THIS DOCUMENT IS IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action to take, you are recommended to seek your own independent professional advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser duly authorised under the FSMA if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser in the relevant jurisdiction.

If you sell or transfer or have sold or otherwise transferred all of your Existing Ordinary Shares before 12 October 2017 (being the date when the Existing Ordinary Shares were marked ‘ex’ entitlement to the Open Offer), please immediately forward this document, together with the accompanying Form of Proxy and Application Form along with the accompanying reply-paid envelope (for use within the UK only), but not any accompanying personalised Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Existing Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately and refer to the information regarding split applications in the Application Form (if relevant).

The total consideration under the Open Offer shall be less than £5 million (or an equivalent pounds sterling amount) in aggregate and so, in accordance with Section 85 and Schedule 11A of FSMA, the Open Offer does not require the issue of a prospectus for the purposes of the Prospectus Rules. The Placing Shares are only available to qualified investors for the purposes of the Prospectus Directive or otherwise in circumstances not resulting in an offer of transferable securities to the public under Section 102B of FSMA. Therefore, neither the Placing nor the Open Offer constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and accordingly this document does not constitute a prospectus for the purposes of the Prospectus Rules made by the FCA pursuant to sections 73A(1) and (4) of FSMA and has not been pre-approved by the FCA pursuant to sections 85 and 87 of FSMA, the London Stock Exchange, any securities commission or any other authority or regulatory body and has not been approved for the purposes of Section 21 of FSMA.

The Directors (whose names and functions appear on page 5 of this document) and the Company (whose registered office appears on page 5 of this document) accept responsibility, both collectively and individually, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are admitted to trading on AIM. Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. Subject to, inter alia, the passing of the Resolutions at the General Meeting, it is expected that Admission will become effective, and that dealings in the New Ordinary Shares will commence, at 8.00 a.m. on 31 October 2017. The New Ordinary Shares will, on Admission, rank pari passu in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document. Prospective investors should read this document in its entirety.

This document contains no offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Act or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA, nor an admission document under the AIM Rules, and has not been drawn up in accordance with the Prospectus Rules or approved by the FCA or any other competent authority. It is emphasised that no application is being made for the admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List of the United Kingdom Listing Authority.

Applied Graphene Materials plc
(incorporated and registered in England & Wales with registered number 08708426)
Placing of 25,000,000 New Ordinary Shares
and Open Offer of up to 2,786,345 New Ordinary Shares at 36 pence per share
and
Notice of General Meeting
Nominated Adviser and Broker
N+1 Singer

This document should be read as a whole. However, your attention is drawn to the letter from the Chairman of the Company which is set out on pages 8 to 16 of this document and the risk factors on pages 17 to 25. The letter explains the background to, and reasons for, the proposed Fundraising and contains the Directors’ unanimous recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting.

N+1 Singer, which is authorised and regulated by the FCA and is a member of the London Stock Exchange, is acting as nominated adviser and broker to the Company and no one else in connection with the Fundraising. Its responsibilities as the Company’s nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person. No representation or warranty, express or implied, is made by N+1 Singer as to any of the contents of this document, for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). N+1 Singer has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by N+1 Singer for the accuracy of information or opinions contained in this document or for the omission of any material information. N+1 Singer will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Fundraising or any acquisition of shares in the Company.

Apart from the responsibilities and liabilities, if any, which may be imposed on N+1 Singer by the FSMA or the regulatory regime established thereunder, N+1 Singer does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Fundraising. N+1 Singer accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.
Notice of a General Meeting of Applied Graphene Materials plc, to be held at the offices of Squire Patton Boggs (UK) LLP at 6 Wellington Place, Leeds LS1 4AP at 11.00 a.m. on 30 October 2017, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use in connection with the General Meeting should be completed, signed and returned as soon as possible and, in any event, so as to reach the Company's registrars, Capita Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by not later than 11.00 a.m. on 26 October 2017. The completion and return of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

A copy of this document will be made available at the Company's website, www.appliedgraphenematerials.com. Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

Qualifying Non-CREST Shareholders will find an Application Form enclosed with this document. Qualifying CREST Shareholders (none of whom will receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlement and Excess Entitlement which will be enabled for settlement on 13 October 2017.

Applications under the Open Offer may only be made by the Qualifying Shareholders originally entitled thereto or by a person entitled by virtue of a bona fide market claim arising out of the sale or transfer of Existing Ordinary Shares prior to the date on which the relevant Existing Ordinary Shares are marked "ex" the entitlement by the London Stock Exchange. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer.

Applications may only be made by the Qualifying Shareholders originally entitled thereto or by a person entitled by virtue of a bona fide market claim arising out of the sale or transfer of Existing Ordinary Shares prior to the date on which they so wish. The application Form for application is set out in Part 3 of this document and, in respect of the Qualifying Non-CREST Shareholders, the Application Form.

The New Ordinary Shares described in this document have not been, and will not be, registered under the Securities Act or under the securities laws of any state of the United States. The New Ordinary Shares are not being offered outside of the United States in “offshore transactions” pursuant to Regulation S of the Securities Act and neither the New Ordinary Shares, the Basic Entitlement, the Excess Entitlement nor the Application Form may be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There will be no public offer of the New Ordinary Shares in the United States. The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

In addition, offers, sales or transfers of the New Ordinary Shares in or into the United States for a period of time following Admission by a person (whether or not participating in the Fundraising) may violate the registration requirements of the Securities Act. Furthermore, the Ordinary Shares have not been and will not be registered under the applicable laws of any of Australia, Canada, New Zealand, the Republic of Ireland, the Republic of South Africa or Japan and, consequently, may not be offered or sold to any national, resident or citizen thereof.

All persons, including nominees, custodians and trustees, must observe these restrictions and may not send or distribute this document into the United States or any other Restricted Jurisdiction.

The distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore anyone persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe, such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. Subject to certain exceptions, this document is not for release, publication or distribution, directly or indirectly, in or into the United States, Australia, Canada, New Zealand, the Republic of Ireland, the Republic of South Africa, Japan or any jurisdiction where to do so might constitute a violation of local securities laws or regulations.
IMPORTANT NOTICE

Cautionary note regarding forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors’ current intentions, beliefs or expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the Group’s markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by law or by the AIM Rules, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

Notice to overseas persons

The distribution of this document and any accompanying documents to jurisdictions other than the United Kingdom may be restricted by applicable laws or regulations and this document does not form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Ordinary Shares in any jurisdiction where such offer, invitation or solicitation is unlawful. Persons in jurisdictions other than the United Kingdom into whose possession this document and/or any of the accompanying documents comes should inform themselves about and observe such applicable legal or regulatory requirements in such jurisdiction. Any failure to do so may constitute a violation of the securities laws of any such jurisdiction.

The New Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the “US Securities Act”) and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the New Ordinary Shares are being offered in reliance on Regulation S under the US Securities Act. The New Ordinary Shares will not qualify for distribution under the relevant securities laws of Australia, New Zealand, Canada, the Republic of Ireland, the Republic of South Africa or Japan, nor has any prospectus in relation to the New Ordinary Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the New Ordinary Shares may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, New Zealand, Canada, the Republic of Ireland, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a “Restricted Jurisdiction”) or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

The New Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

Basis on which information is presented

Various figures and percentages in tables in this document, including financial information, have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

In the document, references to “pounds sterling”, “£”, “pence” and “p” are to the lawful currency of the United Kingdom.

Third party information

Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data.

References to defined terms

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading “Definitions”.

References to times

All times referred to in this document are, unless otherwise stated, references to London time.
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DIRECTORS AND ADVISERS

Directors
Dr. Bryan Crawford Dobson – Non-Executive Chairman
Jonathan Peter Mabbitt – Chief Executive Officer
Gareth Hywel Jones – Chief Financial Officer
Professor Karl Stuart Coleman – Chief Scientific Officer
Michael Sean Christie – Non-Executive Director
Michael Charles Nettleton Townend – Non-Executive Director

Registered Office
The Wilton Centre
Redcar
Cleveland
TS10 4RF

Company Secretary
Gareth Hywel Jones

Nominated Adviser and Broker
Nplus1 Singer Advisory LLP
1 Bartholomew Lane
London
EC2N 2AX

Legal Advisers to the Company
Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP

Legal Advisers to the Nominated Adviser
Rosenblatt Solicitors
9-13 St Andrew Street
London
EC4A 3AF

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
BR3 4TU

Receiving Agent
Capita Asset Services
Corporate Actions
34 Beckenham Road
Beckenham
BR3 4TU
FUNDRAISING STATISTICS

Closing Price per Existing Ordinary Share\(^{(1)}\) 64.5 pence

Basis of Open Offer
1 Open Offer Share for every 8 Existing Ordinary Shares

Issue Price per New Ordinary Share 36 pence

Discount to Closing Price per Existing Ordinary Share 44.2 per cent.

Number of Ordinary Shares in issue as at the date of this document\(^{(1)}\) 22,290,763

Number of New Ordinary Shares to be issued by the Company pursuant to the Fundraising\(^{(2)}\) 27,786,345

Number of New Ordinary Shares to be issued by the Company pursuant to the Placing 25,000,000

Number of New Ordinary Shares to be issued by the Company pursuant to the Open Offer\(^{(2)}\) 2,786,345

Number of Ordinary Shares in issue immediately following Admission\(^{(2)}\) 50,077,108

New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission\(^{(2)}\) 55.5 per cent.

Estimated net proceeds\(^{(3)}\) £9.4 million

Ordinary Share ISIN GB00BFSSB742

SEDOL BFSSB74

Basic Entitlements ISIN GB00BZ0XP532

Excess Entitlements ISIN GB00BZ0XP755

(The above assumes that there are no further issues of Ordinary Shares between the date of this document and Admission).

Notes:
1. As at 9 October 2017, being the last Business Day prior to the announcement of the Fundraising.
2. Assuming successful applications are received for all available Open Offer Shares.
3. Based on the estimated expenses of the Fundraising and assuming successful applications are received for all available Open Offer Shares.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Announcement of Fundraising</td>
<td>10 October 2017</td>
</tr>
<tr>
<td>Record Date for entitlements under the Open Offer</td>
<td>Close of business on 11 October 2017</td>
</tr>
<tr>
<td>Ex-entitlement date for the Open Offer</td>
<td>12 October 2017</td>
</tr>
<tr>
<td>Posting of this document, the Form of Proxy and, to Qualifying Non- Crest Shareholders only, the Application Form</td>
<td>12 October 2017</td>
</tr>
<tr>
<td>Basic Entitlements and Excess Entitlements credited to stock accounts of</td>
<td>13 October 2017</td>
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</tbody>
</table>
### Qualifying CREST Shareholders

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommended latest time for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST</td>
<td>4.30 p.m. on 23 October 2017</td>
</tr>
<tr>
<td>Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST</td>
<td>3.00 p.m. on 24 October 2017</td>
</tr>
<tr>
<td>Latest time and date for splitting of Application Forms (to satisfy <em>bona fide</em> market claims only)</td>
<td>3.00 p.m. on 25 October 2017</td>
</tr>
<tr>
<td>Latest time and date for receipt of Forms of Proxy or electronic proxy appointments for use at the General Meeting</td>
<td>11.00 a.m. on 26 October 2017</td>
</tr>
<tr>
<td>Latest time and date for receipt of completed Application Forms from Qualifying Non-CREST Shareholders and payment in full under the Open Offer or settlement of relevant CREST instructions (as appropriate)</td>
<td>11.00 a.m. on 27 October 2017</td>
</tr>
<tr>
<td>General Meeting</td>
<td>11.00 a.m. on 30 October 2017</td>
</tr>
<tr>
<td>Announcement of the results of the General Meeting and Open Offer</td>
<td>30 October 2017</td>
</tr>
<tr>
<td>Admission and commencement of dealings in the New Ordinary Shares</td>
<td>8.00 a.m. on 31 October 2017</td>
</tr>
<tr>
<td>CREST Members’ accounts credited in respect of New Ordinary Shares in uncertificated form</td>
<td>31 October 2017</td>
</tr>
<tr>
<td>Expected despatch of definitive share certificates for New Ordinary Shares in certificated form</td>
<td>7 November 2017</td>
</tr>
</tbody>
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(Note: each of the above dates is subject to change at the absolute discretion of the Company and N+1 Singer. The admission and commencement of dealings in the New Ordinary Shares on AIM are conditional on, *inter alia*, the passing of the Resolutions at the General Meeting. All of the above times refer to London times).
PART 1
LETTER FROM THE CHAIRMAN OF APPLIED GRAPHENE MATERIALS PLC

(incorporated in England and Wales with registered number 08708426)

Directors: Registered Office:

Dr. Bryan Crawford Dobson – Non-Executive Chairman The Wilton Centre
Jonathan Peter Mabbitt – Chief Executive Officer Redcar
Gareth Hywel Jones – Chief Financial Officer Cleveland
Professor Karl Stuart Coleman – Chief Scientific Officer TS10 4RF
Michael Sean Christie – Non-Executive Director Mike Charles Nettleton Townend – Non-Executive Director

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

Dear Shareholder,

Placing of 25,000,000 New Ordinary Shares and Open Offer of up to 2,786,345 New Ordinary Shares at 36 pence per share and Notice of General Meeting

1. Introduction

The Company announced on 10 October 2017 a conditional fund raise of up to £9 million before expenses by means of the Placing with certain new and existing institutional and other investors of 25,000,000 New Ordinary Shares at 36 pence per share. In addition, in order to provide Qualifying Shareholders with the opportunity to subscribe for New Ordinary Shares, the Company has announced an Open Offer to raise up to £1 million, on the basis of 1 Open Offer Share for every 8 Existing Ordinary Shares held on the Record Date, at 36 pence per share. Shareholders subscribing for their full entitlement under the Open Offer may also apply for additional Open Offer Shares through the Excess Application Facility.

