1 April 2014

Applied Graphene Materials plc

("Applied Graphene Materials", "the Group" or "the Company")

Interim results – six months ended 31 January 2014

Applied Graphene Materials, the producer of specialty graphene materials, which was admitted to AIM in November 2013, is pleased to announce its interim results for the period ended 31 January 2014.

Financial overview

• EBITDA*	Loss of £820,270 (2013: loss of £397,713)
• Loss before tax	Loss of £1,216,193 (2013: loss of £398,887)
• Cash at bank	£9,882,564 (2013: £763,414)
• Diluted EPS	Loss of 9.57 pence per share (2013: loss of 4.94 pence)
• Adjusted diluted EPS	Loss of 6.15 pence per share (2013: loss of 4.83 pence)

*EBITDA comprises loss on ordinary activities before interest, tax, non operating exceptional costs, depreciation and amortisation.

Operational highlights

• November 2013	Admission to AIM raising £11 million
• March 2014	Two requests from collaboration partners for additional material supplies
• March 2014	Six new customer collaborations in place
• March 2014	Increased headcount and strengthened resources in technical, operations and business development functions
• March 2014	New patent filing for graphene in processing materials
• April 2014	Appointment of Sean Christie as Non-Executive Director

Jon Mabbitt, Chief Executive Officer commented:

"I am pleased to announce our first interim results as a listed Company. The Board was delighted with the investor response to our admission to AIM in November 2013 and the funds raised have allowed us to begin the next phase of development and growth of Applied Graphene Materials.

The Group has made good progress in the short period of time since being admitted to AIM, and is now putting in place the building blocks to help us realise the potential of the business. The Group now enjoys a higher profile within its target markets that has helped generate more customer collaborations. This, combined with the key new hires we have made since admission, our continued focus on our manufacturing and graphene dispersion processes, and the enhancement levels graphene can offer our growing number of partners leave us well placed to meet the growing global demand for graphene."

Ends

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Notes to Editors

Applied Graphene Materials was founded by Professor Karl Coleman in 2010 with its operations and processes based on technology that he initially developed at Durham University. The Group was admitted to AIM in November 2013, raising £11 million, and is based at the Wilton Site on Teesside.

The Group has developed a proprietary bottom-up process for the production of high purity graphene nanoplatelets and owns the intellectual property and know-how behind this process. Applied Graphene Materials' process is based on sustainable, readily available raw materials and therefore does not rely on the supply of graphite, unlike a number of other graphene production techniques. It is capable of producing high purity graphene using a continuous process. Applied Graphene Materials provides dispersion and product integration expertise to deliver solutions for a wide range of applications.

Introduction

I am delighted to present the Group's first interim results following its admission to AIM on 20 November 2013. The funds raised allow us to begin the next phase of development and growth of Applied Graphene Materials. Much work is now needed to put infrastructure and other building blocks in place to help us to realise the potential of the business and I am pleased with the progress that has been made since admission.

The properties of graphene

Graphene has a molecular structure comprising a single layer of carbon atoms bonded in a hexagonal structure. It was first isolated in 2004 by Andre Geim and Konstantin Novoselov at Manchester University. In its purest form, graphene possesses an unsurpassed combination of electrical, mechanical and thermal properties, which gives it the potential to replace or enhance the performance of existing materials in a wide range of applications and, in the long term, to enable new applications.

Due to its properties, graphene has been described as a disruptive technology and also a "miracle material" with the potential to enhance product performance in various sectors including aerospace, automotive, paints and coatings, communications, electronics, optoelectronics, lubricants, energy storage and sensors, amongst others.

Strategy

Our intention is to become a world leader in the supply of graphene formatted for specific customer applications. Through entering into collaboration arrangements with a wide range of manufacturers in different application areas and through utilising the Group's expertise in the dispersion and preparation of graphene, our target is to position the business as a value added partner rather than simply being a commodity producer of graphene. We aim to help our customers to transfer graphene's intrinsic properties into other materials, thus creating value added products possessing specifically enhanced characteristics.

We are targeting customers in the UK, Europe and other international territories, as well as engagement with appropriate institutional bodies to gain accreditations. Where appropriate, we will look to extend our product portfolio and add to our own intellectual property and know-how.

