

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR'). Upon the publication of this announcement via a Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

For immediate release

1 March 2018

Haydale Graphene Industries plc

('Haydale', the 'Company', or the 'Group')

Interim Results

Haydale (AIM: HAYD), the global advanced materials group, announces its unaudited interim results for the six months ended 31 December 2017 (the 'Period' or 'H1FY18').

Financial Highlights

- 67% increase in total unaudited Group income for the Period to approximately £2.49 million (H1FY17: £1.49 million) delivered via:
 - **Advanced Materials SBU** income of approximately £1.3 million (H1FY17: £0.8 million)
 - **Resins, Polymers and Composites SBU** income of approximately £1.2 million (H1FY17: £0.7 million)
- 85% increase in commercial revenues for the Period to £2.04 million (H1FY17: £1.11 million)
- Continued investment in R&D in the Period of £0.5 million (H1FY17: £0.7 million), including graphene enhanced dispersion capabilities in Ammanford
- Reduced Group loss from operations after tax for the Period of £2.2 million (H1FY17: £2.4 million)
- Investment in expanding processing capacity in the Period of £0.2 million (H1FY17: £0.2 million)
- Completion of a successful placing and offer in October 2017, raising £9.3 million (before expenses) providing the necessary cash resources to deliver on the Group's sales and growth initiatives; and
- Cash at period end of £8.0 million (30 June 2017: £2.1 million).

Operational Highlights

- Created two Strategic Business Units ('SBU') with respective senior management teams to drive sales and realise geographic potential, which has delivered an increase in sales and commercial opportunities as compared to H1FY17.
- **Advanced Materials SBU**
 - 45% increase in Silicon Carbide ('SiC') sales to £1.14 million (H1FY17: £0.8 million)
 - Successful launch of newly developed SiC hard-edged cutting tool moving us up the value chain
 - Temporary ink production facility set up in Taiwan to meet high levels of demand for samples of graphene and speciality inks; and
 - UK patent filed for Haydale's graphene based transparent conductive ink used in proprietary anti-counterfeiting technology known as PATit.
- **Resins, Polymers and Composite SBU**
 - New grant wins of £0.5 million for delivery in the current and next financial year
 - Improved dispersion capabilities in Ammanford supplying trial graphene masterbatch for Flowtite A/S and other potential customers for smart composites; and
 - Sale of first phase of a novel composite panel making process to Everpower's (Xiamen) China facility as demonstrator for targeted automotive and aerospace customers.

Post Period End Highlights

Advanced Materials SBU ('AMAT')

- Secured new sales orders worth approximately £0.5 million since the end of the Period, including £0.3 million of which is the supply, installation and commissioning of a HT60 functionalisation reactor to Thai quoted petro-chemical processor, IRPC, together with ongoing research contracts to develop new products for IRPC
- Agreement with Japanese based Graphene Platform Corp to supply graphene-based inks for sale into the Asian printed electronics market, a sector dominated by APAC countries, growing at over 20 per cent. per annum and predicted to be over US\$12 billion by 2022
- Commercial supply and development agreement signed with Talga Resources Limited for the production, sales and marketing of jointly developed transparent conductive ink products using graphene for industrial applications in Asia, with initial focus on material supply for Haydale's PATit anti-counterfeiting product; and
- Received follow on orders for evaluation of SiC in the newly identified anti-corrosion powder coating market from US customer.

Resins, Polymers and Composite SBU ('RPC')

- Secured new contracts worth approximately £0.7 million since the end of the Period, £0.6 million of which are new grant funded projects for delivery in the current and subsequent financial years on the following:
 - evaluating the use of graphene sensors embedded into composites materials which will reduce manufacturing time and allows for in-situ assessment with no degradation of physical properties
 - enhanced electrical conductivity against lightning strikes
 - use of conductive adhesives to remove lead-based solder from aerospace structures
- £0.1 million of which is follow on order from National Grid to supply inspection covers for gas transition pieces ('GTP'); and
- Successfully completed a second trial for the Flowtite A/S' glass reinforced pipe ('GRP') systems on 28 February with the expectation of results being available by the end of June 2018.