The Net Proceeds are intended to be used to support joint development activity with customers, for the development of the Structural Ink™ programme, to provide ongoing working capital and to fund the scale up of production capacity as required, further details of which are set out in paragraph 3 below. The Issue Price of 36 pence represents a 44.2 per cent. discount to the Closing Price of 64.5 pence on 9 October 2017, being the last Business Day immediately prior to the announcement of the Fundraising.

The Fundraising is conditional, *inter alia*, on the passing of the Resolutions at the General Meeting, Admission becoming effective by no later than 8.00 a.m. on 31 October 2017 (or such other time and/or date, being no later than 8.00 a.m. on 30 November 2017, as the Company and N+1 Singer may agree) and the Placing Agreement between the Company and N+1 Singer becoming unconditional and not being terminated prior to Admission (in accordance with its terms). It is expected that the New Ordinary Shares will be admitted to trading on AIM on or around 8.00 a.m. on 31 October 2017. The Fundraising, which has been arranged by N+1 Singer pursuant to the terms of the Placing Agreement, has not been underwritten.

The Board believes that raising equity finance by way of the Placing and Open Offer is the most appropriate method of financing for the Group at this time. This method allows both existing institutional holders and new institutional and other investors to be targeted and to participate in the Placing. It also avoids the need for a prospectus to be prepared and issued, which is a costly and time consuming process, whilst permitting Shareholders to participate through the Open Offer.

In support of the Company’s proposals, the Directors intend to participate in the Placing in respect of a total of 123,334 New Ordinary Shares, as set out further in paragraph 7 of this letter.

The purpose of this document is to provide you with information about the background to and the reasons for the Fundraising, to explain why the Board considers the Fundraising to be in the best
interests of the Company and its Shareholders as a whole and why the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting, which will be held at the offices of Squire Patton Boggs (UK) LLP at 6 Wellington Place, Leeds LS1 4AP at 11.00 a.m. on 30 October 2017. The Directors intend to vote in favour of the Resolutions in respect of their legal and/or beneficial shareholdings amounting, in aggregate, to 1,998,804 Ordinary Shares representing approximately 9.0 per cent. of the Ordinary Shares in issue as at the date of this document.

At the end of this document you will find a notice convening the General Meeting at which the Resolutions will be proposed by the Directors.

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

**Overview**

Applied Graphene Materials is wholly focused on graphene material production and assisting its adoption by end users in order to deliver property enhancements and performance benefits into host materials. The Company has established and is progressing a large number of customer engagements and has continued to develop its intellectual property, know-how and knowledge base through extensive work on the formatting and dispersion of graphene, including its proprietary graphene delivery technology, Structural Ink™.

The Group has continued to expand its pipeline of commercial opportunities, particularly in the two core target market sectors of coatings and composites where the Board believes that its products can add most value and that there are large scale and long term opportunities.

The Group’s proprietary production processes have proven its ability to offer a specialty range of graphene of consistent quality. This, together with its knowledge of formatting blends and suspensions, along with the capability to effectively disperse graphene into customers’ materials has, the Directors believe, positioned the Group to become a leading graphene provider and it is now pursuing volume production orders.

**Commercial progress**

The Group continues to expand its pipeline of commercial opportunities in its core target market sectors of coatings and composites. The Company is working closely with its development partners, several of which are leaders in their respective industries. In addition, the Group continues to work on joint developments in a limited number of specific opportunities in niche areas where it believes graphene can provide multifunctional benefits. In total, the Company has circa 100 active engagements. The Directors believe that the commercial progress has largely been driven by the quality of independent, evidence based test data that the Group has generated and the pro-active marketing efforts to the end-users of its international business development team. This data corroborates the Group’s expertise and understanding of the key mechanisms that are involved in the translation of material properties from a nanoscale into bulk.

The Group’s focus remains on converting opportunities with existing commercial partners to production orders, whilst at the same time establishing new joint development agreements and collaborations. The pipeline of opportunities has grown substantially; although, given their nature, the vast majority of the Group’s customer engagements remain subject to commercial confidentiality.

The results of the Group’s work to date confirm that graphene has the potential to deliver multi-functional properties with applicability across many market sectors. Applied Graphene Materials remains focused on those markets and applications where it believes that the characteristics of its material are best suited to address customer requirements. In the near term, the Company is accessing its core target markets through graphene formulated using its know-how and formulation techniques, ideally added in a “plug-and-play” manner to existing customer processes or with minimum change, which the Directors believe will help to reduce the time to commercial adoption.

The process of customer acceptance and approval of the Company’s products is dynamic and continues to vary in duration by both market sector and its intended end use; however, the Company is seeing good progress. For example, the initial engagement with Century Composites began one year prior to the adoption of graphene in their range of fishing rods. However, given the initial success, they are now extending the inclusion of Applied Graphene’s material into other rods and composite products. Similarly, the Company’s engagement with Airbus Space and Defence began in late 2015 and, following 18 months of product development work and data generation, Airbus is now looking to fully qualify the material so that it can be included in satellites scheduled to be launched in 2018.
Coatings

In the field of paints and coatings, potential application areas are wide ranging and include marine, aerospace, automotive, defence, industrial and civil engineering protection. The Group continues to work closely with a range of customers, including global leaders, who are looking to include graphene into both existing and new formulations to improve barrier properties, particularly in primer layers. In addition, the Company is working on certain top coat applications where electrical dissipation performance is beneficial, such as the reduction of dirt pick up, and in cases where barrier properties can assist with stain resistance. The Company continues to work on a joint development with James Briggs Limited, a formulator and supplier of aerosol paints and high performance materials across numerous markets. Whilst timings have been longer than originally expected, advanced testing is to be carried out for the proposed inclusion of the Group’s graphene nanoplatelets in high performance aerosol paint primers.

The stage of development varies from client to client, but the Group is well advanced with several partners who are in the later stages of incorporation prior to potential product launch. Graphene has the ability to provide both performance improvements as well as potential cost and environmental benefits. Utilising graphene requires very little addition by weight, due to the extremely high surface area of the nanoparticles, meaning that the graphene can be added with relatively little change to the existing coating formulation. Legislative directives are forcing re-formulation to remove zinc phosphate and strontium chromate as active ingredients in existing primers. This is creating a desire from the coatings industry to seek environmentally acceptable alternatives to these products. The Board remains confident that the Group’s graphene additives can win a proportion of this opportunity, providing performance enhancements, cost savings and environmental benefits to the end user.

Composites

Applied Graphene Materials’ management team has in-depth knowledge and strong relationships across the estimated €70 billion Composites market where the Company is pursuing a multiple channel approach. The main driver for the inclusion of graphene has been to improve the toughening of the resin matrix. Trials with the likes of the University of the West of Scotland and Spirit AeroSystems Inc have also demonstrated encouraging improvements to inter-laminar shear strength, where the introduction of graphene is acting to reinforce the resinous areas.

The Group has supplied sample quantities of its graphene pre-dispersed in epoxy resins to formulators and is now progressing with both intermediate material supply companies and end users who are interested in benefiting from these performance gains. In March 2017, SHD Composites Limited launched a range of graphene pre-impregnated (composite) products, MTC9800, which are beginning to be sold to their customer base.

Early areas of adoption beyond the sports goods sector are expected to include motorsport, as well as some parts of the aerospace, automotive, energy and marine sectors. A one year collaborative project partially funded by the National Aerospace Technology Exploitation Programme (“NATEP”) ended earlier in 2017 and this has provided a strong knowledge base around producing tougher, lighter and more damage tolerant composite structures. The Directors believe that the development of novel graphene processing and deployment techniques identified in the project could lead to lower operating costs for the aerospace industry.

Structural Ink™

Applied Graphene Materials has developed a highly innovative, new graphene delivery technology, Structural Ink™, that once fully commercialised will be targeted at the advanced composites industry.

Structural Ink™ comprises the deposition of graphene nanoplatelets directly onto composite laminates in a controlled and targeted manner. By adopting Structural Ink™ technology, end users will have the ability to increase mechanical toughness, which can be derived through the addition of graphene. Application to specific areas will, the Directors believe, enable the optimisation of the performance and structural design of composite materials. Ultimately, it is believed that this will improve component integrity and performance, enable further weight reduction and reduce total manufacturing costs.

Applied Graphene Materials signed heads of terms for a joint development agreement with the University of Sheffield Advanced Manufacturing Research Centre with Boeing (“AMRC”). This joint development agreement focuses on the development and commercial exploitation of Structural Ink™ technology, through collaboration projects with AMRC’s industry partners. AGM plans to locate a technology demonstration cell within the AMRC’s Composites Centre.
Although at an early phase of its development cycle, four specialist end-users from different sectors of the composites industry have committed to explore Structural Ink™. These include Prodrive Composites Limited ("Prodrive"), which has signed heads of terms for a joint development agreement with Applied Graphene Materials to focus on the development towards near term applications. Prodrive works in the high-end automotive, motorsport, aerospace and leisure goods sectors, designing and producing lightweight, high performance composite structures.

**Manufacturing technology and know-how and development of manufacturing capacity**

The Group has developed two proprietary production processes which are protected by existing patents and patent applications, the latest being granted for Europe in September 2017. The Company has the ability to produce nanoplatelets tailored to the specific application through its different manufacturing processes and formulation know-how. The method of production used to create graphene nanoplatelets and the control of process variables has a significant impact on the graphene's properties and it is therefore highly advantageous to be able to engineer the nanoplatelets to optimise the target properties for specific applications.

Understanding the mechanisms of property translation from nanoplatelets to bulk properties is essential to being able to optimally influence the enhancements that can be achieved in end products. Transferring the property benefits of graphene is difficult and the know-how around formatting graphene, combined with the use of appropriate techniques for inclusion in the host material, is absolutely crucial. The Group has a toolbox of technologies that are utilised to optimally format graphene, and this knowledge base continues to be developed for the benefit of its commercial partners.

Over the last two years, the Company has continued to refine and improve its production processes. The Group is able to expand its capacity through the addition of modular units which gives it the potential to closely match production capacity to the anticipated areas of demand. This approach gives a high degree of flexibility and is more capital efficient than the expansion process originally envisaged and has enabled the Group to focus resources on commercial opportunities rather than increasing capacity before it is required. It is intended that a proportion of the Net Proceeds will be used to add additional capacity as required.

3. **Use of proceeds**

The Company is proposing to raise Gross Proceeds of up to £10 million from the Fundraising. The Net Proceeds are expected to be used as follows:

- to support joint development activity with customers relating to the formatting, testing and application of graphene into products, including analysis equipment for quality control;
- for the development of the Structural Ink™ programme and to set up a production demonstration unit;
- to provide ongoing working capital for the business; and
- to scale up the Company’s production facilities to increase manufacturing capacity of graphene nanoplatelets, as required.

4. **Current trading**

The Company announced its preliminary results for the twelve months ended 31 July 2017 on 10 October 2017 and these are available on its website (www.appliedgraphenematerials.com).

5. **Information on the Placing and Open Offer**

It was announced on 10 October 2017 that the Company proposes to raise, up to £9 million (before expenses) by way of a Placing of 25,000,000 New Ordinary Shares with certain new and existing institutional and other investors. In addition, the Company is proposing to raise up to approximately £1 million (before expenses) through the Open Offer of up to 2,786,345 New Ordinary Shares at the Issue Price. The New Ordinary Shares will represent, in aggregate, up to 55.5 per cent. of the Enlarged Share Capital (assuming that the Open Offer is fully subscribed), at an issue price of 36 pence per Ordinary Share.

The Issue Price of 36 pence per New Ordinary Share represents a discount of 44.2 per cent. to the Closing Price of 64.5 pence on 9 October 2017, being the last Business Day prior to the announcement of the
Fundraising. The Directors are in agreement that the level of discount and method of issue are appropriate to secure the investment necessary.

In connection with the Fundraising, the Company has entered into the Placing Agreement with N+1 Singer, pursuant to which N+1 Singer has agreed to use reasonable endeavours, as agents on behalf of the Company, to procure places for the Placing Shares at the Issue Price. The Fundraising is conditional, **inter alia**, on:

- the passing of the Resolutions at the General Meeting;
- the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective by no later than 8.00 a.m. on 31 October 2017 (or such later time and/or date, being no later than 8.00 a.m. on 30 November 2017, as the Company and N+1 Singer may agree).

Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Fundraising will not proceed and any Basic Entitlements and Excess Entitlements admitted to CREST will thereafter be disabled.

A Qualifying Non-CREST Shareholder who has sold or transferred all or part of their holding of Existing Ordinary Shares prior to 12 October 2017, being the date upon which the Existing Ordinary Shares were marked "ex" the entitlement to the Open Offer by the London Stock Exchange, should consult their broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee. Qualifying Non-CREST Shareholders who have sold all or part of their registered holdings should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. The Application Form should not, however, subject to certain exceptions, be forwarded to or transmitted in or into a Restricted Jurisdiction.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. The New Ordinary Shares will rank **pari passu** in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares following Admission. It is expected that such Admission will become effective and that dealings on AIM will commence at 8.00 a.m. on 31 October 2017.

### The Placing

N+1 Singer has conditionally placed the Placing Shares at the Issue Price pursuant to the Placing Agreement. The Placing Shares represent approximately 90 per cent. of the New Ordinary Shares (assuming the maximum number of Open Offer Shares are issued) and have been placed with certain new and existing institutional and other investors. The Placing Shares are not part of the Open Offer. The Placing is conditional, **inter alia**, upon the passing, without amendment, of the Resolutions at the General Meeting, the Placing Agreement not having been terminated prior to Admission and Admission becoming effective by 8.00 a.m. on 31 October 2017 (or such later time and date as the Company and N+1 Singer may agree, being not later than 8.00 a.m. on 30 November 2017).

