
- (iii) Admission becoming effective on or before 8.00 a.m. on 12 October 2016 (or such later date and/or time as the Company and Cantor Fitzgerald may agree, being no later than 28 October 2016).

## **8. Details of the Open Offer**

Alongside the Placing and Subscription, the Company is proposing to raise a further amount of approximately £0.5 million (before expenses) pursuant to the Open Offer. The proposed issue price of 160 pence per Open Offer Share is the same price as the price at which New Shares are being issued pursuant to the Placing and Subscription, as the case may be.

Qualifying Shareholders may subscribe for Open Offer Shares in proportion to their holding of Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the Open Offer may also request additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer.

The issue and allotment of the Open Offer Shares will not exceed the Company's existing authorities and therefore does not require Shareholder approval.

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

- (i) completion of the Placing;
- (ii) the Placing Agreement not being terminated prior to Admission and becoming and being declared otherwise unconditional in all respects; and
- (iii) Admission becoming effective on or before 8.00 a.m. on 12 October 2016 (or such later date and/or time as the Company and Cantor Fitzgerald may agree, being no later than 28 October 2016).

### **Basic Entitlement**

On, and subject to the terms and conditions of the Open Offer, the Company invites Qualifying Shareholders to apply for their Basic Entitlement of Open Offer Shares at the Issue Price. Each Qualifying Shareholder's Basic Entitlement has been calculated on the following basis:

#### **1 Open Offer Share for every 49.324 Existing Ordinary Shares held at the Record Date**

Basic Entitlements will be rounded down to the nearest whole number of Ordinary Shares.

### **Excess Entitlement**

Qualifying Shareholders are also invited to apply for additional Open Offer Shares (up to the total number of Open Offer Shares available to Qualifying Shareholders under the Open Offer) as an Excess Entitlement. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualifying Shareholders who have applied for an Excess Entitlement at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares in issue at that time, including the right to receive all dividends and other distributions declared, made or paid after the date of Admission of them.

**Qualifying Shareholders should note that the Open Offer is not a "rights issue". Invitations to apply under the Open Offer are not transferable unless to satisfy *bona fide* market claims. Qualifying non-CREST Shareholders should be aware that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should also be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market nor will they be placed for the benefit of Qualifying Shareholders who do not apply for Open Offer Shares under the Open Offer.**

### **Settlement and dealings**

To the extent subscribed for, application will be made to the London Stock Exchange for Admission of the Open Offer Shares. It is expected that such Admission will become effective and that dealings will commence at 8.00 a.m. on 12 October 2016.

### **Overseas Shareholders**

The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the United Kingdom. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Shareholders with registered addresses in any jurisdiction other than the United Kingdom since to do so would require compliance with the relevant securities laws of that jurisdiction. The Company reserves the right to treat as invalid any application or purported application for Open Offer Shares which appears to the Company or its agents or professional advisers to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents or professional advisers believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of share certificates for Open Offer Shares, or in the case of a credit of Open Offer Shares in CREST, to a CREST member whose registered address would not be in the UK.

Notwithstanding the foregoing and any other provision of this document or the Application Form, the Company reserves the right to permit any Qualifying Shareholder to apply for Open Offer Shares if the Company, in its sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Part IV of this document together with the accompanying Application Form, in the case of Qualifying non-CREST Shareholders, contains the terms and conditions of the Open Offer.

If a Qualifying Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form or send a USE message through CREST.

### **Qualifying non-CREST Shareholders**

If you are a Qualifying non-CREST Shareholder you will have received an Application Form, which accompanies this document and which gives details of your Basic Entitlement (as shown by the number of the Open Offer Shares allocated to you). If you wish to apply for Open Offer Shares under the Open Offer you should complete the accompanying Application Form in accordance with the procedure for application set out in paragraph 4 of Part IV of this document and on the Application Form itself. The completed Application Form, accompanied by full payment, should be returned by post to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey, GU9 7DR so as to arrive as soon as possible and in any event no later than 11.00 a.m. on 10 October 2016.

### **Qualifying CREST Shareholders**

Application has been made for the Open Offer Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that the Open Offer Entitlements will be admitted to CREST on 26 September 2016. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. If you are a Qualifying CREST Shareholder, no Application Form is enclosed but you will receive credits to your appropriate stock account in CREST in respect of the Basic Entitlements to which you are entitled. You should refer to the procedure for application set out in paragraph 4 of Part IV of this document. The relevant CREST instruction must have settled by no later than 11.00 a.m. on 10 October 2016.

## **9. Risk Factors and Additional Information**

The attention of Shareholders is drawn to the risk factors set out in Part II and the information contained in Parts IV and V of this document, which provide additional information on the Open Offer and the Company.

## **10. Action to be taken**

Qualifying non-CREST Shareholders wishing to apply for Open Offer Shares or the Excess Shares must complete the enclosed Application Form in accordance with the instructions set out in paragraph 4 of Part IV (*Terms and Conditions of the Open Offer*) of this document and on the accompanying Application Form and return it with the appropriate payment to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, so as to arrive no later than 11.00 a.m. on 10 October 2016.

If you do not wish to apply for any Open Offer Shares under the Open Offer, you should not complete or return the Application Form. If you are a Qualifying CREST Shareholder, no Application Form will be sent to you. Qualifying CREST Shareholders will have Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to their stock accounts in CREST. You should refer to the procedure for application set out in paragraph 4 of Part IV (*Terms and Conditions of the Open Offer*) of this document. The relevant CREST instructions must have settled in accordance with the instructions in paragraph 4 of Part IV of this document by no later than 11.00 a.m. on 10 October 2016.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Yours faithfully

John Knowles

*Chairman*

## PART II – 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 Shareholders 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**

#### ***The Group is reliant on key executives and personnel***

The Group's business, development and prospects are dependent upon the continued services and performance of its Directors and other key personnel. 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 may not successfully manage its growth***

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. 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.

The Group intends to carry out certain expansion strategies. The Group's growth and future success will be dependent to some extent on the successful completion of such expansion strategies proposed to be undertaken by the Group and the sufficiency of demand for the Group's products. The execution of the Group's expansion strategies may also place a strain on its managerial, operational and financial reserves. Should the Group fail to implement such expansion strategies or should there be insufficient demand for the Group's products and services, the Group's business operations, financial performance and prospects may be adversely affected.

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

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

The development of a market for the Group's products is and will be affected by many factors, some of which are beyond its control, including the emergence of newer, more successful functionalisation methods, technologies and products and the cost of functionalising of the Group's products. Notwithstanding the technical merits of the processes developed by the Group, there can be no guarantee that its targeted customer base for the processes will ultimately purchase the Group's products. If markets fail to develop or develop more slowly than anticipated, the Group may be unable to recover losses incurred in the development of its process and may never achieve profitability. In addition, the Directors cannot guarantee that the Group will continue to develop, manufacture or market its processes if market conditions do not support the continuation of such products.

### ***Any expansion by the Group through merger and acquisition activity may be unsuccessful***

The Group may expand through mergers and acquisitions. In identifying potential merger and acquisition targets, the Group would make every effort to ensure appropriate due diligence is carried out. Merger and acquisition activity, including the difficulties involved in integrating companies, businesses or assets, may divert financial and management resources from the Group's core business, which could have an adverse effect on the Group's financial condition and future prospects. In addition, there can never be a guarantee that mergers or acquisitions will successfully achieve their aims.

### ***The Group's business is subject to operating risks***

The functionalisation process is potentially exposed to the risks of fire, breakdown or failure of equipment, power supply or processes, performance below expected levels of output or efficiency, obsolescence, sabotage, labour disputes, lock-outs, potential unavailability of services of its external contractors, natural disasters, industrial accidents and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly adversely impact the Group's operating results.

### ***Commercialisation***

The Directors anticipate that a significant part of the Group's future revenues will be derived from commercial arrangements with other companies. However, there can be no guarantee that the principal commercial arrangements with potential and existing companies will proceed beyond the current phases of such arrangements, even if such phases are successfully completed, or that following the current phases of such arrangements the partners identified will choose to adopt the Group's technologies through to market. The loss of any of these relationships could have a material adverse effect on the Group's future revenues.

### ***Counterparty risk***

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Group.

### ***Technology and research and development***

The Company is reliant upon complex technologies and its ability to continue to advance current proprietary processes and to develop new ones in order to gain a foothold in its target markets and to gain market share. The Company's future is also dependent on it being able to adapt its products in light of technological developments in the fast changing graphene industry. There is no guarantee that the Group will be successful in these regards.

The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. In addition, the Group may not be able to develop new technology solutions or identify specific market needs that can be addressed by technology solutions developed by the Group.