Commenting on the interim results, Ray Gibbs, CEO of Haydale, said: *"In the Period we have successfully commenced commercialisation following the global expansion we achieved last year. We now have an engineering-based advanced materials business operating in the three principal world markets of the US, EU and APAC. Our transition from technically focused research and development to a sales-led operation is gathering momentum, but it is not without its challenges. It requires focus and dedication, with the right people in place and our introduction of dedicated SBUs has been enormously helpful in achieving that focus. I am delighted then to report a 67% increase in total income for this half year and a 85% increase in commercial revenues demonstrating the effect of our focus on sales.*

Looking forward, and following our successful fundraising, we have invested in our Taiwanese operation with a newly established, initially temporary, ink production facility. The Taiwanese team have been incredibly busy formulating ink samples to potential customers' specifications who want to improve the performance of their printed sensors, principally in the US\$15 billion self-monitoring blood glucose market. We are hopeful of securing several meaningful orders and supply agreements from this key strategic market and plan to move to a 10,000 sq. ft. facility by the end of this financial year.

With the building blocks now in place, the next six to twelve months should be an exciting time for the Group, which we believe now has the customer engagement, geographic reach, engineering solutions capability and product know how to create material change in the Group's future revenues."

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Haydale is a global technologies group and service provider that facilitates the integration of graphene and other nanomaterials into the next generation of industrial materials and commercial technologies. With expertise in graphene, silicon carbide and other nanomaterials, Haydale is able to deliver improvements in electrical, thermal and mechanical properties, as well as toughness. Haydale has granted patents for its technologies in Europe, USA, Australia, Japan and China and operates from six sites in the UK, USA and the Far East. For more information please visit: www.haydale.com or Twitter: @haydalegraphene

Caution regarding forward looking statements

Certain statements in this announcement, are, or may be deemed to be, forward looking statements. Forward looking statements are identified by their use of terms and phrases such as "believe", "could", "should" "envisage", "estimate", "intend", "may", "plan", "potentially", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These forward looking statements are not based on historical facts but rather on the Directors' current expectations and assumptions regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, business prospects and opportunities. Such forward looking statements reflect the Directors' current beliefs and assumptions and are based on information currently available to the Directors.

A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although any forward looking statements contained in this announcement are based upon what the Directors believe to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with such forward looking statements. Accordingly, readers are cautioned not to place undue reliance on forward looking statements. Subject to any continuing obligations under applicable law or any relevant AIM Rule requirements, in providing this information the Company does not undertake any obligation to publicly update or revise any of the forward looking statements or to advise of any change in events, conditions or circumstances on which any such statement is based.

Chief Executive Officers Report

Overview

I am delighted to present Haydale's unaudited interim results to 31 December 2017. Following on from our strategic acquisitions in 2016, the Group is now focused on sales growth through product commercialisation. In July 2017, we established two sales oriented strategic business units ('SBU's): Advanced Materials ('AMAT') and Resins Polymers and Composites ('RPC') to concentrate sales effort and target customers who typically operate internationally across a variety of sectors. Haydale now has routes to geographic markets with a range of novel speciality performance enhancing nanomaterials and products to add to its product portfolio and graphene expertise. Crucially, the Group now has the capabilities to combine its graphene and other nanomaterials and produce hybrid 'masterbatches' as we see this as the optimal way to significantly improve end-product performance without crucially changing downstream customer processing and overcome industry's reluctance to handle powders.

The progress made in the establishment of the SBU's with dedicated teams has made an immediate impact with like-for-like income growth in the Period of approximately £0.5 million in each SBU.

Haydale now has over 70 staff operating from six sites in three geographic regions, where 11 Haydale patented plasma functionalisation reactors are now deployed. With demand increasing for our engineered solutions and masterbatch products, we plan to expand our reactor numbers once known customer requirements are finalised. We are now seeing demonstrable dispersion and performance benefits from adding appropriate chemical groups on the surface and ends of nano particles.