#### The Placing Agreement

Pursuant to the terms of the Placing Agreement, N+1 Singer conditionally agreed to use its reasonable endeavours, as agent for the Company, to place certain of the New Ordinary Shares with certain institutional and other investors. The Fundraising has not been underwritten by N+1 Singer or any other party. The Placing Agreement is conditional upon the Resolutions being duly passed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 31 October 2017 (or such later time and/or date as the Company and N+1 Singer may agree, but in any event by no later than 8.00 a.m. on 30 November 2017). If any of the conditions are not satisfied, the New Ordinary Shares will not be issued and all monies received from the investors will be returned to them (at the investors’ risk and without interest) as soon as possible thereafter.

The Placing Agreement contains warranties from the Company in favour of N+1 Singer in relation to, **inter alia**, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify N+1 Singer in relation to certain liabilities it may incur in respect of the Fundraising. N+1 Singer has the right to terminate the Placing Agreement prior to Admission in certain circumstances that are customary for an agreement of this nature, in particular in the event of any breach of the warranties given to N+1 Singer in the Placing Agreement, the failure of the Company to comply with any of its obligations under the Placing Agreement, the occurrence of an adverse change in (amongst other things) national or international financial or political conditions (which in the judgement of N+1 Singer
(acting reasonably) makes it impractical or inadvisable to proceed with the Fundraising or which may adversely affect the Fundraising), a material adverse change in the financial position and/or prospects of the Group.

**Settlement and dealings**

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will occur and that dealings will commence at 8.00 a.m. on 31 October 2017 on which date it is also expected that the New Ordinary Shares will be enabled for settlement in CREST.

The New Ordinary Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive dividends and other distributions declared following Admission.

7. **Directors’ participation in the Placing**

The following Directors have subscribed for New Ordinary Shares in the Placing at the Issue Price:

<table>
<thead>
<tr>
<th>Director</th>
<th>Number of Existing Ordinary Shares held</th>
<th>Number of New Ordinary Shares being acquired</th>
<th>Total number of Ordinary Shares held following the Placing</th>
<th>Percentage of Enlarged Share Capital (excl. the Open Offer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor Karl Stuart Coleman</td>
<td>1,724,126</td>
<td>55,556</td>
<td>1,779,682</td>
<td>3.76%</td>
</tr>
<tr>
<td>Dr. Bryan Crawford Dobson</td>
<td>123,205</td>
<td>11,111</td>
<td>134,316</td>
<td>0.28%</td>
</tr>
<tr>
<td>Jonathan Peter Mabbitt</td>
<td>121,735</td>
<td>2,778</td>
<td>124,513</td>
<td>0.26%</td>
</tr>
<tr>
<td>Gareth Jones</td>
<td>14,500</td>
<td>11,111</td>
<td>25,611</td>
<td>0.05%</td>
</tr>
<tr>
<td>Michael Sean Christie</td>
<td>7,619</td>
<td>27,778</td>
<td>35,397</td>
<td>0.07%</td>
</tr>
<tr>
<td>Michael Townend</td>
<td>7,619</td>
<td>15,000</td>
<td>22,619</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

8. **The Open Offer**

**Basic Entitlement**

Qualifying Shareholders (other than, subject to certain exemptions, those Shareholders in Restricted Jurisdictions) have the opportunity under the Open Offer to subscribe for Open Offer Shares at the Issue Price, payable in full on application and free of expenses, pro rata to their existing shareholdings, on the following basis:

1 Open Offer Share for every 8 Existing Ordinary Shares

held by them and registered in their names on the Record Date, rounded down to the nearest whole number of Open Offer Shares. Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Basic Entitlement.

**Excess Application**

The Open Offer is structured so as to allow Qualifying Shareholders to subscribe for Open Offer Shares at the Issue Price *pro rata* to their holdings of Existing Ordinary Shares. Qualifying Shareholders may also make applications in excess of their *pro rata* initial entitlement. To the extent that *pro rata* entitlements to Open Offer Shares are not subscribed for by Qualifying Shareholders, such Open Offer Shares will be available to satisfy such Excess Applications where Qualifying Shareholders have taken up their full Basic Entitlement. Subject to the terms of the Placing Agreement, applications for Excess Shares may be allocated in such manner as the Directors and N+1 Singer may determine, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all. Excess Applications will be rejected if and to the extent that acceptance would result in a Qualifying Shareholder, together with those acting in concert with him/her for the purposes of the City Code, holding 30 per cent. or more, or increasing an existing holding of 30 per cent. or more, of the Enlarged Share Capital immediately following Admission.
The Open Offer is not a rights issue. Qualifying CREST Shareholders should note that although the Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, they will not be tradable and applications in respect of the Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim raised by Euroclear’s Claims Processing Unit. Qualifying Non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded. Qualifying Shareholders who do not apply to take up their Basic Entitlements will have no rights under the Open Offer or receive any proceeds from it. If valid acceptances are not received in respect of all Basic Entitlements under the Open Offer, unallocated Open Offer Shares may be allotted to Qualifying Shareholders to meet any valid applications under the Excess Application Facility and the proceeds retained for the benefit of the Company. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders.

Application has been made for the Basic Entitlements and Excess Entitlements of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Basic Entitlements and Excess Entitlements will be admitted to CREST on 13 October 2017.

Further details of the Open Offer and the terms and conditions on which it is being made, including the procedure for application and payment, are contained in Part 3 of this document and for Non-CREST Qualifying Shareholders on the accompanying Application Form. To be valid, Application Forms or CREST instructions (duly completed) and payment in full for the Open Offer Shares applied for must be received by the Receiving Agent by no later than 11.00 a.m. on 27 October 2017. Application Forms should be returned to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.00 a.m. on 27 October 2017.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part 3 of this document and, where relevant, on the Application Form.

It is expected that Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Basic Entitlements and Excess Entitlements on 13 October 2017.

If the conditions of the Placing Agreement are not fulfilled or (where capable of waiver) waived on or before 8.00 a.m. on 31 October 2017 (or such later time and date as the Company and N+1 Singer may agree, being not later than 8.00 a.m. on 30 November 2017), the Open Offer will not become unconditional and application monies will be returned to applicants, without interest, as soon as practicable thereafter.

9. Overseas Shareholders

The attention of Qualifying Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, or who are holding Existing Ordinary Shares for the benefit of such persons, (including, without limitation, custodians, nominees, trustees and agents) or who have a contractual or other legal obligation to forward this document or the Application Form to such persons, is drawn to the information which appears in paragraph 8 of Part 3 of this document.

In particular, Qualifying Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK (including without limitation any Restricted Jurisdiction), should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer.

10. Related party transactions

IP2IPO is a related party of the Company for the purposes of the AIM Rules as it holds greater than 10 per cent. of the Existing Ordinary Shares. It is anticipated that IP2IPO will participate in the Placing in respect of 2,777,778 New Ordinary Shares and such participation represents a related party transaction pursuant to Rule 13 of the AIM Rules.

Insight Investment Management is a related party of the Company for the purposes of the AIM Rules as it holds greater than 10 per cent. of the Existing Ordinary Shares. It is anticipated that Insight Investment Management will participate in the Placing in respect of 3,140,000 New Ordinary Shares and such participation represents a related party transaction pursuant to Rule 13 of the AIM Rules.
The Directors, apart from Mike Townend, who is not regarded as independent in respect of the investment by IP2IPO due to his directorships of IP2IPO and IP Group, having consulted with the Company’s Nominated Adviser, N+1 Singer, consider that the terms of the related party transactions are fair and reasonable insofar as the Shareholders are concerned.

11. **Dilution resulting from the Fundraising**

Following the issue of New Ordinary Shares to be allotted pursuant to the Fundraising, Shareholders who take up their full Basic Entitlements (and do not take up any Excess Shares under the Excess Application Facility) will suffer a dilution of up to 49.9 per cent. to their interests in the Company.

Shareholders who do not take up any of their Basic Entitlements will suffer a dilution of up to 55.5 per cent. to their interests in the Company as a result of the Fundraising.

12. **General Meeting**

Set out at the end of this document is a notice convening the General Meeting of the Company to be held at the offices of Squire Patton Boggs (UK) LLP at 6 Wellington Place, Leeds LS1 4AP 11.00 a.m. on 30 October 2017, at which the Resolutions summarised below will be proposed:

**Resolution 1 – authority to allot**

An ordinary resolution to authorise the Directors to allot New Ordinary Shares up to an aggregate nominal amount of £555,726.90 pursuant to the Fundraising, representing approximately 124.7 per cent. of the Existing Ordinary Shares.

**Resolution 2 – disapplication of pre-emption rights**

Conditional on the passing of the ordinary resolution to allot the New Ordinary Shares, a special resolution to authorise the Directors to allot New Ordinary Shares pursuant to the Fundraising on a non pre-emptive basis.

13. **Irrevocable undertakings**

The Directors have irrevocably undertaken to vote in favour of the Resolutions in respect of their own beneficial holdings of 1,998,804 Ordinary Shares, in aggregate representing approximately 9.0 per cent. of the Existing Ordinary Shares.

Additionally, each of IP2IPO and The North East Technology Fund L.P., has given an irrevocable undertaking to vote in favour of the Resolutions in respect of the Ordinary Shares registered in their names, which, together with the Directors’ irrevocable undertakings, represent, in aggregate 38.8 per cent. of the Existing Ordinary Shares.

14. **EIS / VCT schemes**

The Company has applied for and received advance assurance from HMRC (dated 7 April 2017) that the New Ordinary 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.

15. **Action to be taken in respect of the General Meeting**

Please check that you have received with this document:

- a Form of Proxy for use in respect of the General Meeting; and
- if you are a Shareholder based in the United Kingdom, a reply-paid envelope for use in conjunction with the return of the Form of Proxy.
Whether or not you propose to attend the General Meeting in person, you are strongly encouraged to complete, sign and return your Form of Proxy in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received, by post or, during normal business hours only, by hand, to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by no later than 11.00 a.m. on 26 October 2017 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

If you hold your shares in the Company in uncertificated form (that is, in CREST) you may vote using the CREST Proxy Voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of the General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company’s agent (RA10) by no later than 11.00 a.m. on 26 October 2017 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

Appointing a proxy in accordance with the instructions set out above will enable your vote to be counted at the General Meeting in the event of your absence. The completion and return of the Form of Proxy or the use of the CREST Proxy Voting service will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so.

16. Recommendation and voting intentions

Your Board believes the Fundraising to be in the best interest of the Company and the Shareholders as a whole. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their holdings, which amount, in aggregate, to 1,998,804 Ordinary Shares, representing 9.0 per cent. of the existing issued share capital of the Company.

Yours faithfully

Bryan Dobson
Chairman
PART 2

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors and Shareholders should carefully consider the risks set out below before making a decision to invest in the Company. An investment in the Company may not be suitable for all investors. Potential investors and Shareholders are accordingly advised to consult a professional adviser authorised under FSMA, who specialises in advising on the acquisition of shares and other securities, before making any investment decision. A prospective investor and Shareholders should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

Prospective investors and Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This section contains what the Directors believe to be the principal risk factors associated with an investment in the Company. However, the risks listed do not purport to be an exhaustive summary of the risks affecting the Group and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Group. In particular, the Company’s performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company’s business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

This document contains forward-looking statements that involve risks and uncertainties. The Company’s actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Prospective investors and Shareholders should carefully consider the other information in this document.

There can be no certainty that the Company will be able to successfully implement its strategy. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial may also have an adverse effect on the Company.

1. Risks Factors Relating to the Business and Operations of the Group

1.1 Acceptance of the Group’s products

The success of the Group will depend on the market’s acceptance of, and attribution of value to, the graphene formulations produced by the Group based on graphene nanoplatelets produced through its proprietary processes, formatting and the benefits of incorporating the same into customers’ products and production processes. There can be no guarantee that this acceptance will be forthcoming, that an acceptable value will be placed upon them or that the Group’s graphene products will succeed as an alternative to either existing or other new products from both other producers of graphene nanoplatelets and producers of nanomaterials.

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

1.2 Early stage of operations

Whilst the Group has made initial limited product sales, including for research and development projects with partners and for customer evaluation, it is still at an early stage of development. There are a number of operational, strategic and financial risks associated with such early stage companies. In particular, the Group’s future growth and prospects will depend on its ability to develop products with commercial partners for applications which have sufficient commercial appeal, to manage growth and to continue to improve
operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls. Any failure to improve operational, financial and management information and quality control systems in line with the Group’s growth could have a material adverse effect on its business, financial condition and results of operations.

There can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board or at all. The development of the Group's revenues is difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated.

1.3 Commercialisation risk

The Group has, and will continue to enter into, arrangements with third parties in respect of the development, production and commercialisation of products based on graphene nanoplatelets where appropriate. The Group’s principal route to market is expected to be through sampling, collaborations and product development partnerships with companies in particular applications leading to material supply agreements. The Group does not intend to operate large-scale product manufacturing operations outside of the production, formatting and preparation of graphene nanoplatelets. The Directors believe that the strategy has the potential to reduce risk by protecting the Group from having to incur significant direct sales and marketing expense and by utilising the established commercial footprint of potential future partners.

The Group’s long-term success will depend both on its ability to progress from the provision of samples for customer evaluation and from its existing collaboration relationships to material supply agreements and on its negotiation of appropriate terms for any future supply agreements. Furthermore, the Group’s negotiating position in agreeing terms for either joint development or supply may be affected by its size and limited cash resources relative to potential development partners with substantial cash resources and established levels of commercial success. An inability to enter into such arrangements on favourable terms, if at all, or disagreements between the Group and any of its potential partners could lead to reduced payments and / or delays in the Group’s commercialisation strategy and this may have a significant adverse effect on the Group’s business, financial condition and results.