### ***Requirement for further investment***

The Group may require funds for expansion. There can be no guarantee that the necessary funds will be available when required or on acceptable terms. If, for whatever reason, the Group is unable to obtain additional funding, it may need to cut back its growth plans or retrench its operations. If this situation was to arise, it would be likely to have an adverse impact on the Group's business, its development, financial condition, operating results or prospects and share price. If the Group fails to generate sufficient cash through the sale of its products, it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and/or the ongoing operating costs of the Group. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development.

If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a pre-emptive basis to then existing shareholders, the percentage ownership of such shareholders may be substantially diluted.

### ***Health and safety and environmental issues (“HSE”)***

The Group’s operations are, and will remain, subject to HSE requirements in the jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials. The cost of compliance with these requirements is expected to increase. Although the Directors believe that the Group’s procedures comply with applicable regulations, any failure to comply with HSE laws and regulations could result in the Group incurring costs and/or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group’s results of operations and financial condition. Accidents or mishandling involving hazardous substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and/or regulator enforcement proceedings, both of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of the Group’s business could result in significant additional costs to replace, repair and insure the Group’s assets, which could negatively affect the Group’s business, prospects, operating results and financial condition. The Group cannot predict the impact of new or changed HSE laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced.

To the extent that any of the requirements impose substantial costs or constrain the Group’s ability to expand or change its processes, the Group’s business, prospects, operating results and financial condition may suffer as a result.

### ***Handling graphene safely***

Graphene is a relatively new material with a limited number of studies into its effects on biological systems. The Health and Safety Executive published guidance on the use of nanomaterials in the workplace and specifically about the manufacture and manipulation of all manufactured nanomaterials, including CNTs and other biopersistent high aspect ratio nanomaterials (“HARNs”). The report stated that there was emerging evidence indicating that exposure to some kinds of nanomaterials can cause skin inflammation and fibrosis in the lungs but that there was insufficient data to confirm health consequences of long term repeated exposure and more information was required to properly understand the conditions that produce such effects.

The Directors believe that the Group is acting prudently by following the Health and Safety Executive guidelines for the handling of HARNs in its procedures for handling GNPs and CNTs. However, there is no guarantee that evidence will not emerge that graphene has a deleterious effect on biological systems, which may limit the potential applications of GNPs, require the Group to expend additional funds on safety measures, and potentially have a material adverse effect on the Group’s business, financial position or prospects.

### ***Uninsured liabilities***

The Group may be subject to substantial liability claims due to the technical nature of its business and products or for acts or omissions of its sales representatives, agents or distributors. The Group can give no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage.

### ***Disaster recovery***

The Group depends on the performance, reliability and availability of its plant, equipment and information technology systems. Any damage to, or failure of, its equipment and/or systems could result in disruptions to the Group’s operations. The Group’s disaster recovery plans (which are currently in place for financial systems and are in contract negotiations for other IT systems) may not adequately address every potential event and its insurance policies may not cover any loss in full or in part (including losses resulting from business interruptions) or damage that it suffers fully or at all, which could have a material adverse effect on the Group’s business, financial position or prospects.

### ***Litigation and product liability***

Legal proceedings, with or without merit, may arise from time to time in the course of the Group's business, including in connection with intellectual property rights. The Directors cannot preclude litigation being brought against the Group and any litigation brought against the Group could have a material adverse effect on the financial condition, results or operations of the Company. The Group's business may be materially adversely affected if the Group and/or its employees or agents are found not to have met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards.

### ***Taxation***

The attention of potential investors is drawn to paragraph 4 of Part V of this document headed "Taxation". Any change in the Group's tax status or in taxation legislation or its interpretation could affect the value of the investments held by the Company. Representations in this document concerning the taxation of the Group and its investors are based upon current tax law and practice which is subject to change.

### ***Internal controls***

Future growth and prospects for the Company will depend on its management's ability to manage the business of the Group and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations.

### ***The Group's objectives***

The Group's objectives may not be fulfilled. The value of an investment in the Group is dependent upon it achieving the aims set out in this document. There can be no guarantee that it will achieve the level of success that the Directors expect.

### ***Competing technology***

There can be no assurance that others have not developed or will not develop similar processing technology, duplicate any of the Group's technology or design around any patent applications held by the Group. Others may hold or receive patents which contain claims having a scope that covers the technology developed by the Group (whether or not patents are issued to the Group). In addition, no assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Company can ultimately protect meaningful rights to such unpatented technology.

### ***Intellectual property***

The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property 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 intellectual property on which the Group's business is based is a combination of patent applications and confidential know-how. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group.

There is a risk that certain objections may be raised by patent offices in relation to the ongoing patent applications which have been filed by the Group. These may result in revised applications or prevent those patent applications from being granted. If the patent applications are not granted, the consequence is that the techniques and processes described in the patent applications would not be protected and would be in the public domain. The Group would then continue to rely on the confidential know-how it has developed in related, ancillary or other processes and techniques it uses, such as the techniques it has developed for

the dispersion of GNPs. In addition, the Group would (where possible) pursue new patent applications for such related, ancillary and other processes and techniques it has developed.

Due to the high level of the global patent applications surrounding the production of graphene and its many uses, the Company considers it to be impracticable and probably ineffective to carry out exhaustive freedom to operate searches or mapping exercises. Consequently, applications may have been filed which impinge on or adversely impact the Group's patent applications. Notwithstanding the foregoing, the state of progress at the patent offices currently suggests favourable patentability prospects. Once granted, a patent can be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, granted patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction. Until the Company's patents are granted, the Company is unable to take action to protect its proprietary processes. A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents, against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group's intellectual property rights and activities. There is no assurance that obligations to maintain the Group's know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse. Any claims made against the Group's intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group's resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty arrangements. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims would not have a material adverse effect on the Group's business, financial condition or results. No assurance can be given that third parties will not in the future claim rights in or ownership of the patents and other proprietary rights from time to time held by the Group. As further detailed above, substantial costs (both financially and in management time) may be incurred if the Group is required to defend its intellectual property.

#### ***Risk to intellectual property and proprietary rights through licensing the Group's processing technology***

Despite the Group's efforts to protect its intellectual proprietary rights, there is a risk that unauthorised third parties may attempt to copy the Group's processing technology or to obtain and use information that the Group regards as proprietary. Legal proceedings to enforce the Group's intellectual property rights could be burdensome and expensive and could involve a high degree of uncertainty. If the Group cannot successfully enforce its intellectual property rights this could have a material adverse effect on its business, financial condition and prospects.

#### **Risks factors relating to the markets in which the Group proposes to operate**

##### ***Demand for graphene may not match expectations***

Although there are numerous potential applications for graphene and potentially a large global market, there is no guarantee that graphene will become a widely accepted material for use on a commercial scale and in addition it is possible that new products may supersede graphene. Even if graphene does become widely accepted, industry may be unwilling to disrupt its existing manufacturing processes or take longer to do so than anticipated and the conversion of current interest into wide scale commercial adoption may therefore either fail to materialise or take longer than anticipated. The Group may also be unsuccessful in its effort to realise commercial and financial benefits from this wider acceptance.

##### ***Competition risk***

The Group may face significant competition from organisations which have developed competing products and which have greater capital resources than those of the Group and this might have an adverse impact on the Group. There is no assurance that the Group will be able to compete successfully in the marketplace in which it seeks to operate. The Directors believe that there is ample room in the market for competition should this arise and that any competition in fact enhances the value of the Company by validating its technology and market appeal.



### ***Impact of supply and demand of graphene on sales and pricing.***

Commercial applications of graphene are currently limited. The Directors believe that, at present, aggregate global manufacturing capacity for graphene exceeds aggregate demand and that this will provide the Group with potential sales opportunities for its products. Furthermore, the Directors believe that in overseas markets, demand for graphene will, in general, exceed local supplies thereby providing export opportunities for the Group. If these market assumptions are incorrect, the Group's sales targets may not be achieved.

### ***Exposure to exchange rate fluctuations***

The Group is likely to be exposed to exchange rate fluctuations. Changes in foreign currency exchange rates may affect the Group's pricing of products sold and materials purchased in foreign currencies. The Directors will, where appropriate, consider using certain derivative financial instruments, including foreign currency forward contracts used to hedge sale commitments denominated in foreign currencies, to reduce the Group's exposure to this risk.

### ***Exposure to economic cycle***

Market conditions may affect the value of the Company's share price regardless of operating performance. The Group could be affected by unforeseen events outside of its control including economic and political events and trends, inflation and deflation, terrorist attacks or currency exchange fluctuation. The combined effect of these factors is difficult to predict and an investment in the Company could be affected adversely by changes in economic, political, administrative, taxation or other regulatory factors in any jurisdiction in which the Group may operate. Deterioration in the economic climate could result in a delay or cancellation of clients' projects.