In the US, the Group's recently launched hard-edged cutting tool product has already opened new customers and achieved almost £0.1 million of sales in the year to date from a standing start, offering promising prospects for future growth. Our sales team in the Far East is making good inroads into customers requiring graphene and functional conductive inks, mainly from our Thailand operation and our newly established, and initially temporary, Taiwanese facility. The team in Taiwan has been incredibly busy formulating ink samples to potential customers' specifications, who want to improve the performance of their printed sensors, principally in the US\$15 billion self-monitoring blood glucose market. We are hopeful of securing several meaningful orders and supply agreements from this key strategic market.

Advanced Materials SBU ('AMAT')

Ceramics

The AMAT SBU delivered a 45 per cent. increase in sales of its proprietary Silicon Carbide micro-fibres ('SiC') in the Period to £1.14 million, as compared to the same period in 2016. This significant uplift was aided by targeted investment in sales and marketing activities in the US. Our operation in South Carolina has been rebranded as Haydale Ceramic Technologies ('HCT') and, on a like-for-like basis, doubled its number of customer engagements (i.e. customers who have sampled HCT's products right through to long term contracted customers) for the Period, including generating sales in new territories, such as South Korea.

In the last year, HCT has invested in product development to open up new markets and has had an encouraging start to sales of its newly developed hard-edged cutting blanks, used for fashioning products such as aircraft engine and land-based fan blades from super alloys, generating maiden revenues of almost £0.1 million.

Penetration into the newly identified anti-corrosion powder coating market of HCT's SiC is also progressing well, with a potential new customer currently undergoing trials at two sites in the US. The opportunity for Haydale is to incorporate silicon carbide into epoxy-based coatings for ferrous structures. Follow on orders for evaluation in this high growth market have continued in both January and February 2018, and the Group is working towards being able to supply commercial quantities over the next six to nine months.

Inks and Coatings

Haydale's temporary facilities in Taiwan were successfully audited during the Period by two leading ink screen-printing corporations, one of which operates in biomedical sensors for the growing global diabetes market. Following the Group's successful fundraise in October 2017, investment in infrastructure and scale-up in Taiwan has started to deliver increased capacity and capabilities in anticipation of increased demand. During the Period, the Group sold and supplied bespoke samples of its graphene enhanced and functional inks for product evaluation and testing to more than 30 companies in the APAC region. Increasing customer engagements are such that the

Group plans to move to a 10,000 sq. ft. facility in Kaohsiung by the end of the current financial year, which will be capable of meeting significant demand for our graphene-based and speciality conductive ink products.

Following a successful first trial, a second safety trial is underway by a leading Korean cookware manufacturer, who has incorporated Haydale's functionalised graphene nano-platelets within the inner coating of their pots and pans. Through Haydale's operations in Thailand, the Group has targeted three major Thai cookware manufacturers who are seeking improvements in the thermal performance of their next generation cookware products.

We are pleased to report that the Group's Thai operation has sold, and is to install and commission, a HT60 reactor to a leading Thai petrochemical processor, IRPC, before the end of June 2018. This reactor sale includes a follow-on research contract worth approximately £0.3 million to our Thai operation over the next 12 months. The research contract includes functionalising certain of IRPC's bi-products to specifically improve electrical performance and increase value.

Resins, Polymers and Composites SBU ('RPC')

The RPC SBU has delivered strong sales growth in the Period. A second trial for Haydale's graphene-enhanced resin system for Flowtite A/S's GRP pipes was carried out on 28 February 2018, following encouraging initial evaluation reports in September 2017. The expectation is for the test results to be received by the end of June 2018.

In the Period, Haydale has secured new grant funded projects of £0.5 million for delivery in this and into the next financial year. Each grant project secured is intended to lead to the development, and ultimately sale, of a next generation product and allows Haydale to work alongside some significant international corporations. More pleasingly, since the Period end, our dedicated team has secured a further approximate £0.7 million of additional grant and commercial projects funding for delivery over the remainder of the current year and into subsequent financial years. Two of these awards are in the aerospace sector, one being a follow-on from our successful graphene conductive aileron project demonstrating the feasibility to counter lightning strike and the other, being the development of a graphene conductive adhesive, to be used in aerospace applications aimed at removing the need for lead based solder.