The results of any research and development, evaluation or collaboration activity undertaken with a partner may not meet the required specifications or expectations of that partner or be successful, attractive or acceptable in product trials. Accordingly, there can be no assurance that any of the existing evaluations or collaborations or future evaluations or collaborations with the Group’s partners will result in a material supply arrangement with those partners on favourable terms or at all, or that the Group will achieve significant revenues, profitability or cash flow from such activities.

The loss of, or changes affecting, the Group’s relationships with commercialisation partners could adversely affect the Group’s results or operations and the Group will have limited input on the product strategies adopted by any of its partners. Furthermore, there is a risk that development partners may reprioritise within their product portfolio resulting in the Group achieving sales below that which the Directors anticipate. In any such arrangement, the Group will be dependent on such partners for its revenue and the sales strategies and product positioning of the Group’s development partners may have a material and adverse effect on the Group’s business, financial condition and results of operations.

The Group is dependent on a relatively small number of commercial partners. If any of these companies were to cease to work with the Group, it could potentially have a material impact on the trading, financial condition and prospects of the Group.

1.4 Competition and pricing risk

The Group may face significant competition from organisations which have greater capital resources than it and / or which have a product offering competitive to that of the Group, to the detriment of the Group. Other companies, with varying volumes of manufacturing capacity, are producing graphene nanoplatelets using alternative production approaches which may be more commercially viable than the Company’s production techniques and products. At the same time, the Group is also competing with other producers of materials which may impede the commercial progress of graphene. There is no assurance that the Group will be able to compete successfully in the marketplace in which it seeks to operate.

1.5 Development of the market for graphene and the risk that graphene will not achieve commercial success
Although there are numerous potential applications for graphene and potentially a large global market, there is no guarantee that graphene will become a widely accepted material for use on a commercial scale. Even if graphene does become widely accepted, the conversion of current interest into wide scale commercial adoption may take longer than anticipated and the Group may also be unsuccessful in its effort to realise commercial and financial benefits from this wider acceptance.

1.6 Risk of competing materials
There is a risk that technological advances in existing materials or in potential substitute materials may occur at a faster rate than the advances of graphene, which may impede the commercial progress of graphene. As a consequence, there could be little or no commercial demand for graphene. This would have a significant adverse effect on the Group’s business.

1.7 Capacity of global graphene production, demand and pricing
The commercial applications of graphene are currently limited. The Directors believe that, at present, the aggregate global manufacturing capacity for graphene exceeds the aggregate demand from customers. The Directors are aware of historical situations where new materials have been developed and the expansion of production capacity in advance of market demand has resulted in a decrease in the price of the material to a level where financial returns are limited.

The development of the market for graphene is at an early stage and there can be no assurance that demand for graphene will grow in line with the Directors’ expectations, or at all. In the event that production capacity greatly exceeds customer demand, the Group may not be able to negotiate favourable pricing for the supply of graphene or its graphene-based intermediates and there is no assurance that the Group will achieve any revenue, profitability or cash flow from such activities.

1.8 Early stage of operations, capacity and scale up
The Group has not yet demonstrated its existing technology at either nameplate production capacity or increased capacities and intends to further scale up its production processes. There can be no guarantee that scaled up production processes will be operational to any anticipated timeframe or budget. Furthermore, the operation of the Group’s production processes following scale up involves risks and uncertainties beyond the Group’s control. Failure to operate at either current or increased nameplate capacities would adversely impact the Group’s business and financial position.

1.9 Plant expansion
Any delay or possible problems with the proposed expansion of the plant and development of the Group’s production processes to increase capacity, could have an adverse effect on the financial performance of the Group. Considerable capital expenditure will be required for such expansion. The length of the construction period and capital required to complete any plant expansion may be affected by different factors, such as disputes with workers or contractors, price increases, shortages of construction materials, permitting requirements, technical or engineering difficulties, accidents, suitable sites or unforeseen difficulties or changes in government policies. Such events may give rise to delays or cost over-runs and there can be no guarantee that the proposed projects will be operational within the expected timeframe or within the budgeted cost, which could have an adverse effect on the Group’s financial position and results of operations.

1.10 Operational risks and uncertainties
The operation of the Group’s production facilities and formatting at volume into customers’ host materials, involves significant risks and uncertainties beyond the Group’s control, including but not limited to:

- the quality and consistency of the Group’s graphene material may vary unexpectedly as production volumes are increased, resulting in lower demand for the Group's products;

- the failure to provide adequate resources (equipment/laboratory space, personnel);

- the attributes and properties of the Group’s graphene materials may be inadvertently affected by changes in quantities and production techniques used as a result of the scale up, resulting in either lower demand or lower than planned production volumes; and
• the application of the technology supporting the Group’s planned expansion is relatively new and therefore is subject to higher implementation and operational risk.

The occurrence of any of these risks could significantly affect the Group’s operating results.

1.11 The Group’s production processes are subject to risks

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

1.12 The Group could be required to relocate from its premises at short notice

The Group occupies its premises on the Wilton Science Park on Teesside under a short term tenancy agreement, which can be terminated at short notice by either party, although the Board has no reason to believe that the landlord will exercise its right to do so in the foreseeable future. In the event that the Group was required to leave its existing premises, then the Board is confident that alternative, appropriate premises could be found and the Group’s manufacturing facility relocated. However, such a forced move would cause business disruption and could have a significant effect on the Group’s business in the short term.

1.13 Research and development risk

The Group is engaged in the manufacture of graphene nanoplatelets and the preparation and formatting of these platelets into formulations appropriate for incorporation into existing customer products. The Company is therefore involved in complex scientific areas and new product development and industry experience indicates a high incidence of delay or failure to generate results. There is no guarantee that the Group will be successful in its research and product development, evaluation or collaboration activities. Much of the Group’s technology and intellectual property portfolio is at an early stage of development. The Group may not be able to develop and exploit its technology sufficiently to enable it to develop commercial and marketable products. Furthermore, the Group may not be able to develop new technology solutions or identify specific market needs that can be addressed by technology solutions developed by the Group.

1.14 Technological advances in graphene production

Graphene production is a very active area of research and development, and it is expected that technological advances in graphene production will continue to occur and new technologies may develop. Advances in the process of producing graphene nanoplatelets or films from either graphite or carbon-containing precursors could allow the Group’s competitors to produce products faster and more efficiently and at lower cost than the Group and the competitors may also produce products which exhibit superior characteristics to material produced by the Group. If the Group is unable to adapt or incorporate technological advances into its operations, its production facilities could become less competitive. Further, it may be necessary for the Group to incur significant expenditure to acquire any new technology and retrofit its current processes in order to incorporate new technologies and remain competitive.

1.15 Intellectual property

The Group’s success will depend in part on its ability to maintain adequate protection of its intellectual property, covering its manufacturing process, additional processes and applications, including in relation to the development of specific formulations and the formatting of graphene for use in particular applications. The intellectual property on which the Group’s business is based is a combination of patent applications and proprietary know-how. No assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group’s patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group. There is a risk that certain comments or objections which have been raised by patent offices, in relation to the patent applications which have been filed by the
Group, may prevent those patent applications from being granted or may result in a patent being granted, the scope of which is less than originally applied for.

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

Once granted, a patent can be challenged both in the relevant patent office and in the courts by third parties. Third parties can bring material and arguments which the patent office granting the patent may not have seen. Therefore, issued patents may be found by a court of law or by the patent office to be invalid or unenforceable or in need of further restriction.

A substantial cost may be incurred if the Group is required to assert its intellectual property rights, including any patents, against third parties. Patent litigation is costly and time consuming and there can be no assurance that the Group will have, or will be able to devote, sufficient resources to pursue such litigation. Potentially unfavourable outcomes in such proceedings could limit the Group’s intellectual property rights and activities. There is no assurance that obligations to maintain the Group’s or partners’ know-how would not be breached or otherwise become known in a manner which provides the Group with no recourse.

Any claims made against the Group’s intellectual property rights, even without merit, could be time consuming and expensive to defend and could have a materially detrimental effect on the Group’s resources. A third party asserting infringement claims against the Group and its customers could require the Group to cease the infringing activity and/or require the Group to enter into licensing and royalty arrangements. The third party could also take legal action which could be costly to defend. In addition, the Group may be required to develop alternative non-infringing solutions that may require significant time and substantial unanticipated resources. There can be no assurance that such claims would not have a material adverse effect on the Group’s business, financial condition or results.

If the patent applications are not granted, the consequence is that the techniques and processes described in the patent applications would not be protected and would be in the public domain. The Group would then continue to rely on the confidential know-how it has developed, including process operating conditions and in related, ancillary or other processes, and techniques it uses, such as the techniques it has developed for the dispersion and formatting of graphene nanoplatelets. In addition, the Group would pursue new patent applications for such related, ancillary and other processes and techniques it has developed.

In cases of proprietary know-how the Company takes reasonable steps to protect this knowledge through a combination of confidentiality agreements and contracts. However, there can be no guarantee that an individual or business would not use or disclose such information to a third party that would be beneficial to them. In the event that the Company becomes aware of any such disclosure it may opt to take legal action to defend its position, although this may be costly and/or time consuming.

1.16 Third party intellectual property

Although the Board believes that the Group’s current products, products in development and processes do not infringe the intellectual property rights of any third parties, it is impossible to be aware of all third party intellectual property. No assurance can be given that third parties will not in the future claim rights in, or ownership of, the patents and other proprietary rights from time to time held by the Group. As further detailed above, substantial costs (both financially and in management time) may be incurred if the Group is required to defend its intellectual property.

1.17 Management of growth

The ability of the Group to implement its strategy requires effective planning along with robust financial and management control systems. The Group’s growth plans may place a significant strain on its management and operational, financial and personnel resources. Therefore, the Group’s future growth and prospects will depend on its ability to manage this growth.

The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. There can be no guarantee that the Company will achieve the level of success that the Board expects.
1.18 Dependence on key executives and personnel and the ability to attract and retain appropriately qualified personnel

The Group’s future success is substantially dependent on the continued services and performance of its executive Directors and senior management and its ability to attract and retain suitably skilled and experienced personnel. Whilst the Group has entered into employment or secondment arrangements with each of its key personnel with the aim of securing their services, the Directors cannot give assurances that members of the senior management team and the executive Directors will continue to remain within the Group. The loss of the services of any of the executive Directors, members of senior management, secondees or other key employees could have a material adverse effect upon the Group’s business and results of operations. Finding and hiring any such replacements could be costly and might require the Company to grant significant equity awards or other incentive compensation, which could adversely impact its financial results.

Furthermore, the nature of the business means that there is likely to be a need to ensure that the Company retains sufficiently qualified personnel to capitalise on this evolving technology. Failure to invest in personnel through training, communication, planning and adequate resourcing may have an adverse impact on the business as the Company may not possess adequate or sufficient skills to capitalise on any developments.

1.19 Health, safety and environmental risks

The Group’s operations are and will be subject to numerous health, safety and environmental (“HSE”) requirements in the jurisdictions in which the Group conducts its business. Such HSE laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management and the use, composition, handling, distribution and transportation of hazardous materials. Many HSE laws and regulations are becoming increasingly stringent (and may impose strict liability) and the cost of compliance with these requirements can be expected to increase over time. Although the Directors believe that the Group’s procedures comply with applicable regulations, any failure to comply with HSE laws and regulations could result in the Group incurring costs and / or liabilities, including as a result of regulatory enforcement, personal injury, property damage and claims and litigation resulting from such events, which could adversely affect the Group’s results of operations and financial condition. Failure to comply with HSE requirements of jurisdictions elsewhere in the world may result in the Group being unable to supply products to customers located in those jurisdictions.

Accidents or mishandling involving hazardous substances could cause severe or critical damage or injury to property and human health. Such an event could result in civil lawsuits and / or regulator enforcement proceedings, both of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of the Group’s business could result in significant additional costs to replace, repair and insure the Group’s assets, which could negatively affect the Group’s business, prospects, operating results and financial condition.

The Group cannot predict the impact of new or changed HSE laws or regulations or other concerns or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that any of the requirements impose substantial costs or constrain the Group’s ability to expand or change its processes, the Group’s business, prospects, operating results and financial condition may suffer as a result.

The Group is aware that it will require a permit from the Environment Agency in respect of the commercial production of graphene. The Group has submitted an appropriate application for such a permit at the appropriate time. Furthermore, additional permits may be required for the purposes of operating within or supplying into overseas territories. The Directors are not aware of any reason why such permits would not be granted, however, there is no guarantee that such permits would be granted and failure to obtain such permits would have a significant adverse effect on the business of the Group.

1.20 Safety of handling graphene

Graphene is a relatively new material with a limited number of studies into its effects on biological systems. Carbon nanotubes (“CNTs”) are a material closely related to graphene. There have been concerns raised recently over the potential toxicity of CNTs, with much of the concern related to their fibre-like geometry, potentially allowing them to penetrate cell membranes. In 2013, the UK Health and Safety Executive published a guide to using CNTs and other high aspect ratio nanomaterials (“HARNs”) in the workplace, which outlines regulatory requirements, handling procedures and risk management protocols for the manufacture, handling, storage and shipping of these materials. Whilst graphene is not a fibre due to its
extended planar geometry, the Directors believe that the Group is acting prudently by following the Health and Safety Executive guidelines for the handling of HARNs in its procedures for handling graphene nanoplatelets. However, there is no guarantee that evidence will not emerge that graphene has a deleterious effect on biological systems, which may limit the potential applications of graphene nanoplatelets, require the Group to expend additional funds on safety measures, and potentially have a material adverse effect on the Group’s business, financial position or prospects.