### ***Force majeure events***

There is a risk that the markets in which the Group currently operates could be affected by events such as war, civil war, riot or armed conflict, acts of terrorism, floods, explosions or other catastrophes, epidemics or quarantine restrictions, which are outside of the Directors' control and generally not covered by insurance. Such events could have a variety of materially adverse consequences for the Group, including risks and costs related to decline in revenues or reputational damage, and injury or loss of life, as well as litigation related thereto.

### ***Laws and regulations***

The Group is subject to the laws of the United Kingdom. Existing and future legislation and regulation could cause additional expense, capital expenditure and restrictions and delays in the activities of the Company, the extent of which cannot be predicted. No assurance can be given that new laws, rules and regulations will not be enacted or existing laws, rules and regulations will not be applied in a manner which could limit or curtail certain of the Group's activities or services. Similar risks could apply in any overseas markets into which the Group may sell its products.

## **Risks relating to the Placing and the Open Offer**

### ***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' (who are not Placees) proportionate ownership and voting interest in the Company will be reduced pursuant to the Placing. In addition, to the extent that Shareholders do not take up the offer of Open Offer Shares under the Open Offer, their proportionate ownership and voting interest in the Company will be further reduced and the percentage that their shareholdings represent of the ordinary share capital of the Company will, following Admission, be reduced accordingly. Subject to certain exceptions, Shareholders in the United States and other Restricted Jurisdictions will not be able to participate in the Open 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.

**EIS & VCT status**

The Company has been a qualifying company for the purposes of the EIS although the new Ordinary Shares issued pursuant to the Fundraising are not capable of being a “qualifying holding” for the purposes of investment by VCTs, as described in the paragraph headed VCT and EIS of Part V of this document.

Although there is no intention by the Company to issue further EIS and VCT qualifying shares, it is intended that the Company will be managed so that this status continues. There is, however, no guarantee that such status will be maintained. Changes in the Company’s circumstances may result in such status being withdrawn, in which case investors who had participated in previous Fundraising as an EIS or VCT investment may lose the tax benefits associated with such an investment and any tax relief that has been claimed may be reduced or withdrawn.

**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 III – SOME QUESTIONS AND ANSWERS ON THE FUNDRAISING

*The questions and answers set out in this Part III are intended to be in general terms only and, as such, you should read Part IV of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, fund manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.*

*This Part III deals with general questions relating to the Placing and the Open Offer and more specific questions relating principally to Existing Ordinary Shares held by persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 6 of Part IV of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Open Offer Entitlements. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IV of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor.*

**The contents of this document should not be construed as legal, business, accounting, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action.**

### 1. What is a placing and an open offer?

A placing and an open offer are ways for companies to raise money. Companies may do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings (an open offer) and providing for specifically identified investors also to acquire a certain number of shares at the same price (a placing). The fixed price is normally at a discount to the market price of the existing ordinary shares prior to the announcement of the placing and the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire, in aggregate, up to 312,500 Open Offer Shares at a price of 160 pence per New Share. If you hold Existing Ordinary Shares on the Record Date or have a *bona fide* market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address in, or located in, the United States or another Restricted Jurisdiction, you will be entitled to apply for Open Offer Shares under the Open Offer.

**The Open Offer is being made on the basis of 1 Open Offer Share for every 49.324 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.**

Applications by Qualifying Shareholders will be satisfied in full up to the amount of their individual Basic Entitlements. Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlements in full, to apply for additional Open Offer Shares through the Excess Application Facility.

**Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying non-CREST Shareholders should also note that the Application Form is not a negotiable document and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only), and the Open Offer Entitlements will not be tradable or listed, and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.**

## **2. Am I eligible to participate in the Placing?**

Unless you are a Placee, you will not be eligible to participate in the Placing.

## **3. I hold my Existing Ordinary Shares in certificated form. How do I know if I am able to apply to acquire Open Offer Shares under the Open Offer?**

If you have received an Application Form and, subject to certain exceptions, are not a holder with a registered address in or located in the United States or another Restricted Jurisdiction, then you should be eligible to acquire Open Offer Shares under the Open Offer, as long as you had not sold all of your Existing Ordinary Shares on or before 8.00 a.m. on 21 September 2016 (the Ex-entitlement Date for the Open Offer).

## **4. I hold my Existing Ordinary Shares in certificated form. How do I know how many Open Offer Shares I am entitled to take up?**

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address in and are not located in the United States or another Restricted Jurisdiction, you should have been sent an Application Form with this document.

That Application Form shows:

- how many Existing Ordinary Shares you held at close of business on the Record Date;
- how many Open Offer Shares are comprised in your Basic Entitlement; and
- how much you need to pay if you want to take up your right to subscribe for all your entitlement to the Open Offer Shares.

If you have a registered address or are located in the United States or, subject to certain exceptions, one of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of, all of or more than the Open Offer Shares comprised in your Open Offer Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Please return the completed form in the reply-paid envelope provided with the Application Form along with a cheque or banker's draft for the number of Open Offer Shares you want to apply for and allow at least four Business Days for delivery if sent by first class post from within the United Kingdom. Please also see questions 5 and 11 for further help in completing the Application Form.

## **5. I am a Qualifying Shareholder with a registered address in the UK and I hold my Existing Ordinary Shares in certificated form. What are my choices in relation to the Open Offer and what should I do with the Application Form?**

### **5.1 If you want to take up all of your Basic Entitlement?**

you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the completed Application Form, together with your cheque or banker's draft for the amount (as indicated in Box 5 of your Application Form), payable to 'Share Registrars Limited a/c Haydale Graphene Industries plc' in the reply paid envelope provided, by post, or by hand (during normal business hours only) to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR to arrive by no later than 11.00 a.m. on 10 October 2016. Within the United Kingdom only, you can use the reply-paid envelope which is enclosed with the Application Form. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in Part IV of this document and in the Application Form.

### **5.2 If you want to take up some but not all of your Basic Entitlement?**

If you want to take up some but not all of you Basic Entitlement, you should write the number of Open Offer Shares you want to take up in Box 2 of your Application Form; for example, if you are

entitled to take up 1,000 shares but you only want to take up 500 shares, then you should write '500' in Box 2.

To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example '1,000') by 160 pence, which is the price of each Open Offer Share (giving you an amount of £1,600 in this example). You should write this amount in Box 5, and this should be the amount your cheque or banker's draft is made out for. You should then return your Application Form together with your cheque or banker's draft for that amount, payable to 'Share Registrars Limited a/c Haydale Graphene Industries plc' and crossed "A/C payee only", in the reply-paid envelope provided, by post, or by hand (during normal business hours only) to Share Registrars, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, to arrive by no later than 11.00 a.m. on 10 October 2016, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the reply-paid envelope which is enclosed with the Application Form. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope.

Full instructions are set out in Part IV of this document and in the Application Form. A definitive share certificate will then be sent to you for the Open Offer Shares that you validly take up. Your definitive share certificate for such Open Offer Shares is expected to be despatched to you by no later than 19 October 2016.

### **5.3 If you want to apply for more than your Basic Entitlement?**

Provided that you have agreed to take up your Basic Entitlement in full, you can apply for further Excess Shares using the Excess Application Facility. You should write the number of Open Offer Shares you wish to take up in Box 2 which must be the number of Open Offer Shares shown in Box 7. You should then write the number of Excess Shares you wish to apply for under the Excess Application Facility in Box 3 and then complete Box 4 by adding together the numbers you have entered in Boxes 2 and 3.

To work out how much you need to pay for the Open Offer Shares you are applying for, you need to multiply the number of Open Offer Shares shown in Box 4 by the Issue Price, which is the price of each Open Offer Share. You should write this amount in Box 5, rounding down to the nearest whole penny. You should then return your Application Form together with your cheque or banker's draft for that amount payable to 'Share Registrars Limited a/c Haydale Graphene Industries plc' and crossed "A/C payee only", in the reply-paid envelope provided, by post to Share Registrars, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, to arrive by no later than 11.00 a.m. on 10 October 2016, after which time the Application Form will not be valid. Within the United Kingdom only, you can use the accompanying reply-paid envelope.

You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. If posting from outside the United Kingdom, postage will be payable when using the reply-paid envelope. Full instructions are set out in the Application Form. If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take-up of Open Offer Entitlements, such applications will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders under the Excess Application Facility. Therefore, applications under the Excess Application Facility may not be satisfied in full. In this event, Qualifying Shareholders will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, the relevant Qualifying Shareholder, multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the applicant's sole risk.

### **5.4 If you do not want to take up your Open Offer Entitlement**

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. The Open Offer Shares you could have taken up will not be issued by the Company to you or for your benefit. You cannot sell your Application Form or your Open Offer Entitlement to anyone else.