To date, the main focus of the business has been to demonstrate that it can manufacture graphene to the right quality, in a consistent manner and in sufficient volumes to be able to meet anticipated market demand. This work continues, but the business is also moving into a phase of detailed data generation on what enhancements our products can yield when added to other existing materials. Given the multiplicity of potential applications, we are initially focusing our efforts in the following areas:

- polymers and composites;
- paints and coatings; and
- lubricants and oils.

We will not restrict ourselves solely to these areas and indeed customer engagement is taking us into other areas, which we are supporting on a selective basis where the opportunity has sufficient potential. Our aim is to generate sufficient generic data for each of our chosen market sectors, on the graphene that we produce, and then to work with individual customers to extend this database. We believe that this approach will help to stimulate the global demand for graphene although we understand that demand will largely be reliant upon a broad OEM customer base recognising the capabilities of graphene and pushing the technology through.

Customers

The breadth of potential application areas for graphene is expanding and customer engagement continues at pace. Since admission, two customers who had previously taken trial quantities of material and with whom we have in place established collaboration agreements, have requested additional material supplies. We have also added a further six new development partners with several others currently in the pipeline. All collaborations are within our core target market segments. We have substantially raised our business profile and the remainder of this calendar year will see a high level of activity to raise customer awareness across market sectors on a global basis.

Business development

Our focus in the financial year to date has been to put in place enhanced infrastructure to support the business, and the funds raised on admission have helped to achieve that. This has included the establishment of robust systems and procedures to enable us to confidently expand the business on a sure footing. Since admission, we have sought to invest to expand and add greater depth to the personnel base, in order to properly support customer engagements. This is a critical building block in the creation of a strong platform for growth. Getting the right type and quality of people is never easy, but the attractions of joining an early stage, ambitious and dynamic Group are strong and we anticipate that our headcount will have doubled by the end of the financial year in July 2014.

Our recruitment activities have been focused in three main areas:

- four new hires have been made in the technical and scientific function. The objective of strengthening technical resources is to enhance our graphene data generation and also to support our customers in developing end applications for graphene;
- we have strengthened our operations function with the addition of two new recruits including an experienced operations director. These additional operations resources will enable the Group to begin to operate its production assets for longer periods of time. Further recruitment is required in the operations function and this remains an area of ongoing priority; and
- we have added to the business development function which will enable us to better support and respond to the needs of existing and new customers. Again, further recruitment is anticipated in this area as we seek to build a business development team which has significant sector specific expertise in our target markets.

We are also delighted to be able to announce the appointment of Sean Christie to the Board as an additional independent Non-Executive Director. Sean is currently the Group Finance Director of Croda International plc and has significant operational, financial and sector experience. His appointment greatly strengthens the Board.

In the period since admission, we have continued to develop our technology base through improvements to the production process. This is an ongoing and continuous process as we seek to optimise both the quality and quantity of graphene produced through process development as well as the enhancement levels that graphene provides as an additive to other materials.

Intellectual property and know-how

The Group's key intellectual property rights can be broadly categorised as patent applications, together with proprietary know-how and trade secrets primarily associated with its plant and manufacturing process.

The Group is currently the owner of two families of patent applications covering its processes for manufacturing graphene nanoplatelets. The first of these families covers part of the current manufacturing process and has now moved into the national phase in the Patent Office of Europe, China, Japan, South Korea, India and the US. The second family is in the international phase. Since admission we have continued the process of pursuing these applications, which remain pending.

The Group has also developed substantial confidential know-how associated with the manufacturing process covered by the aforementioned patent families, as well as trade secrets relating to techniques for the preparation and dispersion of the graphene nanoplatelets produced in this manner.

The Group has also recently made a new patent filing connected to the application of graphene within processing materials.

Outlook

The Group has made good progress in the short period of time since being admitted to AIM, and is now putting in place the building blocks to help us realise the potential of the business. The Group now enjoys a higher profile within its target markets that has helped generate more customer collaborations. This, combined with the key new hires we have made since admission, our continued focus on our manufacturing and graphene dispersion processes, and the enhancement levels graphene can offer our growing number of partners leave us well placed to meet the growing global demand for graphene

Jon Mabbitt

Chief Executive Officer

1 April 2014

Financial review

Revenue

Revenue for the period was £1,529 (2013: £4,750) arising from the supply of trial quantities of graphene to commercial partners.

