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Haydale Graphene Industries plc
("Haydale" or the "Company")

Oversubscribed equity issue to raise gross proceeds of £6.0 million

Firm Placing of 2,885,625 New Shares
Conditional Placing and Open Offer of 625,000 New Shares at a price of 160 pence per share
Intended Subscription of £383,000 by the Directors and Key Management for New Shares
and Notice of General Meeting

Haydale (AIM: HAYD), the group focused on the commercialisation of graphene and other nano particle products using its proprietary plasma process, is pleased to announce its intention to raise approximately £5.6 million (approximately £5.2 million net of expenses) through the issue of 3,510,625 New Shares at an issue price of 160 pence per New Share.

Completion of the Fundraising is subject to, *inter alia*, Shareholder approval, which will be sought at the General Meeting to be held at 10.00 a.m. on 23 November 2015. Admission of the New Shares to AIM is expected to commence at 8.00 a.m. on 24 November 2015.

A circular providing full details of the Fundraising and incorporating a notice of General Meeting will be posted to Shareholders shortly. Capitalised terms used in this announcement have the meanings given to them in the circular.

Summary of the Firm Placing, Conditional Placing and Open Offer

- Fundraising totaling £5.6 million (£5.2 million net of expenses) by way of a Firm Placing, Conditional Placing and Open Offer
- 2,885,625 New Shares will be issued through the Firm Placing and 625,000 New Shares will be issued through the Conditional Placing and Open Offer at an issue price of 160 pence per New Share
- Open Offer Entitlement for Qualifying Shareholders of 1 Open Offer Shares for every 18.314 Existing Ordinary Shares
- The Issue Price represents a discount of approximately 5.1 per cent. to the average Closing Price for the previous 20 business days prior to the announcement of the Fundraising

Ray Gibbs, CEO, commented: "I am delighted to have received overwhelming support from some key institutions for the Firm Placing whereupon we were significantly oversubscribed. This is a fantastic endorsement for our strategy and demonstrates support for our plans and the opportunity we have before

us. We have also announced an open offer for existing shareholders to subscribe at the same price as the institutions. We have come a long way since our IPO in April 2014 and now have the building blocks to realise our potential. I can assure both existing and new shareholders that we will continue to work tirelessly in delivering on our growth plans to commercialise graphene and other nano materials on a global scale, creating significant value for our supportive shareholder base”.

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Expected Timetable of Principal Events

Each of the times and dates set out below and mentioned elsewhere in this announcement may be adjusted by the Company, in which event details of the new times and dates will be notified to a Regulatory Information Service. References to a time of day are to London time.

Announcement of the Placings and Open Offer		2 November 2015
Publication of Circular		2 November 2015
Record Date for entitlement under the Open Offer		5 November 2015
Open Offer Application Forms posted to Qualifying Shareholders		6 November 2015
Ex-entitlement Date of the Open Offer	8.00 a.m.	6 November 2015

Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	As soon as possible after 8.00 a.m.	6 November 2015
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m.	16 November 2015
Latest time and date for depositing Open Offer Entitlements into CREST	3.00 p.m.	17 November 2015
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m.	18 November 2015
Latest time and date for receipt of General Meeting Forms of Proxy	10.00 a.m.	19 November 2015
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)	11.00 a.m.	20 November 2015
General Meeting	10.00 a.m.	23 November 2015
Admission and commencement of dealings in New Shares	8.00 a.m.	24 November 2015
New Shares in uncertificated form expected to be credited to accounts in CREST	As soon as possible after 8.00 a.m.	24 November 2015
Despatch of definitive share certificates for the New Shares in certificated form	By	1 December 2015

Introduction

The Company has today conditionally raised £4.6 million (before expenses) by means of a Firm Placing by Cantor Fitzgerald to certain new and existing institutional and other investors of 2,885,625 New Shares at 160 pence per share.

In addition, in order to provide Shareholders who have not taken part in the Firm 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 625,000 New Shares, to raise approximately £1.0 million (before expenses), on the basis of 1 New Shares for every 18.314 Existing Ordinary Shares held on the Record Date, at 160 pence each. Shareholders subscribing for their full entitlement under the Open Offer may also request additional New Shares through the Excess Application Facility. Cantor Fitzgerald has conditionally pre-placed all of the Conditional Placing Shares with institutional investors on behalf of the Company at the Issue Price, subject to clawback by Qualifying Shareholders in order to satisfy valid applications under the Open Offer.