The composite industry is looking to make structures smart and provide self-diagnostics. Included within the grant awards secured above, Haydale has won, as part of a £1.3 million consortium, a project grant aimed at embedding diagnostic graphene sensors into a composite structure, where the value to Haydale is approximately £0.25 million over the next 18 months. The project applies graphene to a customised composite substrate to achieve real time defect sensing, during the manufacturing process of a composite where crucially, the mechanical performance is not degraded. The graphene sensors are to be embedded into the composite material, delivering whole life savings for the asset owner, through reduced manufacturing time and in-situ assessment. A new generation smart material.

In our traditional thermoset market, following the recent delivery to National Grid of the first batch of Haydale's proprietary composite gas transition inspection covers, a repeat order for £0.11 million has been secured for delivery in the current financial year.

Intellectual property

Haydale continues to add to its IP base, with both know-how and granted patents. Increasingly, the knowledge-based systems in our business have taken on more prominence rather than the process patents. This is especially true for the dispersion capability we have developed in our operations. The Group's intention remains to secure added protection through the development of product patents which we have filed for graphene products, such as pressure sensors, printed heated garments for sporting goods and PATit, our transparent conductive ink used in anti-counterfeiting.

We are also pleased to report that the Group was advised in September 2017 that the North American patent office has granted a patent on Haydale's patented plasma process. This will ensure that Haydale's functionalisation process will be protected in the US, UK, Europe, Japan, China, and Australia.

Financial Results

Total unaudited income recognised in the period, which comprised commercial revenue and income from grant projects, was up more than 67 per cent. on the same period last year at £2.49 million (H1FY17: £1.49 million). The Group's forward order book remained strong at the end of the Period at £4.75 million, which we are pleased to report has grown to approximately £5.4 million as of today's date, providing improved visibility on future income.

Both SBUs recorded income increases of approximately £0.5 million on a like-for-like basis, with AMAT posting sales of £1.3 million and RPC delivering income of £1.2 million in the Period. The Group's gross margin for the Period reduced to approximately 60% compared to 70% in the prior period, due principally to a change in product mix sold by HCT which is set to continue for the foreseeable future.

As Haydale transitions to commercial sales its own investment in development projects has reduced in the six months under review. Total R&D expenditure was approximately £0.5 million (H1FY17: £0.7 million), of which £0.4 million was expensed in the period, with £0.1 million being capitalised and will be amortised over 20 years. Other administration costs during the Period totalled £3.77 million, up from £3.04 million in the corresponding period last year, due principally to an increased headcount across the Group and an inclusion of a full six months' of HCT's costs in the Period, which the Group acquired in mid-October 2016. The Group expects to report other admin costs in the second half of the current financial year to be broadly similar to those incurred in the Period. Expenditure on capital equipment during this period was £0.2 million, similar to that spent in H1FY17. Loss for the Period from continuing operations was £2.2 million, a reduction of £0.2 million from the same period last year.

Given the Group's increasing international presence, its reported financial performance, especially when comparing to prior periods, is impacted marginally by changes in foreign exchange rates, in particular movements in the £/US\$ exchange rate. The Group takes reasonable steps to minimise the effect of changes in FX rates to its performance and position, notwithstanding that the recent 5% strengthening of the £ vs the US\$ in the first two months of 2018 compared to the average during the Period is likely to impact marginally on the Group's reported income for the current financial year.

The Group's unaudited net assets at 31 December 2017 were £15.4 million (31 December 2016: £7.8 million). The Group's borrowings reduced £0.3 million during the Period to £1.0 million at the period end (30 June 2017: £1.3 million). Cash at the period end was £8.0 million (30 June 2017: £2.1m), bolstered by the equity fundraising during the Period which raised £9.3 million (before expenses) through the issue of 7,731,060 new Ordinary Shares at a price of £1.20 to new and existing investors. As at 31 December 2017 and at the date of this announcement, the Company has 27,328,773 ordinary shares in issue.