Loss on ordinary activities before interest, tax, non operating exceptional costs, depreciation and amortisation (EBITDA)

EBITDA for the Group increased from a loss of £397,713 in 2013 to a loss of £820,270 for the period ended 31 January 2014. This increase in losses reflects the investment in overheads including headcount and business infrastructure to support the anticipated future growth and development of the business, both in the periods prior to and since admission to AIM.

Non operating exceptional costs

Non operating exceptional costs recognised in the period were £393,631 (2013: £nil). These costs relate to fees paid in connection with the AIM admission.

Net finance income

Net finance income for the period was £9,936 (2013: £109). The Group has benefited from the receipt of the placing proceeds in November 2013 and bank interest earned on those monies since that date.

Loss on ordinary activities before tax and non operating exceptional costs (PBTA)

PBTA for the period increased from a loss of £398,887 in 2013 to a loss of £822,562 for the period ended 31 January 2014. This increase in losses reflects the investment in overheads including headcount and business infrastructure to support the anticipated future growth and development of the business, both in the periods prior to and since admission to AIM.

Loss on ordinary activities before tax

A loss on ordinary activities before tax of £1,216,193 (2013: loss of £398,887) was recognised. This includes exceptional costs connected to the admission to AIM of £393,631.

Tax

The Group has not recognised any tax assets in respect of trading losses arising in either the current financial year or accumulated losses in previous financial years. The tax credit recognised in respect of the current and previous financial years arises from the receipt of R&D tax credits.

Earnings per share

Diluted earnings per share were a loss of 9.57 pence (2013: loss of 4.94 pence). Adjusted diluted earnings per share (before non operating exceptional costs) were a loss of 6.15 pence (2013: loss of 4.83 pence). Earnings per share have been adversely impacted by the increases in operating costs previously explained and the issue of new shares as part of the admission to AIM.

Dividend

No dividend has been proposed for the period ended 31 January 2014.

Cash flow

Net cash used in operations was £872,344 (2013: £393,466). During the period, net working capital utilised reduced by £319,837 (2013: reduction of £4,247). This reduction principally relates to an increase in trade creditors and accruals reflecting growth in the activities of the business.

Capital expenditure of £225,055 (2013: £4,198) has been incurred in the period mainly relating to the purchase of laboratory equipment and the ongoing development of the production process. Net proceeds arising from the issue of shares totalled £10,502,478.

Balance sheet

Net assets have increased to £9,727,852 (2013: £704,840), reflecting the benefit of the net proceeds received from the issue of ordinary shares, offset by the trading loss for the period.

Cash at bank at 31 January 2014 was £9,882,564 (2013: £763,414). The increase is attributable to proceeds arising from the issue of shares. These proceeds have been placed on deposit with a range of financial institutions for time periods ranging between instant access and up to one year in maturity.

Comparative information

In order to comply with IFRS3, the Group has applied reverse acquisition accounting in the presentation of consolidated shareholders' equity for comparative periods. These comparative periods show the results of the accounting acquirer (Applied Graphene Materials UK Limited) along with the share capital structure of the parent company (Applied Graphene Materials plc). As a result, the consolidated share capital and share premium presented for comparative periods is that which was in existence immediately following the share for share exchange which occurred on 21 October 2013, and which is explained further in note 8 to the interim financial information.

Accounting policies

The Group's consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards. The Group's significant accounting policies, which are consistent with those set out in the AIM Admission document dated 18 November 2013, have been applied consistently throughout the period.

Principal risks and uncertainties

Broadly, risks are categorised into seven types being: strategic and planning; financial; operational and quality; technical; people; reputation; and regulatory risks. Significant risks facing the Group include:

- Early stage of operations and acceptance of graphene (operational and quality, technical risks) – The Group is at an early stage of development and the success of the Group will depend on the acceptance and attribution of value to graphene produced by the business. There can be no guarantee that either acceptance of graphene or attribution of value will be forthcoming.
- Existing capacity and scale up (operational and quality, technical risks) – The Group has not yet demonstrated its technology at either existing nameplate production capacity or increased capacities. Failure to operate at either current or increased nameplate capacities would adversely impact the Group's business and financial position.
- Intellectual property (technical risks) – The Group's business is based on a combination of patent applications and know-how. The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property. There is no certainty that patent applications will be granted, such applications and know-how will be a source of competitive advantage to the Group, or that others have not developed similar or better applications or know-how. Significant costs may be incurred in asserting intellectual property rights and there is no certainty that intellectual property could not become known in a manner which provided the Group with no recourse.
- Commercialisation, competition and pricing (strategic and planning, technical risks) – Technological advances may impede the commercial progress of graphene and may also result in worldwide production capacity exceeding demand. This could adversely impact the price of, or demand for, graphene. There is no guarantee that graphene will become an accepted material for use on a commercial scale or that demand for graphene will develop at all. The Group may also be unsuccessful in its efforts to realise benefits from the commercialisation of graphene. In such situations, the Group's business and financial position would be adversely impacted.
- Adequacy of financial resources (financial risks) – The available funding required to support the business through to profitability and cash generation may be insufficient. The Group may also be unable to access additional debt or equity capital, or to raise funds on acceptable terms. In the event that the resources available to the Group are inadequate then this could have a materially adverse impact on the implementation of the Group's strategy, its business, financial condition and operations.
- Safety, health and environment (regulatory risks) – The Group's operations are subject to numerous safety, health and environment (SHE) requirements which are likely to become more complicated, stringent and onerous as the Group grows or as time passes. Failure to comply in any way with SHE requirements could result in the Group incurring significant costs and liabilities, or being subject to claims and lawsuits which could adversely affect its operations and financial condition. Graphene is also a relatively new material with a limited number of studies having been undertaken into its effects on biological systems. If evidence emerges that graphene has a deleterious effect then this may adversely impact on the Group's business and financial position.
- Financial, operational and management information systems (financial, operational risks) – The efficient operation and management of the Group depends on the proper operation and performance of financial, operational and management information systems. Any failure in such systems may result in a loss of control and adversely impact the Group's ability to operate effectively and to fulfil its contractual obligations.
- Key personnel (people risks) – The Group has in place an experienced and motivated senior management team and is beginning to build strength in depth. If the Group is unable to attract and retain suitably skilled and qualified people, then the Group's performance and prospects may be adversely impacted. The loss of one or more key personnel could have an adverse impact on the Group's operations, reputation, relationships and future prospects.

Cautionary statement

The Business and Financial review has been prepared for the shareholders of the Company, as a body, and no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Group and the potential for those strategies to succeed and for no other purpose. This Business and Financial review contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this Business and Financial review will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation.

Oliver Lightowlers

Chief Financial Officer

1 April 2014

Consolidated income statement and statement of comprehensive income

for the six months ended 31 January 2014

	Note	**Unaudited 6 months to 31 January 2014 £**	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
Revenue	5	**1,529**	4,750	11,410
Cost of sales		**(40,705)**	—	—
Gross (loss)/profit		**(39,176)**	4,750	11,410
IFRS 2 share based payments charge		**(21,720)**	—	(23,867)
Operating expenses		**(1,165,233)**	(403,746)	(757,524)
EBITDA		**(820,270)**	(397,713)	(766,834)
Non operating exceptional costs		**(393,631)**	—	—
Depreciation of tangible fixed assets		**(12,228)**	(1,283)	(3,147)
Operating loss		**(1,226,129)**	(398,996)	(769,981)
Net finance income		**9,936**	109	276
PBTA		**(822,562)**	(398,887)	(769,705)
Non operating exceptional costs		**(393,631)**	—	—
Loss on ordinary activities before tax	5	**(1,216,193)**	(398,887)	(769,705)
Tax on loss on ordinary activities	3	**7,598**	—	19,916
Loss for the period attributable to equity shareholders		**(1,208,595)**	(398,887)	(749,789)
Other comprehensive income		**—**	—	—
Total comprehensive income		**(1,208,595)**	(398,887)	(749,789)
Earnings per share (pence per share)				
Basic	6	**(9.57)**	(4.94)	(8.44)
Diluted	6	**(9.57)**	(4.94)	(8.44)

EBITDA comprises loss on ordinary activities before interest, tax, non operating exceptional costs, depreciation and amortisation.

PBTA comprises loss on ordinary activities before tax, non operating exceptional costs and amortisation.