If you are not a Placee and you do not take up any of your Open Offer Entitlement, then following the Fundraising, your interest in the Company will be diluted, although you should note that even if a Qualifying Shareholder subscribes for his full entitlement to the Open Offer Shares, his proportionate interest in the Company will be diluted by the issue of New Shares pursuant to the Placing.

**6. I hold my Existing Ordinary Shares in uncertificated form in CREST. What do I need to do in relation to the Open Offer?**

CREST members should follow the instructions set out in Part IV of this document. Persons who hold Existing Ordinary Shares through a CREST member should be informed by such CREST member of the number of Open Offer Shares they are entitled to apply for under their Open Offer Entitlement and should contact their CREST member should they not receive this information.

**7. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive an Application Form or I have lost my Application Form?**

If you do not receive an Application Form, this probably means that you are not eligible to participate in the Open Offer. Some Qualifying non-CREST Shareholders, however, will not receive an Application Form but may still be eligible to participate in the Open Offer, namely:

- (i) Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form on 21 September 2016 and who have converted them to certificated form;
- (ii) Qualifying non-CREST Shareholders who bought Existing Ordinary Shares before 21 September 2016 but were not registered as the holders of those shares at the close of business on 21 September 2016; and
- (iii) certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact Share Registrars Limited on 01252 821390 from within the UK or +44 1252 821390 if calling from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

**8. If I buy Existing Ordinary Shares after the Record Date will I be eligible to participate in the Open Offer?**

If you buy or have bought Existing Ordinary Shares after the Record Date you are unlikely to be able to participate in the Open Offer in respect of those Existing Ordinary Shares.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

**9. What if I change my mind?**

If you are a Qualifying non-CREST Shareholder, once you have sent your Application Form and payment to the Receiving Agent, you cannot withdraw your application or change the number of Open Offer Shares you have applied for, except in the very limited circumstances which are set out in paragraph 4 of Part IV of this document.

**10. What if the number of Open Offer Shares to which I am entitled is not a whole number? Am I entitled to fractions of Open Offer Shares?**

Your entitlement to Open Offer Shares will be calculated at the Record Date. If the result is not a whole number, you will not receive an Open Offer Share in respect of the fraction of each Existing Ordinary Share and your entitlement will be rounded down to the nearest whole number.

**11. I hold my Existing Ordinary Shares in certificated form. What should I do if I want to spend more or less than the amount set out in Box 8 of the Application Form?**

If you want to spend more than the amount set out in Box 8 you should divide the amount you want to spend by 160 pence (being the price in pence of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares for which you should apply. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £500 you should divide £500 by 160 pence, which comes to 312.5. You should round that down to 312 to give you the number of Open Offer Shares for which, in this example, you can apply without exceeding your chosen amount. Write the total number of Open Offer Shares (in this example 312) in Box 4. To get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (312) by 160 pence and then fill in that amount rounded down to the nearest whole penny (in this example being £500), in Box 5 and on your cheque or banker's draft accordingly.

You should note that the number of available Open Offer Shares under the Excess Application Facility is dependent on the level of take-up of Open Offer Entitlements. If applications are received for more than the available number of Open Offer Shares, applications made under the Excess Application Facility will be scaled back *pro rata* to the number of Excess Shares applied for by Qualifying Shareholders. Assuming that there are no Overseas Shareholders who have registered addresses in, or are residents in or citizens of a Restricted Jurisdiction, and if every Qualifying Shareholder takes up their Open Offer Entitlements in full there will be no Open Offer Shares available under the Excess Application Facility. Qualifying non-CREST Shareholders whose applications under the Excess Application Facility are so scaled back will receive a pounds sterling amount equal to the number of Open Offer Shares applied and paid for by, but not allocated to, them multiplied by the Issue Price. Monies will be returned as soon as reasonably practicable, without payment of interest and at the Applicant's sole risk.

If you want to spend less than the amount set out in Box 8, you should divide the amount you want to spend by 160 pence (being the price, in pence, of each Open Offer Share under the Open Offer). This will give you the number of Open Offer Shares you should apply for. You can only apply for a whole number of Open Offer Shares. For example, if you want to spend £100 you should divide £100 by 160 pence. You should round that down to the nearest whole number (in this example, 62), to give you the number of shares you want to take up. Write that number (in this example, 62) in Box 2. Then to get an accurate amount to put on your cheque or banker's draft, you should multiply the whole number of Open Offer Shares you want to apply for (in this example, 62) by 160 pence and then fill in that amount rounded down to the nearest whole penny (in this example being £100 in Box 5 and on your cheque or banker's draft accordingly).

**12. I hold my Existing Ordinary Shares in certificated form. What should I do if I have sold some or all of my Existing Ordinary Shares?**

If you hold Existing Ordinary Shares directly and you sold some or all of your Existing Ordinary Shares before or on 21 September 2016, you should contact the buyer or the person/ company through whom you sold your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sold any of your Existing Ordinary Shares on or after 22 September 2016, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

**13. I hold my Existing Ordinary Shares in certificated form. How do I pay?**

You should return your Application Form with a cheque or banker's draft drawn in pounds sterling on a bank or building society account in the UK in the reply-paid envelope enclosed (from within the United Kingdom). You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope within the United Kingdom. Cheques should be drawn on a sole or joint personal account



of the Qualifying Shareholder who is applying for the Open Offer Shares. The funds should be made payable to "Share Registrars Limited a/c Haydale Graphene Industries plc". In each case, the cheque should be crossed "A/C Payee only". Payments via CHAPS, BACS or electronic transfer will not be accepted. Third party cheques may not be accepted with the exception of banker's drafts or building society cheques where the bank or building society has confirmed the name of the account holder (which must be the same name as appears on page 1 of the Application Form) on the back of the draft or cheque and have added their branch stamp.

**14. Will the Existing Ordinary Shares that I hold now be affected by the Open Offer?**

If you decide not to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, or only apply for some of your entitlement, your proportionate ownership and voting interest in the Company will be reduced (in addition to the reduction caused by the Placing).

**15. I hold my Existing Ordinary Shares in certificated form. Where do I send my Application Form?**

You should send your completed Application Form and monies by post in the enclosed reply paid envelope (from within the United Kingdom) by post or by hand (during normal business hours only) to Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR. You should allow at least four Business Days for delivery if using first class post or the reply-paid envelope within the United Kingdom. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

**16. I hold my Existing Ordinary Shares in certificated form. When do I have to decide if I want to apply for Open Offer Shares?**

The Receiving Agent must receive your completed Application Form and cheque or banker's draft by 11.00 a.m. on 10 October 2016. You should allow at least four Business Days for delivery if using first-class post or the reply-paid envelope included with the Application Form, within the United Kingdom.

**17. I hold my Existing Ordinary Shares in certificated form. If I take up my entitlements, when will I receive the certificate representing my Open Offer Shares?**

It is expected that the Registrars will post all Open Offer Share certificates by 19 October 2016.

**18. What should I do if I think my holding of Existing Ordinary Shares (as shown in Box 6 on page 1 of the Application Form) is incorrect?**

If you bought or sold Existing Ordinary Shares shortly before the Record Date, your transaction may not have been entered on the register of members before the Record Date for the Open Offer. If you bought Existing Ordinary Shares before 21 September 2016 but were not registered as the holder of those shares on the Record Date for the Open Offer (21 September 2016), you may still be eligible to participate in the Open Offer. If you are in any doubt, please contact your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement. You will not be entitled to Open Offer Entitlements in respect of any Existing Ordinary Shares acquired on or after 22 October 2016.

**19. Will the Fundraising affect dividends (if any) on the Existing Ordinary Shares?**

The New Shares will, when issued and fully paid, rank equally in all respects with Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared, if any, by reference to a record date after the date of their issue.

**20. Will I be taxed if I take up my entitlements?**

Information on taxation in the United Kingdom with regard to the Open Offer is set out in paragraph 4 of Part V of this document. This information is intended to be only a general guide to certain UK tax

considerations and Shareholders who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction are strongly recommended to consult their own professional advisers.

**21. What should I do if I live outside the United Kingdom?**

Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Open Offer Entitlement. Shareholders with registered addresses or who are located in the United States or another Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 6 of Part IV of this document.

**22. How do I transfer my entitlements into the CREST system?**

If you are a Qualifying non-CREST Shareholder, but are a CREST member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (Box 13 on page 4 of the Application Form), and ensure they are delivered to CCSS in accordance with the instructions in the Application Form. CREST sponsored members should arrange for their CREST sponsors to do this. If you have transferred your rights into the CREST system, you should refer to paragraph 4.2 of Part IV of this document for details on how to apply and pay for the Open Offer Shares.