The Issue Price of 160 pence represents a discount of approximately 5.1 per cent. to the price of 168.6 pence per Existing Ordinary Share, being the average Closing Price for the preceding 20 business days prior to the announcement of the Fundraising.

The Firm Placing, Conditional Placing and Open Offer are conditional, *inter alia*, upon Shareholders approving the Resolutions at the General Meeting that will grant to the Directors the authority to allot the New Shares and the power to disapply statutory pre-emption rights in respect of the New Shares. Admission of the New Shares is expected to occur no later than 8.00 a.m. on 24 November 2015 or such later time and/or dates as Cantor Fitzgerald and the Company may agree. The Firm Placing, Conditional Placing and Open Offer are not underwritten.

Background to and reasons for the Fundraising

The Fundraising has been undertaken to provide funding for the Group's near-term work programme and projects. In particular, the net proceeds of the Fundraising will be used to increase the Group's capacity to functionalise graphene and other nanomaterials, establish Haydale processing centres of excellence in Korea, Germany and the US and to develop graphene enhanced polyester and epoxy resins for their respective multi-billion dollar markets.

Haydale has made significant progress over the last 18 months and is now beginning to capitalise on the multi-billion dollar commercial opportunities for its functionalised graphene and other nano materials.

Key milestones achieved in the last 18 months include:

- acquisition of EPL Composite Solutions (now Haydale Composite Solutions) in November 2014 providing a direct route to the composites market. In the eight months since its acquisition, HCS has traded ahead of forecasts in both turnover and profit;
- securing an exclusive supply and development agreement with Tantec AS for Haydale's plasma reactors. Since April 2014, Haydale has increased its functionalisation capabilities 15 fold, with the addition of five HT60 R&D reactors and one HT200 volume production reactor;
- first third party sale of one of its HT60 R&D reactors to the UK's CPI after an extensive tender process to be delivered in November 2015;
- entering joint development agreements with two leading resin manufactures, Huntsman and Scott Bader, having demonstrated increases of up to 200 per cent. in both tensile stiffness and strength in mechanical tests;
- testing, validating and securing alternative sources of sufficiently high quality and repeatable graphene supply ahead of expected demand for Haydale's functionalisation process;
- establishing a subsidiary company Haydale Technologies Inc, in the USA to set up a technology demonstrator centre in Buffalo and a sales and marketing office in South Korea;
- securing ten key sales accounts from Far Eastern customers and repeat orders from a number of customers across North America and Europe;
- confirmation from the European Patent Office of the decision to grant a European patent to Haydale. This European patent is the key process patent underlying the Company's proprietary functionalisation treatment and is one of a number arising from the families of patent applications surrounding the Haydale plasma process. The patent is expected to be granted on 4 November 2015 and will include the functionalisation of not only carbon based materials but other nano particles.

Current trading

The Company today announced its full year audited results for the year ended 30 June 2015 (“**Results**”) and has made them available on the Company’s website (www.haydale.com). A copy of the Annual Report and Accounts will be sent to Shareholders in due course.

Use of proceeds of the Fundraising

The Company intends to use the proceeds of the Fundraising to satisfy the anticipated strong demand for its functionalisation capabilities that the Directors expect over the coming months. In addition to strengthening the Group’s balance sheet, specifically over the next 18 months:

- £0.2 million will be used to increase Haydale’s nanoprocessing capacity at the Ammanford site with additional factory space, additional plasma reactors with their associated handling equipment and increased ink manufacturing capabilities required;
- £0.7 million is allocated for the purchase of two HT200 and three HT60 reactors from Tantec, The majority of these reactors, once commissioned at Ammanford will be deployed into the centres of excellence in the USA and the Far East and at a dedicated volume related production site in Germany;
- approximately £0.5 million is expected to be invested in developing a Haydale Centre of Excellence in the Far East and building on the existing sales office in Korea. The Directors believe significant sales will be generated from the Far East in the next 12-18 months;
- approximately £0.75 million is budgeted to be invested in developing the Group’s two existing resin development projects into commercial products, one with Huntsman’s Araldite epoxy resin and the other with Scott Bader’s Crestapol polyester;
- approximately £0.5 million is to be invested in growing the Group’s technical and commercial personnel base in order to deliver on the anticipated future commercial projects. The Group’s personnel is projected to grow from 47 today to approximately 64 by the end of the 2016/17 financial year;
- approximately £0.35 million will be used to settle the net cash element of the deferred consideration due to the vendors of HCS, following the acquisition by Haydale in November 2014. Due to HCS’ strong performance in delivering better than anticipated turnover and profits since its acquisition, the Company has decided to accelerate payment of the deferred consideration so that Gerry Boyce, the HSC managing director, can focus on the Huntsman and Scott Bader resin opportunities and delivering short term revenues therefrom. HCS have promoted two senior managers to HCS directors who are tasked with the day to day running of the business and maintaining full integration within the Group; and
- £2.6 million to help with the working capital commitments of the Group (including the Fundraising costs).