Board changes

During the Period, John Knowles retired as Chairman and was replaced by David Banks. We are extremely grateful to John for his contribution to the Group, especially through its listing process in 2014, and the Board wishes him well for the future. David joins the Group at an exciting inflection point, with income growth now at almost 70 per cent. period-on-period, and we look forward to benefiting from David's wise counsel and guidance as we drive towards profitability.

Outlook

Whilst Haydale's activities were expansion focused in the previous financial year, we can see an even greater level of activity now that we have both product sales and a pipeline of engineered performance enhancing applications for customers with known requirements starting to generate income across the Group.

The Group's transition from technically focused research and development to a sales-led operation is gathering momentum, but it is not without its challenges. It requires focus and dedication, with the right people in place and our introduction of dedicated SBUs has been instrumental in achieving that focus.

Haydale's geographic coverage and expanding product base offers a unique proposition in the graphene and advanced materials world in which we operate. The Group has won new business in the US, through a focused sales effort and investment in new products. Our Far East graphene and functional inks business now has foundations in place and its pipeline of potential new customers looks strong, especially around FDA approved inks for bio-medical diabetes testing sensors. We are making investment in the region to accommodate the expected growth in graphene and speciality inks, based around our new facility in Taiwan. Our three APAC units (S. Korea, Thailand, and Taiwan) work well together, with complimentary skill sets.

The composite industry is inherently conservative and dominated by large corporates who plan carefully and thoroughly. Hence, the lesson we have learned is that their desire for implementation of new products takes time and resources, albeit the results can be significant in revenue generation. The traditional composite-based application engineering solutions consultancy in Loughborough and the processing and dispersion team in Ammanford have been working well together such that they have several potential contracts under discussion utilising their traditional skills whilst now incorporating property enhancements from using graphene and other nanomaterials at their disposal. The Group's dispersion capabilities will be crucial in its push to commercialise composite products.

The Haydale team is clearly focused on revenue generation and the drive to profitability, building on the almost 70 per cent. increase in revenue generation delivered in the period under review. We look forward to reporting future success and news in the coming months.

Ray Gibbs
Chief Executive Officer
1 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended 31 December 2017

	Note	Unaudited Six months ended 31 Dec 2017 £'000	Unaudited Six months ended 31 Dec 2016 £'000	Audited Year ended 30 Jun 2017 £'000
REVENUE		2,041	1,106	3,004
Cost of sales		(852)	(313)	(894)
Gross Profit		1,189	793	2,110
Other income		456	384	901
Administrative expenses				
Research and development expenditure		(433)	(548)	(908)
Share based payment expense		(114)	(187)	(351)
Other administrative expenses		(3,768)	(3,037)	(7,090)
		(4,315)	(3,772)	(8,349)
LOSS FROM OPERATIONS		(2,670)	(2,595)	(5,338)
Finance costs		(69)	(29)	(297)
LOSS BEFORE TAXATION		(2,739)	(2,624)	(5,635)
Taxation		557	221	883
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2,182)	(2,403)	(4,752)
Other comprehensive income:				
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations		-	-	(74)
Remeasurements of defined benefit pension scheme		(148)	-	(36)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(2,330)	(2,403)	(4,862)
Loss per share attributable to owners of the Parent				
Basic (£)	2	(0.10)	(0.15)	(0.28)
Diluted (£)	2	(0.10)	(0.15)	(0.28)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 31 December 2017