1.21 Insurance
There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality. The occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the business, financial condition and results of operations of the Group.

1.22 Product liability
Some of the Group’s product and pipeline product applications are designed for use in industries which are highly regulated. There is a risk that the Group may lose contracts or could be subject to fines or penalties for any non-compliance with the relevant industry regulations. Furthermore, there is a risk of litigation and reputational damage, as well as product liability and indemnity risks.

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

1.24 The expenditure required by the Group may be more than currently anticipated
There is a risk that the amount that the Group anticipates will be needed to fund its growth will be insufficient, that the anticipated timing of such investment may prove incorrect or that the Group may be unable to raise the amounts required (if at all). Costs may be greater than planned, or timings may vary from those targeted, which could have a material adverse effect on the implementation of the Group’s strategy and its business, financial condition and results of operations.

The proceeds of the Fundraising are expected to be sufficient to implement the Board’s strategy. However, if the Group fails to generate sufficient cash through the sale of its products, it may need to raise additional capital in the future, whether from equity or debt sources, to fund expansion, development and / or the ongoing operating costs of the Group. If the Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issue of new equity or equity-linked securities of the Company other than on a pre-emptive basis to then existing shareholders, the percentage ownership of such shareholders may be substantially diluted.

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

1.26 Security of intellectual property and the threat of cyber-attack
Through its research and development activities and operations, the Group holds significant intellectual property. As such, there is a risk that its information technology systems could be subject to cyber-attack and result in the misappropriation or loss of key information. Should this occur, it is highly unlikely that the Group will have recourse against the perpetrators of such an attack or be able to take legal action against another business using this information to its advantage (where not protected by patents).
1.27 Reputational risk

Since its discovery there has been significant interest in graphene both within the media and amongst the wider public. As with any business there is a risk that certain comments made by third parties in a public domain pertaining to the industry as a whole or the business may be incorrect, inappropriate and/or negative in their tone. Adverse publicity may have a negative impact on the Company regardless of its accuracy and ultimately this could impinge on the overall business.

2. General risks

2.1 Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group’s products and on the attitude of its customers to participate in collaborations with the Group and to use its products. A more prolonged economic downturn may prevent growth and/or lead to an overall decline in the volume of the Group’s sales, restricting the Group’s ability to deliver a profit. In addition, although signs of economic recovery have been perceptible in certain countries, the sustainability of a global economic upturn is not yet assured and the Directors consider that the current level of market risk is higher than normal given geo-political unrest and the United Kingdom’s withdrawal from the European Union. If economic conditions remain uncertain, the Group might see lower levels of growth than in the past, which could have an adverse impact on the Group’s operations and business results.

2.2 Changes in tax laws or their interpretation could affect the Group’s financial condition or prospects

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

3. Risks relating to the Ordinary Shares

3.1 Investment risk

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Consequently, it might be difficult for an investor to realise his/her investment in the Group and he/she may lose all of his/her investment.

Investors should be aware that the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various factors and events, including the availability of information for determining the market value of an investment in the Group, any regulatory or economic changes affecting the Group’s operations, variations in the Group’s operating results, developments in the Group’s business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group’s operating results and prospects from time to time may be below the expectations of market analysts and investors.

Market conditions may affect the Ordinary Shares regardless of the Group’s operating performance or the overall performance of the sector in which the Group operates. Share market conditions are affected by many factors, including general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Group’s net assets, or its trading performance and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Group while others of which may be outside of the Group’s control.

If the Group’s revenues do not grow, or grow more slowly than anticipated, or if its operating or capital expenditures exceed expectations and cannot be adjusted sufficiently, the market price of its Ordinary Shares may decline. In addition, if the market for the securities of companies in the same sector or the stock market in general experiences a loss in investor confidence or otherwise falls, the market price of the Ordinary Shares may decline.
Shares may fall for reasons unrelated to the Group’s business, results of operations or financial condition. Therefore, investors might be unable to resell their Ordinary Shares at or above the Issue Price.

3.2 Future need for access to capital
The Group may need to raise further funds to carry out the implementation of its business plan. Any additional equity financing may be dilutive to Shareholders, and debt financing, if available, may involve restrictions in financing and operating activities. In addition, there can be no assurance that the Group will be able to raise additional funds when needed or that such funds will be available on terms favourable to it. If the Group is unable to obtain additional financing as needed it may be required to reduce the scope of its operations or anticipated expansion or cease trading.

3.3 Investment in publicly quoted securities
Investment in securities traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose securities are listed on the “Official List” of the FCA in the UK and traded on the London Stock Exchange’s main market for listed securities. An investment in the Ordinary Shares traded on AIM may be difficult to realise. AIM has been in existence since 1995 and is a market designed for small and growing companies, but its future success and liquidity as a market for Ordinary Shares cannot be guaranteed.

3.4 Potentially volatile share price and liquidity
The share prices of companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their investment in the Company may be influenced by a significant number of factors, some specific to the Company and its operations and some which affect quoted companies generally.

These factors could include the performance of the Company, large purchases or sales of Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

4. Risks relating to the Open Offer

4.1 Shareholders will experience dilution in their ownership of the Company
Shareholders will experience dilution in their ownership of, and voting interest in, the Company as a result of the Placing. Shareholders will experience greater dilution in their ownership of, and voting interest in, the Company to the extent they do not subscribe in full for their Basic Entitlement under the Open Offer.

4.2 Overseas Shareholders may not be eligible to participate in the Open Offer
Securities laws of certain jurisdictions may restrict the Company’s ability to allow participation by Overseas Shareholders in the Open Offer. In particular, holders of Ordinary Shares who are located in the US may not be able to exercise their pre-emption rights unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Open Offer will not be registered under the Securities Act.

Securities laws of certain other jurisdictions may restrict the Company’s ability to allow participation by Shareholders in such jurisdictions in any future issue of shares carried out by the Company.
PART 3
TERMS AND CONDITIONS OF THE OPEN OFFER

1. INTRODUCTION

As explained in Part 1, the Company is proposing to raise up to £10 million by the issue of up to 27,786,345 New Ordinary Shares at the Issue Price through the Placing and Open Offer.

25,000,000 New Ordinary Shares are proposed to be issued pursuant to the Placing and up to 2,786,345 New Ordinary Shares are also proposed to be issued pursuant to the Open Offer.

Further details of the Placing and Open Offer are set out in this Part 3.

The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 2,786,345 Open Offer Shares pro rata to their current holdings at the Issue Price.

The Fundraising is conditional on, amongst other things, the passing of the Resolutions at the General Meeting, the Placing Agreement becoming unconditional and Admission.

The New Ordinary Shares will rank pari passu in all respects with the Existing Ordinary Shares and will together represent approximately 55.5 per cent. of the Enlarged Share Capital.

The New Ordinary Shares will be created under the Act.

2. TERMS AND CONDITIONS OF THE OPEN OFFER

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder (other than Shareholders in Restricted Jurisdictions) is being given an opportunity to apply for Open Offer Shares at the Issue Price (payable in full and free of all expenses) on the following pro rata basis:

1 Open Offer Share at 36 pence each for every 8 Existing Ordinary Shares

held and registered in their name at the Record Date and so on in proportion to any other number of Existing Ordinary Shares then held. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders’ entitlements. Accordingly, Qualifying Shareholders with fewer than 8 Existing Ordinary Shares will not be entitled to take up any Open Offer Shares. Applications by Qualifying Shareholders will be satisfied in full up to their Basic Entitlement. The total number of Open Offer Shares is fixed and will not be increased.

Qualifying Shareholders may apply to acquire any number of Open Offer Shares subject to the limit on applications under the Excess Application Facility referred to below. The Basic Entitlement, in the case of Qualifying non-CREST Shareholders, is equal to the number of Open Offer Shares shown in Box 7 on the Application Form or, in the case of Qualifying CREST Shareholders, is equal to the number of Open Offer Shares comprised in Basic Entitlements standing to the credit of their stock account in CREST.

The Excess Application Facility enables Qualifying Shareholders to apply for any whole number of Ordinary Shares in excess of their Basic Entitlement (“Excess Entitlement”), subject to a maximum equal to the total number of Open Offer Shares available under the Open Offer less the relevant Qualifying Shareholder’s Basic Entitlement. Qualifying Non-CREST Shareholders who wish to apply to subscribe for more than their Basic Entitlement should complete Boxes 2, 3, 4, 5 and 9 on the Application Form. Subject to the terms of the Placing Agreement, applications for Excess Shares may be allocated in such manner as the Directors may determine, in their absolute discretion in consultation with N+1 Singer, and no assurance can be given that applications by Qualifying Shareholders will be met in full or in part or at all.

The Issue Price represents a discount of 44.2 per cent. to the Closing Price for an Ordinary Share of 64.5 pence on 9 October 2017 (being the latest practicable date prior to the announcement of the Fundraising).

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating the Open Offer.
Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore New Ordinary Shares for which application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer, and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. The Application Form is not a document of title and cannot be traded or otherwise transferred. Any Open Offer Shares which are not applied for under the Open Offer will not be issued.

The attention of Qualifying Shareholders and any person (including, without limitation, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the UK is drawn to paragraph 8 of this Part 3. In particular, Shareholders in a Restricted Jurisdiction will not be sent this document or the Application Form, and will not have their CREST stock accounts credited with the Basic Entitlements or the Excess Entitlements.

The New Ordinary Shares will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions made, paid or declared after the date of their issue.

Application will be made for the Basic Entitlement and the Excess Entitlement to be credited to Qualifying CREST Shareholders’ CREST accounts. The Basic Entitlement and the Excess Entitlement are expected to be credited to CREST accounts on 13 October 2017. Application has been made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence on AIM at 8.00 a.m. on 31 October 2017.

Neither the Placing nor the Open Offer are underwritten.

The Placing and Open Offer are conditional, amongst other things, upon:

(a) the passing of the Resolutions at the General Meeting;
(b) the conditions in the Placing Agreement being satisfied or (if applicable) waived and the Placing Agreement not having been terminated in accordance with its terms prior to Admission; and
(c) Admission becoming effective by no later than 8.00 a.m. on 31 October 2017 (or such later time and/or date being no later than 8.00 a.m. on 30 November 2017, as N+1 Singer and the Company may agree).

If any of the conditions are not satisfied or waived (where capable of waiver), the Placing and Open Offer will be revoked and will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter. No temporary documents of title will be issued in respect of the Open Offer Shares held in uncertificated form.

Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form by 7 November 2017.

The Existing Ordinary Shares are already CREST-enabled. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications will be made for the Basic Entitlement and the Excess Entitlement to be admitted to CREST as participating securities.

Subject to the conditions above being satisfied and save as provided in this Part 3, it is expected that:

(i) Capita will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than Shareholders in Restricted Jurisdictions) with such Shareholders’ CREST Basic Entitlement and Excess Entitlement with effect from 13 October 2017;
(ii) New Ordinary Shares in uncertificated form will be credited by 31 October 2017 to the appropriate stock accounts of relevant Qualifying CREST Shareholders who validly take up their CREST Basic Entitlement and Excess Entitlement; and
(iii) share certificates for the New Ordinary Shares held in certificated form will be despatched by 7 November 2017 to relevant Qualifying Non-CREST Shareholders who validly take up their Basic Entitlement and Excess Entitlement.
Qualifying Shareholders taking up their Basic Entitlement and Excess Entitlement will be deemed to have given the representations and warranties set out in the subparagraphs with the heading “Effect of Application” in paragraph 4 of this Part 3 (in the case of Qualifying Non-CREST Shareholders), and paragraph 5 of this Part 3 (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived by the Company. All Qualifying Shareholders taking up their rights under the Open Offer will be deemed to have given the representations and warranties set out in paragraph 8 of this Part 3.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renoncees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to paragraph 8 of this Part 3 which forms part of the terms and conditions of the Fundraising.

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to an RIS giving details of any revised dates or times.

3. **ACTION TO BE TAKEN IN CONNECTION WITH THE OPEN OFFER**

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of his entitlement under the Open Offer or has had his Basic Entitlement and Excess Entitlement credited to his CREST Stock account in respect of such entitlement.

If you are a Qualifying Non-CREST Shareholder and you are not a Shareholder in a Restricted Jurisdiction, please refer to paragraph 4 and paragraphs 7 and 9 to 12 (inclusive) of this Part 3.

If you are a Qualifying CREST Shareholder and you are not a Shareholder in a Restricted Jurisdiction, please refer to paragraph 5 and paragraphs 7 and 9 to 12 (inclusive) of this Part 3.

Qualifying Non-CREST Shareholders who wish to deposit their Basic Entitlements and/or Excess Entitlement into CREST, or Qualifying CREST Shareholders who wish to withdraw their Basic Entitlement and/or Excess Entitlement from CREST, should read paragraph 6 of this Part 3.

Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors, as only their CREST Sponsors will be able to take the necessary actions specified below to apply under the Open Offer in respect of the CREST Basic Entitlement and Excess Entitlement of such members held in CREST.

CREST Members who wish to apply under the Open Offer in respect of their CREST Basic Entitlement and Excess Entitlement in CREST should refer to the CREST Manual for further information on the CREST procedures referred to above.