Consolidated statement of changes in shareholders' equity

for the six months ended 31 January 2014

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Unaudited Total £
As at 31 July 2012	195,874	—	507,855	(289,091)	414,638
Comprehensive loss	—	—	—	(398,887)	(398,887)
Merger reserve	—	—	689,089	—	689,089
As at 31 January 2013	195,874	—	1,196,944	(687,978)	704,840
Comprehensive loss	—	—	—	(350,902)	(350,902)
IFRS 2 share based payments	—	—	—	23,867	23,867
Merger reserve	—	—	34,444	—	34,444
As at 31 July 2013	195,874	—	1,231,388	(1,015,013)	412,249
Comprehensive loss	—	—	—	(1,208,595)	(1,208,595)
IFRS 2 share based payments	—	—	—	84,938	84,938
Merger reserve	—	—	2	—	2
Issue of shares (net)	143,624	10,295,634	—	—	10,439,258
As at 31 January 2014	**339,498**	**10,295,634**	**1,231,390**	**(2,138,670)**	**9,727,852**

In order to comply with IFRS3, the Group has applied reverse acquisition accounting in the presentation of consolidated shareholders' equity for comparative periods. These comparative periods show the results of the accounting acquirer (Applied Graphene Materials UK Limited) along with the share capital structure of the parent company (Applied Graphene Materials plc). As a result, the consolidated share capital and share premium presented for comparative periods is that which was in existence immediately following the share for share exchange which occurred on 21 October 2013, and which is explained further in note 8 to the interim financial information.

Consolidated balance sheet

as at 31 January 2014

	Note	**Unaudited 31 January 2014 £**	Unaudited 31 January 2013 £	Unaudited 31 July 2013 £
Assets				
Non-current assets				
Property, plant and equipment		**224,159**	9,836	11,331
		224,159	9,836	11,331
Current assets				
Trade and other receivables		**109,846**	17,660	26,173
Cash		**9,882,564**	763,414	459,951
		9,992,410	781,074	486,124
Liabilities				
Current liabilities				
Trade and other payables		**(486,451)**	(86,070)	(82,940)
		(486,451)	(86,070)	(82,940)
Non-current liabilities				
Provisions for other liabilities and charges		**(2,266)**	—	(2,266)
		(2,266)	—	(2,266)
Net assets		**9,727,852**	704,840	412,249
Shareholders' equity				
Called up share capital	8	**339,498**	195,874	195,874
Share premium account		**10,295,634**	—	—
Merger reserve		**1,231,390**	1,196,944	1,231,388
Retained earnings		**(2,138,670)**	(687,978)	(1,015,013)
Equity shareholders' funds		**9,727,852**	704,840	412,249

Consolidated cash flow statement
for the six months ended 31 January 2014

	Note	**Unaudited 6 months to 31 January 2014 £**	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
Operating activities				
Net cash used in operations	7a)	**(872,344)**	(393,466)	(750,363)
Net finance income		**9,936**	109	276
Tax received		**7,598**	—	22,182
Net cash used in operating activities		**(854,810)**	(393,357)	(727,905)
Investing activities				
Purchase of property, plant and equipment		**(225,055)**	(4,198)	(7,557)
Net cash used in investing activities		**(225,055)**	(4,198)	(7,557)
Financing activities				
Net proceeds from exercise of warrants		**130,652**	—	—
Net proceeds from issue of ordinary shares		**10,371,826**	689,089	723,533
Net cash generated from financing activities		**10,502,478**	689,089	723,533
Net increase/(decrease) in cash, cash equivalents and overdrafts	7b)	**9,422,613**	291,534	(11,929)
Cash, cash equivalents and overdrafts at 31 July 2013		**459,951**	471,880	471,880
Cash, cash equivalents and overdrafts at 31 January 2014		**9,882,564**	763,414	459,951

1 General information

The principal activity of Applied Graphene Materials plc is that of the manufacture and development of applications for graphene.

The Company is incorporated and domiciled in the United Kingdom and its registered number is 8708426. The address of the registered office is The Wilton Centre, Redcar, Cleveland, TS10 4RF. The Company was incorporated on 27 September 2013 and changed its name from Sandco 1271 Limited to Applied Graphene Materials Limited on 9 October 2013. The Company was reregistered as a public company on 24 October 2013.