	Unaudited 31 Dec 2017 £'000	Unaudited 31 Dec 2016 £'000	Audited 30 Jun 2017 £'000
ASSETS			
Non-current assets			
Goodwill	2,088	-	2,115
Intangible assets	2,110	2,042	2,152
Property, plant and equipment	4,848	5,287	5,074
Deferred tax asset	536	-	679
	<u>9,582</u>	<u>7,329</u>	<u>10,020</u>
Current assets			
Inventories	1,237	1,048	1,212
Trade receivables	566	466	798
Other receivables	451	884	535
Corporation tax	441	547	280
Cash and bank balances	7,992	1,127	2,091
	<u>10,687</u>	<u>4,072</u>	<u>4,916</u>
TOTAL ASSETS	<u><u>20,269</u></u>	<u><u>11,401</u></u>	<u><u>14,936</u></u>
LIABILITIES			
Non-current liabilities			
Bank loans	752	1,120	911
Deferred tax	687	-	1,234
Pension obligation	1,095	-	969
	<u>2,534</u>	<u>1,120</u>	<u>3,114</u>
Current liabilities			
Bank loans	272	506	359
Trade and other payables	1,975	1,631	2,305
Deferred income	66	304	253
	<u>2,313</u>	<u>2,441</u>	<u>2,917</u>
TOTAL LIABILITIES	<u><u>4,847</u></u>	<u><u>3,561</u></u>	<u><u>6,031</u></u>
TOTAL NET ASSETS	<u><u>15,422</u></u>	<u><u>7,840</u></u>	<u><u>8,905</u></u>
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Share capital	547	349	392
Share premium account	27,539	15,356	18,936
Share-based payment reserve	1,121	843	1,007
Retained (deficits) / profits	(13,647)	(8,520)	(11,317)
Foreign exchange reserve	(138)	83	(113)
Other reserves	-	(271)	-
	<u>15,422</u>	<u>7,840</u>	<u>8,905</u>
TOTAL EQUITY	<u><u>15,422</u></u>	<u><u>7,840</u></u>	<u><u>8,905</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the six months ended 31 December 2017

	Unaudited Six months ended 31 Dec 2017 £'000	Unaudited Six months ended 31 Dec 2016 £'000	Audited Year ended 30 Jun 2017 £'000
Cash flow from operating activities			
Loss before taxation	(2,739)	(2,624)	(5,635)
<i>Adjustments for:-</i>			
Amortisation of intangible assets	102	35	157
Capitalised loan costs written off	-	-	77
Depreciation of property, plant and equipment	320	250	560
Share-based payment charge	114	187	351
(Profit)/Loss on disposal of property, plant and equipment	51	-	-
Finance costs	69	29	297
Net interest expense	20	-	-
Operating cash flow before working capital changes	(2,063)	(2,123)	(4,193)
(Increase)/ decrease in inventories	(25)	152	(12)
Decrease / (increase) in trade and other receivables	316	(620)	(596)
(Decrease) / increase in payables and deferred income	(517)	170	260
Income tax received	-	54	412
Net cash flow from operating activities	(2,289)	(2,367)	(4,129)
Cash flow used in investing activities			
Purchase of property, plant and equipment	(247)	(225)	(415)
Purchase of intangible assets	(80)	-	(245)
Proceeds from disposal of property, plant and equipment	20	-	-
Acquisition of subsidiary net of cash acquired	-	4	4
Purchase of non-controlling shareholding	-	-	(413)
Net cash flow in investing activities	(307)	(221)	(1,069)
Cash flow used in financing activities			
Finance costs	(69)	(29)	(297)
Proceeds from issue of share capital	9,277	2,591	6,058
Share issue costs	(520)	(157)	-
New bank loans raised	-	1,405	1,408
Repayments of borrowings	(259)	(2,921)	(2,817)
Net cash flow from financing activities	8,429	889	4,352
Effects of exchange rate changes	68	(36)	75
Net increase / (decrease) in cash and cash equivalents	5,901	(1,735)	(771)
Cash and cash equivalents at beginning of the financial period	2,091	2,862	2,862
Cash and cash equivalents at end of the financial period	7,992	1,127	2,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Foreign exchange reserve £'000	Retained profits £'000	Other reserves £'000	Total £'000
At 1 July 2016	305	11,840	656	(39)	(6,117)	(44)	6,601
Comprehensive loss for the period	-	-	-	-	(2,403)	-	(2,403)
Recognition of share-based payments	-	-	187	-	-	-	187
Issue of ordinary share capital	44	3,673	-	-	-	-	3,717
Transaction costs in respect of share issues	-	(157)	-	-	-	-	(157)
Other Comprehensive Income	-	-	-	-	-	(227)	(227)
Currency Reserve	-	-	-	122	-	-	122
At 31 December 2016	349	15,356	843	83	(8,520)	(271)	7,840
Comprehensive loss for the period	-	-	-	-	(2,348)	-	(2,348)
Recognition of share-based payments	-	-	164	-	-	-	164
Issue of ordinary share capital	43	3,580	-	-	-	-	3,623
Retirement benefit obligations	-	-	-	-	(36)	-	(36)
Repurchase of NCI	-	-	-	-	(413)	44	(369)
Other comprehensive loss	-	-	-	-	-	227	227
Foreign currency reserve	-	-	-	(196)	-	-	(196)
At 30 June 2017	392	18,936	1,007	(113)	(11,317)	-	8,905
Comprehensive loss for the period	-	-	-	-	(2,182)	-	(2,182)
Recognition of share-based payments	-	-	114	-	-	-	114
Issue of ordinary share capital	155	8,603	-	-	-	-	8,758
Other Comprehensive Income	-	-	-	-	(148)	-	(148)
Currency Reserve	-	-	-	(25)	-	-	(25)
At 31 December 2017	547	27,539	1,121	(138)	(13,647)	-	15,422