4. **ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS**

**General**

Qualifying Non-CREST Shareholders will have received an Application Form with this document. The Application Form sent to each such Qualifying Non-CREST Shareholder sets out:

(a) in Box 6, the number of Existing Ordinary Shares registered in such person’s name at the Record Date (on which a Qualifying Non-CREST Shareholder’s entitlement to New Ordinary Shares is based); and

(b) in Box 7, the maximum number of Open Offer Shares for which such person is entitled to apply under the Open Offer, taking into account that they will not be entitled to take up any fraction of a New Ordinary Share arising when their Basic Entitlement was calculated;

Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold such an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided that they have agreed to take up their Basic Entitlement in full, Qualifying Non-CREST Shareholders may apply for more than their Basic Entitlement should they wish to do so. Qualifying Non-CREST Shareholders wishing to apply for their Excess Shares may do so by completing Boxes 2, 3, 4, 5 and 9 of the Application Form. The total number of Open Offer Shares is fixed and will not be increased in response to any Excess Applications. Applications under the Excess Application Facility will
therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. Subject to the terms of the Placing Agreement, applications made under the Excess Application Facility shall be allocated in such manner as the Directors may determine, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for receipt of the Application Forms and payment in full will be 11.00 a.m. on 27 October 2017.

The New Ordinary Shares are expected to be issued on 31 October 2017. After such date the New Ordinary Shares will be freely transferable by written instrument of transfer, and will be either in registered (or uncertificated) form, or, if they have been issued in or converted into uncertificated form, in electronic form under the CREST system.

Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

Qualifying Shareholders are, however, encouraged to vote at the General Meeting by attending in person or by completing and returning the Form of Proxy.

**Bona fide market claims**

Applications to acquire Open Offer Shares may only be made on the Application Form and may only be made by the Qualifying Non-CREST Shareholder named in it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to 8.00 a.m. on 12 October 2017 (being the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims made prior to 3.00 p.m. on 25 October 2017.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of his holding of Ordinary Shares prior to the date upon which the Ordinary Shares were marked “ex” the entitlement to participate in the Open Offer, should consult his broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee (*a “bona fide market claim”).

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to close of business on 11 October 2017 should, if the market claim is to be settled outside CREST, complete Box 10 on the Application Form and immediately send it to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee (if known). The Application Form should not, however, be forwarded to or transmitted in or into the Restricted Jurisdictions.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their registered holdings prior to close of business on 11 October 2017 should, if the market claim is to be settled outside CREST, complete Box 10 of the Application Form and immediately deliver to the broker, bank or other agent through whom the sale or transfer was effected (or to Capita Asset Services) the Application Form, together with a letter stating:

(i) the number of replacement Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees);

(ii) the total number of Existing Ordinary Shares to be included in each replacement Application Form (the aggregate of which must equal the aggregate number of Existing Ordinary Shares held by such Qualifying Non-CREST Shareholder prior to the part-transfer or disposal); and

(iii) the Basic Entitlement to be included in each replacement Application Form (the aggregate of which must equal the number shown in Box 7 of the original Application Form being returned with such letter),

so as to be received by 11.00 a.m. on 27 October 2017. Capita Asset Services will then create new Application Forms, mark the Application Forms “Declaration of sale or transfer duly made” and send them by post to the person submitting the original Application Form.
**Application procedures**
Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the Open Offer Shares in respect of their Basic Entitlement and Excess Entitlement must return the Application Form in accordance with the instructions thereon.

Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) or delivered by hand (during normal office hours only) to Capita Asset Services (who will act as the Company’s receiving agent in relation to the Open Offer) so as to be received by Capita Asset Services by no later than 11.00 a.m. on 27 October 2017, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Applications delivered by hand will not be checked upon delivery and no receipt will be provided. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in this Document, be irrevocable and receipt thereof will not be acknowledged.

If an Application Form is being sent by first-class post in the UK, Qualifying Non-CREST Shareholders are recommended to allow at least four working days for delivery. Completed Application Forms should be returned together with a cheque or banker’s draft in sterling made payable to “Capita Registrars Ltd re: Applied Graphene Materials plc – Open Offer A/C” for the full amount payable on acceptance, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 27 October 2017.

**Payment in sterling**
All payments must be made by cheque or banker’s draft in sterling made payable to “Capita Registrars Ltd re: Applied Graphene Materials plc – Open Offer A/C”. Third party cheques may not be accepted except building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or banker’s draft to such effect. The account name should be the same as that shown on the application. Cheques or banker’s drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker’s drafts to be cleared through the facilities provided by either of those companies. Cheques and banker’s drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

The Company reserves the right to have cheques and banker’s drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company and N+1 Singer may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation. If cheques or banker’s drafts are presented for payment before the conditions of the Fundraising are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Fundraising does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant’s sole risk), without payment of interest, to applicants as soon as practicable, following the lapse of the Fundraising.

If New Ordinary Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, the Company and N+1 Singer may (in their absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company’s reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part 3 in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

For all enquiries in connection with the Application Forms, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice. Calls may be recorded and monitored for security and training purposes.
Discretion as to validity of acceptances

If payment is not received in full by 11.00 a.m. on 27 October 2017, the offer to subscribe for Open Offer Shares will be deemed to have been declined and will lapse. However, the Company and N+1 Singer may, but shall not be obliged to, treat as valid (a) Application Forms and accompanying remittances that are received through the post not later than 11.00 a.m. on 27 October 2017; and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 27 October 2017 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of New Ordinary Shares to be acquired and undertaking to lodge the relevant Application Form, duly completed, by 11.00 a.m. on 27 October 2017 and such Application Form is lodged by that time.

The Company and N+1 Singer may also (in their absolute discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required. The Company and N+1 Singer reserve the right to treat as invalid any application or purported application for the New Ordinary Shares pursuant to the Open Offer that appears to the Company or N+1 Singer to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for New Ordinary Shares in a Restricted Jurisdiction.

Effect of Application

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

(a) represents and warrants to the Company and N+1 Singer that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(b) agrees with the Company and N+1 Singer that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;

(c) confirms with the Company and N+1 Singer that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);

(d) represents and warrants to the Company and N+1 Singer that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess Entitlements or that he received such entitlements by virtue of a bona fide market claim;

(e) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the Articles of Association of the Company;

(f) represents and warrants to the Company and N+1 Singer that if he has received some or all of his Basic Entitlement and Excess Entitlement from a person other than the Company, he is entitled to apply under this Open Offer in relation to such entitlement by virtue of a bona fide market claim;

(g) represents and warrants to the Company and N+1 Singer that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, except where proof satisfactory to the Company has been provided to the Company, in respect of (a) and (b) above, that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome, nor acting on behalf of any such person on a non-discretionary basis nor
a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(h) represents and warrants to the Company and N+1 Singer that he is not, nor is he applying on behalf of any person who is, in the United States or is a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, of the United States or any other jurisdiction in which the application for Open Offer Shares is prevented by law and he is not applying with a view to re-offering, re-selling, transferring or delivering any of the Open Offer Shares which are the subject of his application in the United States or to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States or any other jurisdiction in which the application for Open Offer Shares is prevented by law (except where proof satisfactory to the Company has been provided to the Company that he is able to accept the invitation by the Company free of any requirement which it (in its absolute discretion) regards as unduly burdensome), nor acting on behalf of any such person on a non-discretionary basis nor a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;

(i) represents and warrants to the Company and N+1 Singer that he is not, and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred in sections 67, 70, 93 or 96 (depositary receipts and clearance services) of the Finance Act 1986; and

(j) confirms that in making the application he is not relying and has not relied on the Company and N+1 Singer or any person affiliated with the Company and N+1 Singer in connection with any investigation of the accuracy of any information contained in this document or his investment decision.

Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Capita Asset Services may require, in its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Capita Asset Services. In such case, the lodging agent’s stamp should be inserted on the Application Form.

The applicant lodging the Application Form with payment, including any person who appears to Capita Asset Services to be acting on behalf of some other person, shall thereby be deemed to agree to provide Capita Asset Services with such information and other evidence as Capita Asset Services may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty that the Money Laundering Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to Capita Asset Services such information as may be specified by Capita Asset Services as being required for the purpose of the Money Laundering Regulations.

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

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Capita Asset Services has not received evidence satisfactory to it as aforesaid, the Company and N+1 Singer may, in their absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant’s risk) without interest to the account of the bank or building society on which the relevant cheque or banker’s draft was drawn.

The verification of identity requirements will not usually apply if:
(a) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations; or
(b) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 91/308/EEC) as amended by Directives 2001/97/EC and 2005/60/EC; or

(c) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations; or

(d) the applicant (not being an applicant who delivers his/her application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in that directive; or

(e) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (approximately £13,400 as at the date of this document).

Submission of the Application Form with the appropriate remittance will constitute a warranty to the Company from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

(i) if payment is made by cheque or banker's draft in sterling drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to “Capita Registrars Limited: Applied Graphene Materials plc – Open Offer Account”. Third party cheques may not be accepted except for building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/banker's draft to such effect. The account name should be the same as that shown on the application; or

(ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (b) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Mexico, Luxembourg, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita Asset Services and/or any relevant regulatory or investigatory authority; or

(iii) if an Application Form is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his current address (for example, a photocard driving licence or utility bill).

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Open Offer nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

**Issue of New Ordinary Shares in certificated form**

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 7 November 2017, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).
5. **ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS**

**General**
Save as provided in paragraph 8 of this Part 3 in relation to certain Shareholders in Restricted Jurisdictions, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his CREST Basic Entitlement equal to the maximum number of Open Offer Shares for which he is entitled to apply to subscribe under the Open Offer.

Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders’ entitlements and will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the CREST participant ID and CREST member account ID that apply to the Ordinary Shares held at the Record Date by the Qualifying CREST Shareholder in respect of which the CREST Basic Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 13 October 2017 (or such later time as the Company shall decide), Application Forms shall, unless the Company determines otherwise, be sent out in substitution for the CREST Basic Entitlements and Excess Entitlements which have not been so credited and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a RIS giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their entitlements in respect of CREST Open Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST Sponsored Member, you should consult your CREST Sponsor if you wish to take up your entitlement, as only your CREST Sponsor will be able to take the necessary action to take up your entitlements in respect of Open Offer Shares. If you have any queries on the procedure for acceptances and payment, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

In accordance with the instructions of this paragraph 5 the CREST instruction must have been settled by 11.00 a.m. on 27 October 2017.

**Bona fide market claims**
The CREST Basic Entitlements and Excess Entitlements will each constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Basic Entitlements and Excess Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of the Basic Entitlements and Excess Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction.

Transactions identified by the Euroclear’s Claims Processing Unit as “cum” the CREST Basic Entitlement and Excess Entitlement will generate an appropriate market claim transaction and the relevant CREST Basic Entitlements and Excess Entitlements will thereafter be transferred accordingly.

**Excess Application Facility**
Qualifying Shareholders may apply to acquire Open Offer Shares using the Excess Application Facility, should they wish, provided they have agreed to take up their Basic Entitlement in full. The Excess Application Facility enables Qualifying CREST Shareholders to apply for Open Offer Shares in excess of their Basic Entitlement.

An Excess Entitlement may not be sold or otherwise transferred.

Subject as provided in paragraph 8 of this Part 3 in relation to Shareholders in Restricted Jurisdictions, the CREST accounts of Qualifying CREST Shareholders will be credited with an Excess Entitlement in order for any applications for Excess Shares to be settled through CREST.

Qualifying CREST Shareholders should note that, although the Basic Entitlements and the Excess Entitlements will be admitted to CREST, they will have limited settlement capabilities (for the purposes of market claims only). Neither the Basic Entitlements nor the Excess Entitlements will be tradable or listed and
applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a bona fide market claim.

To apply for Excess Shares pursuant to the Excess Application Facility, Qualifying CREST Shareholders should follow the instructions in the paragraphs below entitled “USE Instructions” and “Content of USE Instruction in respect of Excess Entitlements” and must not return a paper form and cheque.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Basic Entitlement and the relevant Basic Entitlement be transferred, the Excess Entitlements will not transfer with the Basic Entitlement claim, but will be transferred as a separate claim. Should a Qualifying CREST Shareholder cease to hold all of his Existing Ordinary Shares as a result of one or more bona fide market claims, the Excess Entitlement credited to CREST and allocated to the relevant Qualifying Shareholder will be transferred to the purchaser. Please note that a separate USE instruction must be sent to Euroclear in respect of any application under the Excess Entitlement.

The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Subject to the terms of the Placing Agreement, applications under the Excess Application Facility will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, in their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all. Excess monies in respect of applications which are not met in full will be returned to the applicant (at the applicant’s risk) without interest as soon as practicable thereafter by way of cheque or CREST payment, as appropriate.

**USE Instructions**

Qualifying CREST Shareholders who are CREST Members and who wish to apply for Open Offer Shares in respect of all or some of their CREST Basic Entitlement and Excess Entitlement must send (or, if they are CREST Sponsored Members, procure that their CREST Sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

(a) the crediting of a stock account of Capita Asset Services under the CREST participant ID and CREST member account ID specified below, with a number of CREST Basic Entitlements and/or Excess Entitlements corresponding to the number of Open Offer Shares applied for; and

(b) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of Capita Asset Services in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above.

**Content of USE Instructions in respect of Basic Entitlements**

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

(a) the number of CREST Open Offer Shares for which application is being made (and hence the number of the Basic Entitlements being delivered to Capita Asset Services);

(b) the ISIN of the CREST Basic Entitlement. This is GB00BZ0XP532;

(c) the CREST participant ID of the CREST Member;

(d) the CREST member account ID of the CREST Member from which the CREST Basic Entitlements are to be debited;

(e) the participant ID of Capita in its capacity as a CREST receiving agent. This is 7RA33;

(f) the CREST member account ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 29376APP;

(g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above;

(h) the intended settlement date. This must be on or before 11.00 a.m. on 27 October 2017; and

(i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.
In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above. In order to assist prompt settlement of the USE Instruction, CREST members may consider adding the following non-mandatory fields to the USE Instruction:

(i) a contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE Instruction may settle on in order to be valid is 11.00 a.m. on 27 October 2017 on that day. After 31 October 2017, the New Ordinary Shares will be registered and freely transferable in electronic form under the CREST system.