The Company acquired the entire issued share capital of Durham Graphene Science Limited on 21 October 2013 and has applied the principles of merger and reverse acquisition accounting in the preparation of the consolidated financial information.

The interim financial information was approved for issue on 1 April 2014.

2 Basis of accounting

The interim financial information has been prepared under the historical cost convention, as modified by financial assets and liabilities at fair value through the income statement and share based payments at fair value, and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006. The interim financial information has been prepared on a going concern basis.

The accounting policies used in the interim financial information are consistent with those set out in the AIM Admission document dated 18 November 2013. Further IFRS standards or interpretations may be issued that could apply to the Group's financial statements for the year ending July 2014. If any such amendments, new standards or interpretations are issued then these may require the financial information provided in this report to be changed. The Group will continue to review its accounting policies in the light of emerging industry consensus on the practical application of IFRS.

The preparation of financial information in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual events ultimately may differ from those estimates.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements.

The interim financial information for the six months ended 31 January 2014 and for the six months ended 31 January 2013 contained within the Interim Report does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006 and are unaudited. The comparative figures for the year ended 31 July 2013 have been extracted from the AIM admission document dated 18 November 2013.

3 Taxation

The Group has not recognised any tax assets in respect of trading losses arising in either the current financial year or accumulated losses in previous financial years. The tax credit recognised in respect of the current and previous financial year arises from the receipt of R&D tax credits.

4 Dividends

No dividend has been proposed for the period ended 31 January 2014.

5 Segmental analysis

The Group currently has one operating segment. Revenue and profits arising from that segment are the same as presented on the face of the consolidated income statement and statement of comprehensive income.

6 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares in issue during each period. The weighted average number of shares in issue during the period used in the calculation of basic earnings per share was as follows:

	Unaudited 6 months to 31 January 2014 'm	Unaudited 6 months to 31 January 2013 'm	Unaudited year ended 31 July 2013 'm
Weighted average number of shares for basic earnings per share	**12.6**	8.1	8.9

Diluted earnings per share is the basic earnings per share adjusted for the effect of the conversion into fully paid shares of the weighted average number of share options outstanding during the period. The weighted average number of shares in issue during the period used in the calculation of diluted earnings per share was as follows:

	Unaudited 6 months to 31 January 2014 'm	Unaudited 6 months to 31 January 2013 'm	Unaudited year ended 31 July 2013 'm
Weighted average number of shares for diluted earnings per share	**13.3**	8.3	9.1

Adjusted earnings per share has been calculated so as to exclude the effect of non operating exceptional costs including related tax charges and credits. Adjusted earnings used in the calculation of basic and diluted earnings per share reconciles to basic earnings as follows:

	Unaudited 6 months to 31 January 2014 £	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
Basic earnings	**(1,208,595)**	(398,887)	(749,789)
Adjustments for taxation	—	—	—
Non operating exceptional costs	**393,631**	—	—
Adjusted earnings	**(814,964)**	(398,887)	(749,789)
Earnings per share (pence per share)			
Basic	**(9.57)**	(4.94)	(8.44)
Diluted	**(9.57)**	(4.94)	(8.44)
Adjusted earnings per share (pence per share)			
Basic	**(6.49)**	(4.94)	(8.44)
Diluted	**(6.15)**	(4.83)	(8.26)

The comparative weighted average number of shares for both basic and diluted earnings per share has been restated from units of £1.00 per Ordinary share to units of £0.02 per Ordinary share to reflect the share subdivision explained in note 8.

The Group was loss making for the periods ended 31 January 2014 and 31 January 2013 and also for the year ended 31 July 2013. Therefore, the dilutive effect of share options has not been taken account of in the calculation of diluted earnings per share, since this would decrease the loss per share reported for each of the periods reported.

Adjusted basic and diluted earnings per share have been calculated after taking account of the dilutive effect of share options.