**23. Do I need to comply with the Money Laundering Regulations (as set out in paragraph 5 of Part IV of this document)?**

If you are a Qualifying non-CREST Shareholder, you may not need to follow these procedures if you pay for them by a cheque drawn on an account in your own name and that account is one which is held with an EU or United Kingdom regulated bank or building society. If you are a Qualifying CREST Shareholder, you will not generally need to comply with the Money Laundering Regulations unless you apply to take up all or some of your entitlement to Open Offer Entitlements as agent for one or more persons and you are not an EU or United Kingdom regulated financial institution. Qualifying non-CREST Shareholders and Qualifying CREST Shareholders should refer to paragraph 5 of Part IV of this document for a fuller description of the requirements of the Money Laundering Regulations.

## PART IV – TERMS AND CONDITIONS OF THE OPEN OFFER

### 1. Introduction

As explained in Part I of this document, the Company is proposing to issue 1,272,437 Placing Shares pursuant to the Placing and 34,750 Subscription Shares to raise in aggregate £2.1 million, before expenses, and up to 312,500 Open Offer Shares pursuant to the Open Offer to raise up to £0.5 million.

Qualifying Shareholders are being offered the opportunity under the Open Offer to acquire Open Offer Shares at 160 pence per share, being the same price per share as in the Placing. The Placing Shares are not subject to clawback and do not form part of the Open Offer.

The Issue Price of 160 pence represents a discount of approximately 6.8 per cent. to the price of 171.7 pence per Existing Ordinary Share, being the average Closing Price for the preceding 20 business days prior to the announcement of the Fundraising. This document and, where relevant, the Application Form contain the formal terms and conditions of the Open Offer.

The Open Offer Shares have not been underwritten or conditionally placed.

### 2. The Open Offer

Subject to the terms and conditions set out below and in the Application Form, the Company invites Qualifying Shareholders to apply for Open Offer Shares at the Issue Price, payable in full in cash on application, free of all expenses, on the basis of:

#### 1 Open Offer Share for every 49.324 Existing Ordinary Shares

held by them and registered in their names at close of business on 21 September 2016, the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held.

A Qualifying Shareholder who holds Existing Ordinary Shares in certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating entitlements under the Open Offer.

Fractions of Open Offer Shares will not be allocated to Qualifying Shareholders and entitlements to apply for Open Offer Shares will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Basic Entitlement, which, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Entitlements as shown in Box 7 on their Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Entitlements credited to their stock account in CREST. The action to be taken in relation to the Open Offer depends on whether you have received an Application Form in respect of your Open Offer Entitlement under the Open Offer or have your Open Offer Entitlement credited to your stock account in CREST.

Qualifying Shareholders are also invited to apply for additional Open Offer Shares as an Excess Entitlement, up to the total number of Open Offer Shares available under the Open Offer. Any Open Offer Shares not issued to a Qualifying Shareholder pursuant to their Basic Entitlement will be apportioned between those Qualifying Shareholders who have applied for Excess Entitlements at the sole discretion of the Board, provided that no Qualifying Shareholder shall be required to subscribe for more Open Offer Shares than he or she has specified on the Application Form or through CREST.

If you have received an Application Form with this document please refer to paragraph 4.1 of this Part IV.

If you hold your Existing Ordinary Shares in CREST and have received a credit of Open Offer Entitlements to your CREST stock account, please refer to paragraph 4.2 of this Part IV and also to the CREST Manual for further information on the CREST procedures referred to below.

**The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Open Offer Entitlements (in respect of Qualifying CREST Shareholders) may be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open**

**Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer.**

The Existing Ordinary Shares are admitted to AIM. To the extent subscribed for, application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective on 12 October 2016 and that dealings in the Open Offer Shares will commence at 8.00 a.m. on that date.

The Existing Ordinary Shares are already enabled for settlement in CREST. No further application for admission to CREST is required for the Open Offer Shares; all such shares, when issued and fully paid, may be held and transferred by means of CREST as Ordinary Shares.

Application has been made for the Open Offer CREST Entitlements to be enabled for settlement in CREST. The conditions to such admission having already been met, the Open Offer Entitlements are expected to be admitted to CREST with effect from 26 September 2016. The Open Offer Shares will be issued fully paid and will be identical to, and rank *pari passu* in all respects with, the Existing Ordinary Shares and will rank for all dividends or other distributions declared, made or paid after the date of issue of the Open Offer Shares. No temporary documents of title will be issued. Further details of the rights attaching to the Existing Ordinary Shares are set out in the Articles of Association which are available on the Company's website ([www.haydale.com](http://www.haydale.com)).

### **3. Conditions of the Open Offer**

The Open Offer is conditional upon the Placing becoming unconditional in all respects (in so far as it relates to the Open Offer). The Placing Agreement is conditional, amongst other things, on:

- (i) completion of the Placing;
- (ii) the Placing Agreement not being terminated prior to Admission and becoming and being declared otherwise unconditional in all respects as regards the Open Offer; and
- (iii) Admission becoming effective on or before 8.00 a.m. on 12 October 2016 (or such later date and/or time as the Company and Cantor Fitzgerald may agree, being no later than 28 October 2016).

If these and the other conditions to the Open Offer are not satisfied or waived (where capable of waiver), the Open Offer will lapse and will not proceed and any applications made by Qualifying Shareholders will be rejected. In these circumstances, application monies received by the Receiving Agent in respect of Open Offer Shares will be returned (at the applicant's sole risk), without payment of interest, as soon as reasonably practicable thereafter. A summary of the material terms of the Placing Agreement is set out in paragraph 2 of Part V of this document. Lapsing of the Open Offer cannot occur after dealings in the Open Offer Shares have begun.

### **4. Procedure for application and payment**

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under the FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken by Qualifying Shareholders in respect of the Open Offer depends on whether at the relevant time they have an Application Form in respect of their entitlement under the Open Offer or they have Open Offer Entitlements credited to their CREST stock account in respect of such entitlement.

If a Qualifying CREST Shareholder is a CREST sponsored member they should refer to their CREST sponsor if they wish to apply for all or some of their entitlement under the Open Offer, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the

Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

If for any reason it becomes necessary to adjust the expected timetable as set out in this document the Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates.

#### **4.1 If you have an Application Form in respect of your Open Offer Entitlement**

##### *4.1.1 General*

Subject as provided in paragraph 6 of this Part IV in relation to Overseas Shareholders, Qualifying non-CREST Shareholders will receive an Application Form. The Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date. It also shows the number of Open Offer Shares for which you may apply pursuant to your Basic Entitlement (on an initial *pro rata* basis) as shown by the total number of Open Offer Shares allocated to you. You may apply for less than your initial *pro rata* entitlement should you wish to do so. You may also apply for additional Open Offer Shares by completing Boxes 3 and 4 on the Application Form relating to your Excess Entitlement.

Qualifying non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim. If the total number of Open Offer Shares applied for by all Qualifying Shareholders exceeds 312,500, applications for Open Offer Shares will be scaled back at the discretion of the Directors. The instructions and other terms set out in the Application Form form part of the terms of the Open Offer in relation to Qualifying non-CREST Shareholders.

##### *4.1.2 Market claims*

Applications for the Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Existing Ordinary Shares through the market prior to the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, being 26 September 2016. Application Forms may be split up to 3.00 p.m. on 6 October 2016.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying non-CREST Shareholder who has sold or transferred all or part of his holding of Existing Ordinary Shares prior to 26 September 2016, being the date upon which the Existing Ordinary Shares were marked “ex” the entitlement to the Open Offer by the London Stock Exchange, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed from him by the transferee pursuant to the rules of the London Stock Exchange. Qualifying non-CREST Shareholders who have sold all of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into the United States, Australia, Canada, Japan or any other Restricted Jurisdiction. If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in paragraph 4.2 below.

##### *4.1.3 Application procedures*

If you are a Qualifying non-CREST Shareholder and wish to apply for all or some of your entitlement to Open Offer Shares under the Open Offer you should complete and sign the Application Form in accordance with the instructions on it and send it, together with the appropriate remittance, by post to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or by hand (during normal business hours only) to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, so as to arrive no later than 11.00 a.m. on 10 October 2016. A reply-paid envelope is enclosed for use by Qualifying

non-CREST Shareholders in connection with the Open Offer. Please note that the Receiving Agent cannot provide financial advice on the merits of the Open Offer or as to whether or not you should take up your entitlement to Open Offer Shares under the Open Offer.

If any Application Form is sent by first class post or using the reply-paid envelope within the United Kingdom, Qualifying non-CREST Shareholders are recommended to allow at least four Business Days for delivery. The Receiving Agent, on the Company's behalf but only with the agreement of Cantor Fitzgerald, may elect to accept Application Forms and remittances after 11.00 a.m. on 10 October 2016 in respect of those bearing a post mark of before that date and time. The Receiving Agent may also (on behalf of the Company but only with the agreement of Cantor Fitzgerald) elect to treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions, or if it does not strictly comply with the terms and conditions of application. Applications will not be acknowledged.