If the conditions to the Fundraising are not fulfilled at or before 8.00 a.m. on 31 October 2017, or such other time and/or date as may be agreed between the Company and N+1 Singer, the Open Offer will lapse, the Basic Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by way of a CREST payment, without interest as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.

Content of USE instruction in respect of Excess Entitlements

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

(a) the number of CREST Open Offer Shares for which application is being made (and hence the number of the Excess Entitlements being delivered to Capita Asset Services);

(b) the ISIN of the CREST Excess Entitlement. This is GB00BZ0XP755;

(c) the CREST participant ID of the CREST Member;

(d) the CREST member account ID of the CREST Member from which the CREST Excess Entitlements are to be debited;

(e) the participant ID of Capita in its capacity as a CREST receiving agent. This is 7RA33;

(f) the CREST member account ID of Capita Asset Services in its capacity as a CREST receiving agent. This is 29376APP;

(g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (a) above;

(h) the intended settlement date. This must be on or before 11.00 a.m. on 27 October 2017; and

(i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above. In order to assist prompt settlement of the USE Instruction, CREST members may consider adding the following non-mandatory fields to the USE Instruction:

(i) a contact name and telephone number (in the free format shared note field); and

(ii) a priority of at least 80.

CREST Members and, in the case of CREST Sponsored Members, their CREST Sponsors, should note that the last time at which a USE Instruction may settle on in order to be valid is 11.00 a.m. on 27 October 2017 on that day. After 31 October 2017, the New Ordinary Shares will be registered and freely transferable in electronic form under the CREST system.

If the conditions to the Fundraising are not fulfilled at or before 8.00 a.m. on 31 October 2017, or such other time and/or date as may be agreed between the Company and N+1 Singer, the Open Offer will lapse, the Excess Entitlements admitted to CREST will be disabled and Capita Asset Services will refund the amount paid by way of a CREST payment, without interest as soon as practicable thereafter. The interest earned on such monies, if any, will be retained for the benefit of the Company.
**CREST procedures and timings**

Qualifying CREST Shareholders who are CREST Members and CREST Sponsors (on behalf of CREST Sponsored Members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST Sponsored Member, to procure that his CREST Sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 27 October 2017. In this connection, Qualifying CREST Shareholders and (where applicable) CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

**Validity of application**

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 27 October 2017 will constitute a valid application under the Open Offer.

**Incorrect or incomplete applications**

If a USE Instruction includes a CREST payment for an incorrect sum, the Company and N+1 Singer, through the Registrar, reserve the right:

(a) to reject the application in full and refund the payment to the CREST member in question (without interest);

(b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of New Ordinary Shares as would be able to be applied for with that payment at the Issue Price, refunding any unutilised sum to the CREST member in question (without interest); and

(c) in the case that an excess sum is paid, to treat the application as a valid application for all the New Ordinary Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

**Effect of application**

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

(i) represents and warrants to the Company and N+1 Singer that he has the right, power and authority, and has taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;

(ii) agrees with the Company and N+1 Singer that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations related thereto, shall be governed by and construed in accordance with the laws of England;

(iii) confirms with the Company and N+1 Singer that in making the application he is not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, he will be deemed to have had notice of all information contained in this document (including information incorporated by reference);

(iv) represents and warrants to the Company and N+1 Singer that he is the Qualifying Shareholder originally entitled to the Basic Entitlements and Excess Entitlements or that he received such CREST Basic Entitlements and the Excess Entitlements by virtue of a bona fide market claim;

(v) requests that the Open Offer Shares to which he will become entitled be issued to him on the terms set out in this document and the Application Form, subject to the Articles of Association of the Company;

(vi) represents and warrants to the Company and N+1 Singer that if he has received some or all of his CREST Basic Entitlements and Excess Entitlements from a person other than the Company, he is entitled to apply under this Open Offer in relation to such CREST Basic Entitlements and Excess Entitlements by virtue of a bona fide market claim;

(vii) represents and warrants to the Company and N+1 Singer that he is not, nor is he applying on behalf of any person who is: (a) located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law and, (b) he is not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of his
Discretion as to rejection and validity of acceptances

Subject to the terms of the Placing Agreement, the Company and N+1 Singer may:

(a) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 5 of this Part 3. Where an acceptance is made as described in this paragraph 5 which is otherwise valid, and the USE Instruction concerned fails to settle by 11.00 a.m. on 27 October 2017 (or by such later time and date as the Company and N+1 Singer may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this paragraph 5, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 5 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST Sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;

(b) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 5;

(c) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST Sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as the Company may determine;

(d) treat a properly authenticated dematerialised instruction (in this sub-paragraph (d), the “first instruction”) as not constituting a valid acceptance if, at the time at which Capita Asset Services receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Capita Asset Services has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

(e) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST Sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST Sponsor or Qualifying CREST Shareholder is unable validly to take up all or part of his CREST Basic Entitlement and Excess Entitlement by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Capita Asset Services in connection with CREST.
Money Laundering Regulations

If you hold your Open Offer Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g., a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Capita Asset Services is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Capita Asset Services before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to the Company, N+1 Singer and Capita Asset Services to provide promptly to Capita Asset Services any information Capita Asset Services may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Capita Asset Services as to identity, Capita Asset Services, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Capita Asset Services will not permit the USE Instruction concerned to proceed to settlement (without prejudice to the right of the Company to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence).

Right to allot/issue in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Capita Asset Services in connection with CREST.

6. DEPOSIT OF BASIC ENTITLEMENTS AND EXCESS ENTITLEMENTS INTO, AND WITHDRAWAL FROM, CREST

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

A holder of an Application Form who is proposing to deposit the entitlement set out in such form into CREST is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Basic Entitlements and Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up such entitlement prior to 11.00 a.m. on 27 October 2017.

In particular, having regard to normal processing times in CREST and on the part of the Registrar, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as an Basic Entitlement and Excess Entitlement in CREST, is 3.00 p.m. on 23 October 2017, and the recommended latest time for receipt by Euroclear of a dematerialised instruction requesting withdrawal of a Basic Entitlement and Excess Entitlement from CREST is 4.30 p.m. on 23 October 2017 in either case so as to enable the person acquiring or (as appropriate) holding the Basic Entitlement and Excess Entitlement following the deposit or withdrawal (whether as shown in an Application Form or held in CREST), to take all necessary steps in connection with applying in respect of the Basic Entitlement and Excess Entitlement prior to 11.00 a.m. on 24 October 2017.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account or the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Capita Asset Services by the relevant CREST Member(s) that it/is/they are not in breach of the provisions of the notes set out in the Application Form, and a declaration to the Company and Capita Asset Services from the relevant CREST Member(s) that it/they is/are not located in, or citizen(s) or resident(s) of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, and that it/they is/are not located in the United States and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona fide market claim.
7. **WITHDRAWAL RIGHTS**

Qualifying Shareholders wishing to exercise the withdrawal rights under section 87Q(4) of FSMA after the issue by the Company of a circular or prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which shall not include a notice sent by facsimile or any other form of electronic communication, which must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder the CREST participant ID and the CREST member account ID of such Qualifying CREST Shareholder with Capita Asset Services or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, so as to be received no later than two business days after the date on which the supplementary circular or prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Capita Asset Services after expiry of such period will not constitute a valid withdrawal.

8. **OVERSEAS SHAREHOLDERS**

The comments set out in this paragraph 8 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

**General**

The distribution of this document and the making or acceptance of the Open Offer to or by persons who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, or which are corporations, partnerships or other entities created or organised under the laws of countries other than the United Kingdom or to persons who are nominees of or custodians, trustees or guardians for citizens, residents in or nationals of, countries other than the United Kingdom, may be affected by the laws or regulatory requirements of the relevant jurisdictions. It is the responsibility of those persons to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirement or other formalities to enable them to apply for Open Offer Shares under the Open Offer.

No action has been or will be taken by the Company, N+1 Singer or any other person, to permit a public offering or distribution of this document (or any other offering or publicity materials or application form(s) relating to the Open Offer Shares) in any jurisdiction where action for that purpose may be required, other than in the United Kingdom. Receipt of this document and/or an Application Form and/or a credit of a Basic Entitlement and Excess Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

Application Forms will not be sent to, and Basic Entitlements and Excess Entitlements will not be credited to stock accounts in CREST of, persons with registered addresses in the United States or a Restricted Jurisdiction or their agent or intermediary, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use any such Application Form and/or credit of Basic Entitlements and Excess Entitlements to a stock account in CREST unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her and such Application Form and/or credit of Basic Entitlements and Excess Entitlements to a stock account in CREST could lawfully be used, and any transaction resulting from such use could be effected, without contravention of any registration or other legal or regulatory requirements. In circumstances where an invitation or offer would contravene any registration or other legal or regulatory requirements, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of any person (including, without limitation, custodians, agents, nominees and trustees) outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any governmental or other consents that may be required, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes due in such territory.
None of the Company, N+1 Singer, nor any of their respective representatives, is making any representation to any offeree or purchaser of the Open Offer Shares regarding the legality of an investment in the Open Offer Shares by such offeree or purchaser under the laws applicable to such offeree or purchaser.

Persons (including, without limitation, custodians, agents, nominees and trustees) receiving a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST, in connection with the Open Offer or otherwise, should not distribute or send either of those documents nor transfer Basic Entitlements and Excess Entitlements in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If a copy of this document and/or an Application Form and/or a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST is received by any person in any such territory, or by his or her custodian, agent, nominee or trustee, he or she must not seek to apply for Open Offer Shares in respect of the Open Offer unless the Company and N+1 Singer determine that such action would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, agents, nominees and trustees) who does forward a copy of this document and/or an Application Form and/or transfers Basic Entitlements and Excess Entitlements into any such territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this Part 3 “Terms and Conditions of the Open Offer” and specifically the contents of this paragraph 8.

The Company and N+1 Singer reserve the right to treat as invalid any application or purported application for Open Offer Shares that appears to the Company, N+1 Singer or their respective agents to have been executed, effected or despatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any other jurisdiction or if the Company, N+1 Singer or their respective agents believe that the same may violate applicable legal or regulatory requirements or if it provides an address for delivery of the share certificates of Open Offer Shares or in the case of a credit of Basic Entitlements and Excess Entitlements to a stock account in CREST, to a CREST Member whose registered address would be, in the United States or a Restricted Jurisdiction or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates or make such a credit.

Notwithstanding any other provision of this document or the relevant Application Form, the Company and N+1 Singer reserve the right to permit any person to apply for Open Offer Shares in respect of the Open Offer if the Company and N+1 Singer, in their sole and absolute discretion, is satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

Overseas Shareholders who wish, and are permitted, to apply for Open Offer Shares should note that payment must be made in sterling denominated cheques or banker’s drafts or where such Overseas Shareholder is a Qualifying CREST Shareholder, through CREST.

Due to restrictions under the securities laws of the United States and the Restricted Jurisdictions, and subject to certain exceptions, Qualifying Shareholders in the United States or who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with CREST Basic Entitlement and Excess Entitlements. No public offer of Open Offer Shares is being made by virtue of this document or the Application Forms into the United States or any Restricted Jurisdiction. Receipt of this document and/or an Application Form and/or a credit of a CREST Basic Entitlements and Excess Entitlement to a stock account in CREST will not constitute an invitation or offer of securities for subscription, sale or purchase in those jurisdictions in which it would be illegal to make such an invitation or offer and, in those circumstances, this document and/or the Application Form must be treated as sent for information only and should not be copied or redistributed.
United States

The New Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered or sold, re-sold, taken up, transferred, delivered or distributed, directly or indirectly, within the United States except in reliance on an exemption from the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Accordingly, the Company is not extending the Open Offer into the United States unless an exemption from the registration requirements of the Securities Act is available and, subject to certain exceptions, neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for or an offer or an invitation to acquire any New Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor an Application Form will be sent to, and no New Ordinary Shares will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in the United States. Subject to certain exceptions, Application Forms sent from or postmarked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such New Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document or the Application Form and delivery of the New Ordinary Shares, that they are not, and that at the time of acquiring the New Ordinary Shares they will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company and N+1 Singer reserve the right to treat as invalid any Application Form that appears to the Company, N+1 Singer or their respective agents to have been executed in, or despatched from, the United States, or that provides an address in the United States for the receipt of New Ordinary Shares, or which does not make the warranty set out in the Application Form to the effect that the person completing the Application Form does not have a registered address and is not otherwise located in the United States and is not acquiring the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares in the United States or where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements.

The Company will not be bound to allot or issue any New Ordinary Shares to any person with an address in, or who is otherwise located in, the United States in whose favour an Application Form or any New Ordinary Shares may be transferred. In addition, the Company and N+1 Singer reserve the right to reject any USE instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares. In addition, until 45 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the and Open Offer) may violate the registration requirements of the Securities Act.

Restricted Jurisdictions

Due to restrictions under the securities laws of the Restricted Jurisdictions and subject to certain exemptions, Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, any Restricted Jurisdiction will not qualify to participate in the Open Offer and will not be sent an Application Form nor will their stock accounts in CREST be credited with Basic Entitlements and Excess Entitlements. The Open Offer Shares have not been and will not be registered under the relevant laws of any Restricted Jurisdiction or any state, province or territory thereof and may not be offered, sold, resold, delivered or distributed, directly or indirectly, in or into any Restricted Jurisdiction or to, or for the account or benefit of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of, any Restricted Jurisdiction except pursuant to an applicable exemption. No offer or invitation to apply for Open Offer Shares is being made by virtue of this document or the Application Forms into any Restricted Jurisdiction.