Equity share capital and share premium

The balance classified as share capital and share premium includes the total net proceeds on issue of the Company's equity share capital, comprising £0.02 ordinary shares. The share premium account can only be used for bonus issues, to provide for the premium payable on redemption of debentures or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, any issues of shares or debentures of the Company.

Share premium account

The share premium account represents the amount received on the issue of ordinary shares in excess of their nominal value and is non-distributable.

Share-based payment reserve

The share-based payment reserve comprises the cumulative expense representing the extent to which the vesting period of share options has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest.

Retained profits

The retained profits reserve comprises the cumulative effect of all other net gains, losses and transactions with owners (e.g. dividends) not recognised elsewhere.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. Accounting policies

Basis of preparation

The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 30 June 2018 and in accordance with recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The accounting policies applied in the preparation of these interim financial statements are consistent with those used in the financial statements for the year ended 30 June 2017.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all of the disclosures in IAS34 'Interim Financial Reporting'. Accordingly, while the interim financial statements have been prepared in accordance with IFRS they cannot be construed as being in full compliance with IFRS.

The financial information for the year ended 30 June 2017 does not constitute the full statutory accounts for that period. The Annual Report and Accounts for 30 June 2017 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Accounts for 2017 was unqualified and did not include references to any matters which the auditors drew attention to by way of emphasis without qualifying their report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

Going concern

The consolidated financial statements are prepared on a going concern basis which the Directors believe continues to be appropriate. The Group meets its day-to-day working capital requirements through existing cash resources which, at 31 December 2017 amounted to £7.99 million. The Directors have prepared cash flow projections for the period ending no less than 12 months from the date of their approval of these financial statements. On the basis of those projections, the Directors believe that the Group will be able to continue to trade for the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2017

2. Loss per share

The calculations of loss per share are based on the following losses and number of shares:

	Unaudited six months ended 31 Dec 2017 £'000	Unaudited six months ended 31 Dec 2016 £'000	Audited Year ended 30 Jun 2017 £'000
Loss after tax attributable to owners of the Haydale Graphene Industries Group	<u>(2,182)</u>	<u>(2,403)</u>	<u>(4,752)</u>
Weighted average number of shares:			
- Basic	<u>22,202,744</u>	<u>16,078,679</u>	<u>17,232,137</u>
- Diluted	<u>22,202,744</u>	<u>16,078,679</u>	<u>17,232,137</u>
Loss per share:			
- Basic (£)	<u>(0.10)</u>	<u>(0.15)</u>	<u>(0.28)</u>
- Diluted (£)	<u>(0.10)</u>	<u>(0.15)</u>	<u>(0.28)</u>

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

3. Approval

The 31 December 2017 interim financial statements were approved by a duly appointed and authorised committee of the Board of Directors on 28 February 2018.

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