The Receiving Agent, on behalf of the Company but only with the agreement of Cantor Fitzgerald, also reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 10 October 2016 from an authorised person (as defined in the FSMA) specifying the number of Open Offer Shares applied for, and undertaking to lodge the relevant Application Form in due course but, in any event, within two Business Days.

#### 4.1.4 *Payments*

All payments must be in pounds sterling and cheques or banker's drafts should be made payable to "Share Registrars Limited a/c re Haydale Open Offer" and crossed "A/C payee only". Cheques or banker's drafts must be drawn on an account at a branch of a bank or building society in the British Isles 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. Eurocheques will not be accepted. Cheques should be drawn on the personal account to which you have sole or joint title to funds. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the bank or building society has confirmed the name of the account holder (which should match the name detailed on page 1 of the Application Form) and have added the branch stamp.

Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Receiving Agent 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 allowed on payments made before they are due and any interest earned on such payments will accrue for the benefit of the Company. It is a term of the Open Offer that cheques shall be honoured on first presentation, and the Company and/or the Receiving Agent (on the Company's behalf) may elect in their absolute discretion to treat as invalid acceptances in respect of which cheques are not so honoured. Application monies will be paid into a separate bank account pending the Open Offer becoming unconditional. In the event that the Open Offer does not become unconditional the Open Offer will lapse and application monies will be returned by post to applicants, at the applicants' risk and without interest, to the address set out on the Application Form, as soon as practicable. The interest earned on monies held in the separate bank account will be retained for the benefit of the Company.

#### 4.1.5 *Effect of application*

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (i) agree that all applications, and contracts resulting therefrom, under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (ii) confirm that in making the application you are not relying on any information or representation other than that contained in this document, and you accordingly agree

that no person responsible solely or jointly for this document or any part of it shall have any liability for any such information or representation not so contained; and

- (iii) represent and warrant that if you have received some or all of your Open Offer Entitlements from a person other than the Company, you are entitled to apply under the Open Offer in relation to such Open Offer Entitlements by virtue of a *bona fide* market claim.

If you do not wish to apply for any of the Open Offer Shares to which you are entitled under the Open Offer, you should take no action and not complete or return the Application Form.

If you are in doubt whether or not you should apply for any of the Open Offer Shares under the Open Offer, you should consult your independent financial adviser immediately. All enquiries in relation to completion of the Application Form by Qualifying non-CREST Shareholders under the Open Offer should be addressed to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR, telephone 01252 821390 or, if telephoning from outside the UK, on +44 1252 821390 between 9.00 a.m. and 5.30 p.m. Calls to the Share Registrars' number are charged at the standard geographic rate and will vary by provider. Calls to the Share Registrars' number from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be recorded and monitored randomly for security and training purposes. Share Registrars cannot provide advice on the merits of the proposals nor given any financial, legal or tax advice.

#### **4.2 If you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer**

##### **4.2.1 General**

Subject as provided in paragraph 6 of this Part IV in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder will receive credits to his stock account in CREST of his Open Offer Entitlements equal to the number of Open Offer Shares for which he is entitled to apply under the Open Offer. Entitlements to Open Offer Shares will be rounded down to the nearest whole number and any fractional entitlements will therefore also be rounded down. Qualifying CREST Shareholders may also apply for Open Offer Shares in excess of their Open Offer Entitlement under the Excess Application Facility.

The CREST stock account to be credited will be the account under the participant ID and member account ID which holds the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlement have been allocated.

If for any reason the Open Offer Entitlements cannot be enabled for settlement in CREST by, or the stock accounts of Qualifying CREST Shareholders cannot be credited by, 3.00 p.m. on 26 September 2016 or such later time as the Company (with Cantor Fitzgerald's consent) may decide, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for the Open Offer Entitlements credited (or due to be credited) to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive an Application Form.

CREST members who wish to apply for some or all of their entitlements to Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Share Registrars on 01252 821390 (if calling from within the UK) or +44 1252 821390 (if calling from outside the UK). Lines will be open Monday to Friday 9.00 a.m. to 5.30 p.m. excluding bank and public holidays. Calls may be recorded and monitored randomly for security and training purposes. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Open Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

#### 4.2.2 *Market claims*

Each of the Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction.

Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly. Please note that automated CREST generated claims and buyer protection will not be offered on the Excess CREST Open Offer Entitlement security.

#### 4.2.3 *USE instructions*

CREST members who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (“**USE**”) instruction to Euroclear which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements, in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

#### 4.2.4 *Content of USE instructions in respect of the Basic Entitlement*

The USE instruction must be properly authenticated in accordance with Euroclear’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Basic Entitlement(s) being delivered to the Receiving Agent);
- (ii) the ISIN of the Basic Entitlement. This is GB00BD8GDN47;
- (iii) the participant ID of the accepting CREST member;
- (iv) the member account ID of the accepting CREST member from which the Basic Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent. This is 7RA36;
- (vi) the member account ID of the Receiving Agent. This is RECEIVE;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 10 October 2016; and
- (ix) the corporate action number for the Open Offer. This will be available on viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 10 October 2016 .

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the contact name and telephone number (in the free format shared note field); and a priority of at least 80.



CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 10 October 2016 in order to be valid is 11.00 a.m. on that day.

#### 4.2.5 *Content of USE instruction in respect of Excess Entitlements*

The USE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Excess Entitlements for which application is being made;
- (ii) the ISIN of the Excess Entitlements. This is GB00BD8GDP60;
- (iii) the CREST participant ID of the accepting CREST member;
- (iv) the CREST member account ID of the accepting CREST member from which the Excess Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 7RA36;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is RECEIVE;
- (vii) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Excess Entitlements referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11.00 a.m. on 10 October 2016; and
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 10 October 2016.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the contact name and telephone number (in the free format shared note field); and a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 10 October in order to be valid is 11.00 a.m. on that day.

#### 4.2.6 *Deposit of Open Offer Entitlements into, and withdrawal from, CREST*

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as set out in an Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim), provided that such Qualifying Non-CREST Shareholder is also a CREST member. Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 10 October 2016.

In particular, having regard to normal processing times in CREST and, on the part of the Receiving Agent, the recommended latest time for depositing an Application Form with the

CCSS, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 5 October 2016, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 4 October 2016, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 10 October 2016.

#### 4.2.7 *Validity of application*

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 10 October 2016 will constitute a valid application under the Open Offer.

#### 4.2.8 *CREST procedures and timings*

CREST members and (where applicable) their CREST sponsors should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 10 October 2016. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

#### 4.2.9 *Incorrect or incomplete applications*

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Receiving Agent reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question;
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question;
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction(s) refunding any unutilised sum to the CREST member in question.

#### 4.2.10 *Effect of a valid application*

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (i) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, satisfy the obligation of the CREST member to pay to the Company the amount payable on application);
- (ii) request that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the Articles of Association of the Company;
- (iii) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (iv) represent and warrant that he or she is not and nor is he or she applying as nominee or agent for a person who is or may be liable to notify and account for tax under the Stamp

Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (Depository Receipts) or Section 96 (Clearance Services) of the Finance Act 1986;

- (v) confirm that in making such application he or she is not relying on any information in relation to the Company other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part of it or involved in the preparation thereof shall have any liability for any such other information and further agree that having had the opportunity to read this document, he will be deemed to have had notice of all the information concerning the Company contained therein; and
- (vi) represent and warrant that he or she is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a *bona fide* market claim.

#### 4.2.11 *The Company's discretion as to rejection and validity of applications*

The Company and Cantor Fitzgerald may in their discretion:

- (i) treat as valid (and binding on the CREST member concerned) an application which does not comply in all respects with the requirements as to validity set out or referred to in this Part IV;
- (ii) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (iii) treat a properly authenticated dematerialised instruction (in this sub-paragraph the "first instruction") as not constituting a valid application if, at the time at which the Receiving Agent receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Receiving Agent have received actual notice from Euroclear of any of the matters specified in regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (iv) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that, for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

#### 4.2.12 *Lapse of the Open Offer*

In the event that the Open Offer does not become unconditional by 8:00 a.m. on 12 October 2016 or such later time and date as Cantor Fitzgerald and the Company may agree, being not later than 28 October 2016, the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

## **5. Money Laundering Regulations**

### **5.1 Holders of Application Forms**

It is a term of the Open Offer that, to ensure compliance with the Money Laundering Regulations, the Receiving Agent 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 Application Form is submitted by a UK

regulated broker or intermediary acting as agent, and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Receiving Agent. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment, and in accordance with the other terms as described above (the “**acceptor**”), including any person who appears to the Receiving Agent to be acting on behalf of some other person, accepts the Open Offer in respect of such number of the Open Offer Shares as referred to in the Application Form (for the purposes of this paragraph 5.1 (the “**relevant shares**”)) shall thereby be deemed to agree to provide the Receiving Agent and/or the Company with such information and other evidence as they or either of them may require to satisfy the verification of identity requirements.