Terms and Conditions of the Firm Placing

The Company has conditionally placed 2,885,625 Firm Placing Shares at 160 pence per Firm Placing Share with certain new and existing institutional and other investors to raise £4.6 million (before expenses). The Firm Placing is not being underwritten by Cantor Fitzgerald or any other person.

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

- i. the passing of the Resolutions at the General Meeting;

- ii. the Placing Agreement not being terminated prior to Admission of the New Shares and being otherwise unconditional in all respects; and
- iii. Admission becoming effective on or before 8.00 a.m. on 24 November 2015 (or such later date and/or time as the Company and Cantor Fitzgerald may agree, being no later than 11 December 2015).

Details of the Open Offer and Conditional Placing

Alongside the Firm Placing, the Company is proposing to raise a further amount of approximately £1.0 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 Firm Placing and the Conditional Placing, as the case may be.

The Open Offer Shares have been conditionally placed by Cantor Fitzgerald (under the Conditional Placing) with new and existing institutional and other investors subject to clawback to satisfy valid applications under the Open Offer i.e. if the Open Offer Shares are subscribed for in full by the Qualifying Shareholders, the Conditional Placing Shares will be clawed back in full and the Conditional Placing will not proceed.

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 Open Offer and the Conditional Placing are conditional, amongst other things, on the following:

- i. the passing of the Resolutions at the General Meeting;
- ii. completion of the Firm Placing;
- iii. the Placing Agreement not being terminated prior to Admission and becoming and being declared otherwise unconditional in all respects; and
- iv. Admission becoming effective on or before 8.00 a.m. on 24 November 2015 (or such later date and/or time as the Company and Cantor Fitzgerald may agree, being no later than 11 December 2015).

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 18.314 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 and/or the Conditional Placing Shares, as the case may be, 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.

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

Application will be made to the London Stock Exchange for Admission of the Open Offer Shares and/or Conditional Placing Shares as the case may be. It is expected that such Admission will become effective and that dealings will commence at 8.00 a.m. on 24 November 2015.

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 Existing 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 announcement, the Circular or the Application Form, the Company reserves the right to permit any Qualifying Shareholder to apply for Open Offer Shares if the Company, in their sole and absolute discretion, are satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

The Circular together with the 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 receive an Application Form, which will give 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 Application Form in accordance with the procedure for application set out in the Circular and on the Application Form itself. The completed Application Form, accompanied by full payment, should be returned by post to Share Registrars Limited at Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey, GU9 7LL so as to arrive as soon as possible and in any event no later than 11.00 a.m. on 20 November 2015.

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 6 November 2015. 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 will be issued 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 the Circular. The relevant CREST instruction must have settled by no later than 11.00 a.m. on 20 November 2015.

HCS Earn-out Acceleration and Related Party Transactions

Haydale announced the acquisition of HCS (formerly EPL Composite Solutions Limited) on 3 November 2014 ("**HCS Acquisition**"). Pursuant to the acquisition agreement entered into by Haydale with the vendors of HCS, the total maximum consideration payable by Haydale to the vendors of HCS was £1.380 million comprising £400,000 in cash, £187,691 in directors loans and up to £792,500 of deferred consideration, payable in either cash and/or shares in the Company based on HCS' earnings to 30 June 2016.

Under the terms of the original deferred consideration calculation, Haydale would be required to pay approximately £380,000 to the vendors of HCS in respect of HCS' adjusted earnings from November 2014 to 30 June 2015 ("**Year 1 Payment**"). A maximum of £412,500 would be payable in respect of HCS' adjusted earnings for the year ending 30 June 2016.

Having taken into account the following factors, the Company has agreed with the HCS vendors to accelerate the deferred consideration payable to the HCS vendors and reduce the aggregate deferred consideration of £792,500 by £25,000 to £767,500 (together the "**Earn-out Acceleration**"):

- HCS has delivered better than anticipated turnover and profits for the period since its acquisition to 30 June 2015;
- HCS has a current order book which underpins HCS' projections for the year ending 30 June 2016;
- the Earn-out Acceleration should enable HCS to become fully integrated within the Group. The Earn-out Acceleration is expected to allow and the Board wishes Gerry Boyce, director of HCS, to broaden his focus in the Group without the distraction of ring-fencing his output for the purpose of calculating the deferred consideration. In particular, Gerry Boyce has a key role in the development of the Group's resin projects with Huntsman and Scott Bader.