7 Notes to the cash flow statement

7a) Cash generated from operations

	Unaudited 6 months to 31 January 2014 £	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
Operating loss	**(1,226,129)**	(398,996)	(769,981)
Depreciation of tangible fixed assets	**12,228**	1,283	3,147
IFRS 2 Share based payments charge	**21,720**	—	23,867
Decrease/(increase) in net working capital	**319,837**	4,247	(7,396)
Net cash used within operations	**(872,344)**	(393,466)	(750,363)

7b) Reconciliation of net cash flow to movement in net cash

	Unaudited 6 months to 31 January 2014 £	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
Increase/(decrease) in cash in the period	**9,422,613**	291,534	(11,929)
Net proceeds received from share issue	**10,371,826**	689,089	723,533
Net proceeds from exercise of warrants	**130,652**	—	—
Cash inflow from financing	**(10,502,478)**	(689,089)	(723,533)
Change in net debt resulting from cash flows	**9,422,613**	291,534	(11,929)
Net cash at 31 July 2013	**459,951**	471,880	471,880
Net cash at 31 January 2014	**9,882,564**	763,414	459,951

8 Share capital

	Number of A Ordinary shares	**Number of Ordinary shares**	**Unaudited Total £**
Allotted, called up and fully paid			
At 27 September 2013 on incorporation	—	—	—
Issued on 27 September 2013	—	1	1
Share subdivision on 21 October 2013	—	49	—
Issued on 21 October 2013	5,825,001	3,968,632	195,873
Re-designation of A shares	(5,825,001)	5,825,001	—
Issued on 20 November 2013	—	7,096,775	141,935
Issued on 15 January 2014	—	84,453	1,689
At 31 January 2014 Ordinary shares of 2 pence each	—	**16,974,911**	**339,498**

On 27 September 2013, being the date of incorporation, 1 Ordinary share of £1 was issued. On 21 October 2013, a share subdivision occurred whereby 1 Ordinary share of £1 each was subdivided into 50 Ordinary shares of 2 pence each.

On 21 October 2013, in accordance with the terms of a share for share exchange agreement, the Company allotted and issued 5,825,001 A ordinary shares of 2 pence each and 3,968,632 Ordinary shares of 2 pence each. Following the allotment and issue of these shares 5,825,001 A ordinary shares of 2 pence each and 3,968,682 Ordinary shares of 2 pence each were exchanged in consideration for the entire issued share capital of Durham Graphene Science Limited (now known as Applied Graphene Materials UK Limited). Following the conclusion of this share for share exchange, which involved £nil cash consideration, Applied Graphene Materials UK Limited became a wholly owned subsidiary undertaking of the Company.

On 14 November 2013, each of the A ordinary shares of 2 pence were re-designated as Ordinary Shares of 2 pence each.

On 20 November 2013, 7,096,775 Ordinary Shares of 2 pence each were issued, at £1.55 per share, following the admission of the Company to AIM.

On 15 January 2014, 84,453 Ordinary Shares of 2 pence each were issued at £1.55 per share, following the exercise of warrants by N+1 Singer. These warrants had been granted to N+1 Singer, ahead of the AIM admission.

9 Related party transactions

Transactions between Applied Graphene Materials plc and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with shareholders

The following transactions with shareholders and companies controlled by former Directors of the Group were recorded, excluding VAT, during the period:

	Unaudited 6 months to 31 January 2014 £	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
University of Durham			
Staff secondment, consultancy and other fees	**23,143**	24,820	64,505
IP2IPO Limited			
Recruitment and other fees	**20,255**	7,500	9,000
Top Technology Limited			
Corporate finance and investment monitoring fees	**55,147**	12,708	18,750
Other costs	**3,298**	340	958
Techtran Group Limited			
Business support fees	**2,445**	1,573	5,770
Loxley Enterprises Limited			
Consultancy fees and other costs	**7,840**	6,972	14,281

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

	Unaudited 6 months to 31 January 2014 £	Unaudited 6 months to 31 January 2013 £	Unaudited year ended 31 July 2013 £
Short term employee benefits (excluding bonuses)	**192,344**	—	30,254
Payments to third parties	**6,750**	15,000	15,000
IFRS 2 Share based payments charge	**21,720**	—	23,867
	220,814	15,000	69,121

Remuneration of key management includes remuneration paid by subsidiary undertakings.

10 Seasonality

The Group experiences no material variations in performance arising due to seasonality.

11 Availability of Interim Report

The Interim Report will be sent to all shareholders on 21 April 2014. Electronic copies will also be available on Applied Graphene Materials' website at www.appliedgraphenematerials.com.