If the Receiving Agent determines that the verification of identity requirements apply to any applicant or application, and the verification of identity requirements have not been satisfied (which the Receiving Agent shall in its absolute discretion determine), the Company may, in its absolute discretion, and without prejudice to any other rights of the Company, treat the application as invalid or may confirm the allotment of the relevant shares to the applicant but (notwithstanding any other term of the Open Offer) the relevant shares will not be issued to the applicant unless and until the verification of identity requirements have been satisfied in respect of that application (which the Receiving Agent shall in its absolute discretion determine).

If the application is treated as invalid and the verification of identity requirements are not satisfied within such period, being not less than seven days after a request for evidence of identity is despatched to the applicant, the Company will be entitled to make arrangements (in its absolute discretion as to manner, timing and terms) to sell the relevant shares (and for that purpose the Company will be expressly authorised to act as agent of the applicant). Any proceeds of sale (net of expenses) of the relevant shares which shall be issued to and registered in the name of the purchasers or an amount equivalent to the original payment, whichever is the lower, will be held by the Company on trust for the applicant, subject to the requirements of the Money Laundering Regulations being satisfied. The Receiving Agent is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied. Neither the Company nor the Receiving Agent 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 any such discretion or as a result of any sale of relevant shares. Submission of an Application Form with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by application of such remittance. If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in your application being treated as invalid or in delays in the despatch of share certificates or in crediting CREST stock accounts.

The verification of identity requirements will not usually apply:

- (i) if the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on the prevention of the use of the financial system for the purpose of money laundering (no. 91/308/EEC));
- (ii) if the applicant is a regulated United Kingdom broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
- (iii) 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 name of such applicant.

Third party cheques will not be accepted with the exception of banker's drafts or building society cheques where the bank or building society has confirmed the name of the account holder (which must be the same name as appears on page 1 of the Application Form) on the back of the draft or cheque and have added their branch stamp.

In other cases the verification of identity requirements may apply. The following guidance is provided in order to assist in satisfying the verification of identity requirements and to reduce the likelihood of difficulties or delays and potential rejection of an application (but does not limit the right of the Receiving

Agent to require verification of identity as stated above). Satisfaction of the verification of identity requirements may be facilitated in the following ways:

- (A) if payment is made by building society cheque (not being a cheque drawn on an account of the applicant) or banker's draft, by the building society or bank endorsing on the cheque or draft the applicant's name and the number of an account held in the applicant's name at such building society or bank, such endorsement being validated by a stamp and an authorised signature; or
- (B) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (i) above or which is subject to anti-money laundering regulation in a country which is a member of the financial action task force (the non- European Union members of which are Argentina, Australia, Brazil, Canada, Hong Kong, Iceland, Japan, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey, the United States of America and, by virtue of their membership of the gulf co-operation council, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), the agent should provide written confirmation that it has that status with the Application Form and written assurance that it has obtained and recorded evidence of the identity of the persons for whom it acts and that it will on demand make such evidence available to the receiving agent or the relevant authority. In order to confirm the acceptability of any written assurance referred to in paragraph 4.2.2 above or any other case, the applicant should contact the Receiving Agent;
- (C) if (an) Application Form(s) is/are in respect of relevant shares is/are lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address; and
- (D) third party payment will not be accepted.

## 5.2 **Open Offer Entitlements in CREST**

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Open Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Open Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

## 6. **Overseas Shareholders**

### 6.1 **General**

The making of the Open Offer to Overseas Shareholders may be affected by the laws or regulatory requirements of the relevant jurisdiction. Overseas Shareholders who are in any doubt in this respect should consult their professional advisers. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST 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 or credit of Open Offer Entitlements to a stock account in CREST, unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form or credit of Open Offer Entitlements to a stock account in CREST could lawfully be used without contravention of any legislation or other local regulatory requirements. Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements to a stock account in CREST does not constitute an invitation or offer to Overseas Shareholders in the territories in which it would be unlawful to make an invitation or offer and in such circumstances this document and/or any Application Forms are sent for information only.

It is the responsibility of any person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements to a stock account in CREST outside the United Kingdom and wishing to make an application for any Open Offer Shares to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other

formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such other territory. Persons (including, without limitation, nominees and trustees) receiving an Application Form and/or receiving credits of Open Offer Entitlements to a stock account in CREST should not, in connection with the Open Offer, distribute or send the Application Form or transfer the Open Offer Entitlements into any jurisdiction when to do so would or might contravene local securities laws or regulations, including the United States and the Restricted Jurisdictions.

If an Application Form or a credit of Open Offer Entitlements to a stock account in CREST is received by any person in any such jurisdiction or by the agent or nominee of such person, he or she must not seek to take up the Open Offer Shares except pursuant to an express agreement with the Company. Any person who does forward an Application Form or transfer the Open Offer Entitlements into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 6. The Company, Cantor Fitzgerald and the Receiving Agent reserve the right to reject an Application Form or transfer of Open Offer Entitlements from or in favour of Shareholders in any such jurisdiction or persons who are acquiring Open Offer Shares for resale in any such jurisdiction.

The Company, Cantor Fitzgerald and the Receiving Agent reserve the right in their absolute discretion to treat as invalid any application for Open Offer Shares under the Open Offer if it appears to the Company, Cantor Fitzgerald and the Receiving Agent and their agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if in respect of such application the Company, Cantor Fitzgerald and the Receiving Agent have not been given the relevant warranty concerning overseas jurisdictions set out in the Application Form or in this document, as appropriate. All payments under the Open Offer must be made in pounds sterling.

## 6.2 **United States**

The Open Offer Shares and the Open Offer Entitlements have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States and, accordingly, may not, be offered, sold, taken up, delivered or transferred in or into the United States. Subject to certain exceptions, Qualifying Shareholders with registered addresses in, or who are located in, the United States, may not participate in the Open Offer. Neither this document nor the Application Form constitutes or will constitute or form any part of an offer or an invitation to apply for or an offer or an invitation to acquire any Open Offer Entitlements or Open Offer Shares in the United States. An Application Form will not be sent to any Shareholder located in or having a registered address in the United States. Unless otherwise agreed by the Company in its sole discretion, Application Forms sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring Open Offer Shares and wishing to hold such Open Offer Shares in registered form must provide an address for registration outside the United States. No Open Offer Entitlements will be credited to a stock account in CREST of any Qualifying Shareholder with a registered address in the United States. Unless otherwise agreed by the Company and Cantor Fitzgerald at their discretion, any person completing an Application Form or applying for Open Offer Shares will be required to represent that such person (i) is not located in the United States or any other Restricted Jurisdiction; (ii) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Open Offer Shares; (iii) is not exercising for the account of any person who is located in the United States, unless (a) the instruction to exercise was received from a person outside the United States and (b) the person giving such instruction has confirmed that (x) it has the authority to give such instruction, and (y) either (A) it has investment discretion over such account or (B) it is an investment manager or investment company that it is acquiring the Open Offer Shares in an “off shore transaction” within the meaning of Regulation S (as promulgated under the Securities Act); and (iv) is not acquiring the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Open Offer Shares into the United States, any of the Restricted Jurisdictions or any other jurisdiction referred to in (ii) above.

## 6.3 **Restricted Jurisdictions**

Due to restrictions under the securities laws of the Restricted Jurisdictions, and subject to certain exceptions, persons who have registered addresses in, or who are located, resident or ordinarily resident in, or citizens of, any Restricted Jurisdictions will not qualify to participate in the Open Offer and will not be sent an Application Form, nor will their stock accounts in CREST be credited with Open Offer Entitlements. The Open Offer Shares have not been, and will not be, registered under the relevant

laws of any Restricted Jurisdictions or any state, province or territory of them and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdictions or to, or for the account or benefit of, any person with a registered address in, or who is located, resident or ordinarily resident in, or a citizen of, any Restricted Jurisdictions except pursuant to an applicable exemption. Subject to certain exceptions, no offer of Open Offer Shares is being made by virtue of this document and/or the Application Form into any Restricted Jurisdictions.

#### **6.4 *Jurisdictions other than the Restricted Jurisdictions***

Application Forms will be sent to Qualifying non-CREST Shareholders and an Open Offer Entitlement will be credited to the stock account in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or any other Restricted Jurisdiction may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and, if relevant, the Application Form.