The proposed accelerated earn-out totalling £650,237 and payable in cash, represents a saving of up to £25,000 by the Company. The balance of £117,263 relates to the recovery of a receivable balance for this amount held by HCS. Although not conditional on the Fundraising, the amount of £650,237 is expected to be paid to the HCS vendors shortly following the General Meeting, of which Gerry Boyce is due to receive 90 per cent. (approximately £585,000).

The Earn-Out Acceleration payable to Gerry Boyce and Nicholas Weatherby, both directors of HCS are related party transactions under the AIM Rules (the "**HCS Related Party Transaction**").

The Directors who are independent of the HCS Related Party Transaction (being all of the Company's Directors), having consulted with the Company's Nominated Adviser, Cairn, consider that the terms of the HCS Related Party Transaction are fair and reasonable insofar as Shareholders are concerned.

Due to the Company having been in a close period in relation to the Fundraising, the Earn-out Acceleration and the Results, Gerry Boyce has been unable to participate in the Fundraising. However, following publication of the announcements in respect of the Fundraising and the Results it is intended that Gerry Boyce will subscribe for approximately £300,000 of new Ordinary Shares at a subscription price to be determined, but not less than the Issue Price. This subscription will constitute a related party transaction and the details will be announced separately in due course.

Directors Intentions

Similarly, certain of the Directors of Haydale intend to subscribe for approximately £83,000 of new Ordinary Shares at a price to be determined, but not less than the Issue Price, following publication of the

announcements in respect of the Fundraising and the Results. This subscription will also constitute a related party transaction and the details will be announced separately in due course.

EIS / VCT Schemes

The Company has applied for and received advance assurance from HMRC (dated 16 September 2015) that the New Shares to be issued pursuant to the Fundraising constitute a qualifying holding for VCT Scheme purposes and also should satisfy the requirements for tax relief under the EIS. Shareholders should be mindful that EIS and VCT qualification rules are subject to change and no guarantees or assurance can be given in this regard.

Notice of General Meeting

For the purposes of, amongst other things, effecting the Fundraising, the Resolutions will be proposed at the General Meeting which is to be held at the offices of Fieldfisher LLP, Riverbank House, 2 Swan Lane, London, EC4R 3TT at 10.00 a.m. on 23 November 2015. The full text of the Resolutions is set out in the Circular. If Shareholders do not pass the Resolutions, the Fundraising and the Earn-out Acceleration will not proceed.

The Resolutions will be proposed (numbered as follows) to, amongst other things:

1. authorise the Directors under section 551 of the Act to allot shares up to an aggregate nominal amount of £70,212.50 for the purposes of the Fundraising;
2. authorise the Directors under section 551 of the Act to allot shares up to an aggregate nominal amount of £99,713.00 in addition to the authority under Resolution 1 above;
3. disapply the pre-emption rights provisions of section 561 of the Act (pursuant to section 571 of the Act) in respect of the allotment of equity securities pursuant to the Fundraising; and
4. disapply the pre-emption rights provisions of section 561 of the Act (pursuant to section 570 of the Act) in respect of allotments made pursuant to Resolution 2, subject to the limitations set out in Resolution 2.

Resolutions 1 and 2 are proposed as Ordinary Resolutions and Resolutions 3 and 4 are proposed as Special Resolutions.

The Company has received irrevocable undertakings from the Directors holding, in aggregate, 1,302,266 Existing Ordinary Shares representing approximately 11.4 per cent. of the Existing Ordinary Shares, to vote in favour of the Resolutions.

Recommendation

The Directors believe that the passing of the Resolutions is in the best interests of the Company and Shareholders, taken as a whole. Accordingly the Directors unanimously recommend Shareholders to vote in favour of the Resolutions, as they will do in respect of their Ordinary Shares in the Company, representing 11.4 per cent. of the Existing Ordinary Shares.

The Firm Placing, the Open Offer and the Conditional Placing are conditional, *inter alia*, upon the passing of the Resolutions at the General Meeting. Shareholders should be aware that if the Resolutions are not approved at the General Meeting, the Firm Placing, the Open Offer and the Conditional Placing will not proceed.