Qualifying Shareholders who have registered addresses in or who are located or resident in, or who are citizens of, countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares in respect of the Open Offer.

### **7. Taxation**

If you are in any doubt about your tax position or are subject to a tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser without delay.

### **8. Admission, settlement, dealings and publication**

Application will be made to the London Stock Exchange for the Open Offer Shares to be admitted to AIM, subject to the fulfilment of the conditions of the Open Offer. It is expected that admission of the Open Offer Shares to trading on AIM will become effective and that dealings therein for normal settlement will commence at 8.00 a.m. on 12 October 2016. In the case of Qualifying Shareholders wishing to hold Open Offer Shares in certificated form, definitive certificates in respect of the Open Offer Shares will be issued free of stamp duty and are expected to be despatched by post by 19 October 2016. No temporary documents of title will be issued and, pending such despatch, transfers will be certified against the share register. Open Offer Entitlements held in CREST are expected to be disabled in all respects after close of business on 10 October 2016 (the latest time and date for applications under the Open Offer). If the conditions to the Open Offer described in this document are satisfied, Open Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Open Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will credit the appropriate stock accounts of such persons with such persons' entitlement to Open Offer Shares with effect from Admission (expected to be 12 October 2016). The stock accounts to be credited will be accounts under the same participant IDs and member account IDs in respect of which the USE instruction was given. Notwithstanding any other provision of this document, the Company (with the consent of Cantor Fitzgerald) reserves the right to send you an Application Form instead of crediting the relevant stock account with Open Offer Entitlements, and to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of the facilities and/or systems operated by the Receiving Agent in connection with CREST.

All documents or remittances sent by or to applicants, or as they may direct, will be sent through the post at their own risk. For more information as to the procedure for application, Qualifying non-CREST Shareholders are referred to the Application Form. The completion and results of the Open Offer will be announced and made public through an announcement on a Regulatory Information Service as soon as possible after the results are known, expected to be on or about 11 October 2016.

### **9. Governing law**

The terms and conditions of the Open Offer as set out in this Part IV and each Application Form shall be governed by, and construed in accordance with, English law. The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this

document and an Application Form. By taking up their entitlements under the Open Offer in accordance with the instructions set out in this document and (where applicable) an Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

#### **10. Other information**

Your attention is drawn to the letter from your Chairman which is set out in Part I of this document which contains, amongst other things, information on the reasons for the Placing and the Open Offer, to the Risk Factors in Part II and to the further information set out in Part V of this document.

#### **11. Dilution**

The share capital of the Company in issue at the date of this document will be increased by approximately 10.51 per cent. as a result of the Fundraising. Qualifying Shareholders who do not take up any of their Basic Entitlement will suffer a reduction of approximately 9.51 per cent. in their proportionate ownership and voting interest in the ordinary share capital of the Company as represented by their holding of Ordinary Shares immediately following Admission. Qualifying Shareholders who take up all or part of their Open Offer Entitlement will still suffer dilution upon Admission due to completion of the Placing.



## PART V – ADDITIONAL INFORMATION

### 1. Directors' and others' interests

#### 1.1 Interests in Ordinary Shares

As at 23 September 2016 (being the latest practicable date prior to the publication of this document) and, subject to and immediately following Admission of the New Shares, the interests of the Directors, their immediate families and persons connected with the Directors (within the meaning of section 252-255 of the Act) (all of which are beneficial unless otherwise stated) in the issued share capital of the Company are as follows:

Name	At the date of this Circular		Number of Subscription Shares	On Admission	
	Number of Existing Ordinary Shares	Percentage of Existing Ordinary Shares		Number of Ordinary Shares	Percentage of Ordinary Shares*
John Knowles	149,214	0.97	6,250	155,464	0.91%
Antony Belisario	379,050	2.46	–	379,050	2.23%
Ray Gibbs	476,000	3.09	6,000	482,000	2.83%
Matt Wood	3,571	0.02	6,250	9,821	0.06%
Roger Smith	288,455	1.87	–	288,455	1.69%
Graham Eves	–	–	–	–	–
Roger Humm	28,459	0.18	6,250	34,709	0.20%

\* assuming the issue of 312,500 Open Offer Shares and completion of the Placing, Subscription and Open Offer

#### 1.2 Options over Ordinary Shares

As at 23 September 2016 (being the latest practicable date prior to the publication of this document), the Directors held the following options over Ordinary Shares:

Director	Date of Grant	Number of EMI Options	Number of Unapproved Options	Exercise Price (pence)	Exercise Period
Raymond Gibbs	3 April 2014	101,190	39,408	210	3 April 2017 – 3 April 2024
	18 March 2015	–	14,275	134.5	18 March 2018 – 18 March 2025
	19 May 2016	–	20,991	171.5	19 May 2019 – 19 May 2026
Matthew Wood	3 April 2014	–	32,337	210	3 April 2017 – 3 April 2024
	18 March 2015	–	7,137	134.5	18 March 2018 – 18 March 2025
	19 May 2016	–	8,396	171.5	19 May 2019 – 19 May 2026
John Knowles	3 April 2014	–	28,120	210	3 April 2017 – 3 April 2024
Antony Belisario	3 April 2014	–	16,872	210	3 April 2017 – 3 April 2024
Graham Eves	3 April 2014	–	16,872	210	3 April 2017 – 3 April 2024
Roger Humm	3 April 2014	–	16,872	210	3 April 2017– 3 April 2024
Roger Smith	3 April 2014	–	16,872	210	3 April 2017 – 3 April 2024

Save as disclosed in this paragraph 1, none of the Directors (or persons connected with the Directors within the meaning of sections 252-255 of the Act) has any beneficial or non-beneficial interest in any securities of the Company or its subsidiaries.

## **2. Placing Agreement**

On 23 September 2016 the Company entered into a placing agreement with Cantor Fitzgerald, under which Cantor Fitzgerald agreed to use its reasonable endeavours, as agent for the Company, to procure placees for the Placing Shares at the Issue Price. The agreement contains warranties from the Company in favour of Cantor Fitzgerald in relation to, *inter alia*, the accuracy of the information in this and other documents and other matters relating to the Company and its business. In addition, the Company has agreed to indemnify Cantor Fitzgerald in relation to certain liabilities it may incur in respect of the Placing. Cantor Fitzgerald has the right to terminate the Placing Agreement in certain circumstances, in particular in the event of a breach of the warranties.

## **3. Acquisition Agreement**

On 23 September 2016 the Company and HTI entered into a conditional acquisition agreement with the Sellers whereby the Sellers agreed to sell and HTI agreed to buy the shares held by the Sellers which represented the entire issued share capital of ACM. Completion of the Acquisition Agreement is subject to the satisfaction, *inter alia*, of various conditions including the Company having completed an equity fundraising with investors to raise not less than £2,000,000 before costs and HTI and ACM securing banking facilities with United Community Bank. The consideration payable by HTI shall be satisfied by the payment of \$600,000 in cash on closing (expected to be in October 2016 and no later than 28 October 2016) and on 3 January 2017, the allotment and issue to the Sellers (*pro rata* in accordance with their Sellers' percentage interests) of such number of new ordinary shares of the Company equal to the quotient obtained by dividing \$1,000,000 with the mid-market share price of the Company at the close of trading on 22 September 2016. HTI also agrees to procure that it would repay ACM's indebtedness. An earn-out amount is payable upon the satisfaction of certain conditions in the Acquisition Agreement which shall be an amount of no more than \$2,000,000 and shall be payable at the option of HTI in cash or the equivalent amount in new ordinary shares of the Company based upon the mid-market share price of the Company's shares on AIM on the close of business on the day before the announcement of the annual accounts for the relevant earn-out period. Each of the Sellers gave warranties to HTI as to title of its sale shares. The Sellers would be subject to various lock-in and orderly market restrictions in respect of the Company shares issued to it pursuant to the Acquisition Agreement. HTI's obligations under the Acquisition Agreement are guaranteed by the Company.

## **4. Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which, during the 12 month period prior to the publication of this document, may have, or have had in the recent past, significant effects on the Company or the Group's financial position or profitability.

## **5. Taxation**

Shareholders who are in any doubt as to their tax position or who may be subject to tax in any other jurisdiction are strongly recommended to consult their own professional advisers.

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares.

With effect from 28 April 2014, stamp duty and SDRT were abolished for transfers of securities admitted to trading on certain recognised growth markets, which currently includes AIM, provided they are not listed on a recognised stock exchange. Accordingly, transfers of New Shares after issue should be exempt from stamp duty and SDRT.

**6. Availability of this document**

Copies of this document will be available free of charge at the registered office of the Company and on the Company's website at [www.haydale.com](http://www.haydale.com) during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the date of Admission.