Other overseas territories

Application Forms will be sent to Qualifying Non-CREST Shareholders and Basic Entitlements and Excess Entitlements will be credited to the stock accounts in CREST of Qualifying CREST Shareholders. Qualifying Shareholders in jurisdictions other than the United States or the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, take up Open Offer Shares under the Open Offer in accordance with the instructions set out in this document and the Application Form. Qualifying Shareholders who have registered addresses in, or who are resident or ordinarily resident in, or citizens of, countries other than the United Kingdom should, however, consult appropriate professional advisers.
as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for any Open Offer Shares in respect of the Open Offer.

**Representations and warranties relating to Overseas Shareholders**

(a) **Qualifying Non-CREST Shareholders**

Any person completing and returning an Application Form or requesting registration of the Open Offer Shares comprised therein represents and warrants to the Company and N+1 Singer and the Registrars that, except where proof has been provided to the Company’s satisfaction that such person’s use of the Application Form will not result in the contravention of any applicable legal requirements in any jurisdiction: (i) such person is not requesting registration of the relevant Open Offer Shares from within the United States or any Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares in respect of the Open Offer or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) such person is not acquiring Open Offer Shares with a view to offer, sale, resale, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories. The Company and/or N+1 Singer and/or the Registrars may treat as invalid any acceptance or purported acceptance of the allotment of Open Offer Shares comprised in an Application Form if it: (i) appears to the Company, N+1 Singer or their respective agents to have been executed, effected or despatched from the United States or a Restricted Jurisdiction or in a manner that may involve a breach of the laws or regulations of any jurisdiction or if the Company or its agents believe that the same may violate applicable legal or regulatory requirements; or (ii) provides an address in the United States or a Restricted Jurisdiction for delivery of the share certificates of Open Offer Shares (or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such share certificates); or (iii) purports to exclude the warranty required by this sub-paragraph (a).

(b) **Qualifying CREST Shareholders**

A CREST Member or CREST Sponsored Member who makes a valid acceptance in accordance with the procedures set out in this Part 3 represents and warrants to the Company and N+1 Singer that, except where proof has been provided to the Company’s satisfaction that such person’s acceptance will not result in the contravention of any applicable legal requirement in any jurisdiction: (i) he or she is not within the United States or any Restricted Jurisdiction; (ii) he or she is not in any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares; (iii) he or she is not accepting on a non-discretionary basis for a person located within any Restricted Jurisdiction (except as otherwise agreed with the Company) or any territory referred to in (ii) above at the time the instruction to accept was given; and (iv) he or she is not acquiring any Open Offer Shares with a view to offer, sell, resell, transfer, deliver or distribute, directly or indirectly, any such Open Offer Shares into any of the above territories.

**Waiver**

The provisions of this paragraph 8 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company and N+1 Singer in their absolute discretion. Subject to this, the provisions of this paragraph 8 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 8 to Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph 8 shall apply to them jointly and to each of them.

9. **TIMES AND DATES**

The Company shall, in agreement with N+1 Singer and after consultation with its financial and legal advisers, be entitled to amend the dates that Application Forms are despatched or amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document and in such circumstances shall notify the London Stock Exchange, and make an announcement on an RIS but Qualifying Shareholders may not receive any further written communication.

If a supplementary circular is issued by the Company two or fewer Business Days prior to the latest time and date for acceptance and payment in full under the Open Offer specified in this document, the latest date for acceptance under the Open Offer shall be extended to the date that is three Business Days after the date of issue of the supplementary circular (and the dates and times of principal events due to take place following such date shall be extended accordingly).
10. TAXATION

Shareholders who are in any doubt as to their tax position in relation to taking up their entitlements under the Open Offer, or who are subject to tax in any jurisdiction other than the United Kingdom, should immediately consult a suitable professional adviser.

11. FURTHER INFORMATION

Your attention is drawn to the further information set out in this document and also, in the case of Qualifying Non-CREST Shareholders and other Qualifying Shareholders to whom the Company has sent Application Forms, to the terms, conditions and other information printed on the accompanying Application Form.

12. GOVERNING LAW AND JURISDICTION

The terms and conditions of the Open Offer as set out in this document, the Application Form and any non-contractual obligation related thereto shall be governed by, and construed in accordance with, English law.

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Open Offer, this document or the Application Form.

By taking up Open Offer Shares, by way of their Basic Entitlements and Excess Entitlements, in accordance with the instructions set out in this document and, where applicable, the Application Form, Qualifying Shareholders irrevocably submit to the jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.
The questions and answers set out in this Part 4 “Questions and Answers about the Open Offer” are intended to be in general terms only and, as such, you should read Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action to take. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriate independent financial adviser, who is authorised under FSMA if you are in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

This Part 4 deals with general questions relating to the Open Offer and more specific questions relating principally to persons resident in the United Kingdom who hold their Existing Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 8 of Part 3 “Terms and Conditions of the Open Offer” of this document and you should take professional advice as to whether you are eligible and/or you need to observe any formalities to enable you to take up your Basic Entitlement and Excess Entitlement. If you hold your Existing Ordinary Shares in uncertificated form (that is, through CREST) you should read paragraph 5 of Part 3 “Terms and Conditions of the Open Offer” of this document for full details of what action you should take.

If you are a CREST Sponsored Member, you should also consult your CREST Sponsor. If you do not know whether your Existing Ordinary Shares are in certificated or uncertificated form, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

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

1. What is an open offer?
An open offer is a way for companies to raise money. Companies usually do this by giving their existing shareholders a right to acquire further shares at a fixed price in proportion to their existing shareholdings. In this instance Shareholders will also be offered the opportunity to apply for additional Ordinary Shares in excess of their entitlement to the extent that other Qualifying Shareholders do not take up their entitlement in full. In an open offer the fixed price is normally at a discount to the market price of the existing shares prior to the announcement of the open offer.

This Open Offer is an invitation by the Company to Qualifying Shareholders to apply to acquire up to an aggregate of 2,786,345 New Ordinary Shares at a price of 36 pence per share. If you hold Existing Ordinary Shares on the Record Date or have a bona fide market claim, other than, subject to certain exceptions, where you are a Shareholder with a registered address or located in the United States, or a Restricted Jurisdiction, you will be entitled to buy Open Offer Shares under the Open Offer.

The Open Offer is being made on the basis of 1 Open Offer Share for every 8 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date. If your entitlement to Open Offer Shares is not a whole number, you will not be entitled to buy a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number. The Offer Price of 36 pence per Open Offer Share represents a discount of 44.2 per cent. to the Closing Price of 64.5 pence per Ordinary Share on 9 October 2017 (being the latest practicable date prior to the date announcement of the Fundraising).

The Excess Application Facility allows Qualifying Shareholders to apply for Excess Shares in excess of their Basic Entitlement. Subject to the terms of the Placing Agreement, applications made under the Excess Application Facility may be allocated in such manner as the Directors may determine, if applications are received from Qualifying Shareholders for more than the available number of Open Offer Shares, no assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

Unlike in a rights issue, Application Forms are not negotiable documents and neither they nor Basic Entitlements can themselves be traded. Shareholders will not be able to apply for any New Ordinary Shares which are the subject of the Placing.
2. I hold my Existing Ordinary Shares in certificated form. How do I know I am eligible to participate in the Open Offer?

If you receive an Application Form and, subject to certain exceptions, are not a holder with a registered address or located in the United States or any Restricted Jurisdiction or any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares, then you should be eligible to participate in the Open Offer as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 12 October 2017 (the time when the Existing Ordinary Shares are expected to be marked “ex-entitlement” by the London Stock Exchange).

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

If you hold your Existing Ordinary Shares in certificated form and, subject to certain exceptions, do not have a registered address, and are not located in, the United States or any Restricted Jurisdiction or any territory in which it is unlawful to make or accept an offer to acquire Open Offer Shares, you will be sent an Application Form that shows:

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

Subject to certain exceptions, if you have a registered address in the United States or any of the Restricted Jurisdictions, you will not receive an Application Form.

If you would like to apply for any of or all of the Open Offer Shares comprised in your Basic Entitlement you should complete the Application Form in accordance with the instructions printed on it and the information provided in this document. Completed Application Forms should be returned, along with a cheque or banker’s draft drawn in the appropriate form, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, or by hand (during normal office hours only) so as to be received by them by no later than 11.00 a.m. on 27 October 2017, after which time Application Forms will not be valid.

4. I hold my Existing Ordinary Shares in certificated form and am eligible to receive an Application Form. What are my choices in relation to the Open Offer?

(a) If you do not want to take up your Basic Entitlement

If you do not want to take up the Open Offer Shares to which you are entitled, you do not need to do anything. In these circumstances, you will not receive any Open Offer Shares. You will also not receive any money if the Open Offer Shares you could have taken up are sold, as would happen under a rights issue.

You cannot sell your Application Form or your Basic Entitlement to anyone else. If you do not return your Application Form subscribing for the Open Offer Shares to which you are entitled by 11.00 a.m. on 27 October 2017, the Company has made arrangements under which the Company has agreed to issue the Open Offer Shares to other Qualifying Shareholders under the Excess Application Facility.

If you do not take up your Basic Entitlement then following the issue of the Open Offer Shares pursuant to the Open Offer, your interest in the Company will be significantly diluted. Even if a Qualifying Shareholder subscribes for the Basic Entitlement under the Open Offer, their proportionate economic interest would be diluted by the issue of New Ordinary Shares pursuant to the Placing.

(b) If you want to take up some but not all of your Basic Entitlement

If you want to take up some, but not all of the Open Offer Shares to which you are entitled, you should write the number of Open Offer Shares you want to take up in Boxes 2 and 4 of your Application Form; for example, if you are entitled to take up 51 shares but you only want to take up 25 shares, then you should write ‘25’ in Boxes 2 and 4. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, ‘25’) by £0.36, which is the price in pounds of each Open Offer Share (giving you an amount of £9 in this example). You should write this amount in Box 5, rounding up to the nearest whole pence and this should be the amount your cheque or banker’s draft is made out for. You should then return the completed Application Form, together with a cheque or banker’s draft for that amount, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by them by no later than 11.00 a.m. on 27 October 2017, after which time Application Forms will not
be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker’s draft made payable to “Capita Registrars Ltd Re: Applied Graphene Materials plc – Open Offer A/C” and crossed “A/C Payee Only”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application. Third party cheques will not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant’s name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker’s drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted (see paragraph 4 of Part 3).

Cheques or banker’s drafts will be presented for payment upon receipt. The Company and N+1 Singer reserve the right to instruct the Receiving Agent to seek special clearance of cheques and banker’s drafts to allow the Company to obtain value for remittances at the earliest opportunity. No interest will be paid on payments made before they are due. It is a term of the Open Offer that cheques shall be honoured on first presentation and the Company and N+1 Singer may elect to treat as invalid acceptances in respect of which cheques are not so honoured. All documents, cheques and banker’s drafts sent through the post will be sent at the risk of the sender. Payments via CHAPS, BACS or electronic transfer will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 7 November 2017.

(c) If you want to take up all of your Basic Entitlement

If you want to take up all of the Open Offer Shares to which you are entitled, all you need to do is send the Application Form (ensuring that all joint holders sign (if applicable)), together with your cheque or banker’s draft for the amount (as indicated in Box 8 of your Application Form), by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) to Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by them no later than 11.00 a.m. on 27 October 2017, after which time Application Forms will not be valid. If you post your Application Form by first-class post, you should allow at least four Business Days for delivery.

All payments must be in pounds sterling and made by cheque or banker’s draft made payable to “Capita Registrars Ltd Re: Applied Graphene Materials plc – Open Offer A/C” and crossed “A/C Payee Only”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant’s name at the building society or bank by stamping or endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker’s drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up. Your definitive share certificate for Open Offer Shares is expected to be despatched to you by no later than 7 November 2017.

(d) If you want to apply for more than your Basic Entitlement

Provided you have agreed to take up your Basic Entitlement in full, you can apply for further Open Offer Shares under the Excess Application Facility. The Excess Application Facility enables Qualifying Shareholders to apply for Excess Shares in excess of their Basic Entitlement as at the Record Date. You should write the number of Open Offer Shares comprised in your Basic Entitlement (as indicated in Box 7 of
the Application Form) in Box 2 and write the number of Excess Shares for which you would like to apply in Box 3. You should then add the totals in Boxes 2 and 3 and insert the total number of Open Offer Shares for which you would like to apply in Box 4. For example, if you have a Basic Entitlement for 51 Open Offer Shares but you want to apply for 75 Open Offer Shares in total, then you should write ‘51’ in Box 2, ‘24’ in Box 3 and ‘75’ in Box 4. To work out how much you need to pay for the Open Offer Shares, you need to multiply the number of Open Offer Shares you want (in this example, ‘75’) by £0.36, which is the price in pounds sterling of each Open Offer Share (giving you an amount of £27 in this example). You should write this amount in Box 5. You should then return your Application Form by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) to Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received by them by no later than 11.00 a.m. on 27 October 2017, after which time Application Forms will not be valid. If you post your Application Form by first class post, you should allow at least four Business Days for delivery.

If applications under the Excess Application Facility are received for more than the total number of Open Offer Shares available following take up of Basic Entitlements, the Excess Shares may (subject to the terms of the Placing Agreement) be allocated in such manner as the Directors may determine. No assurance can be given that excess applications by Qualifying Shareholders will be met in full or in part or at all.

A definitive share certificate will then be sent to you for the Open Offer Shares that you take up and otherwise successfully apply for using the Excess Application Facility. Your definitive share certificate for Open Offer Shares is expected to be despatched to you, at your own risk, by no later than 7 November 2017.

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

CREST Members should follow the instructions set out in Part 3 “Terms and Conditions of the Open Offer” of this document. Persons who hold Existing Ordinary Shares through a CREST Member should be informed by the CREST Member through which they hold their Existing Ordinary Shares of (i) the number of Open Offer Shares which they are entitled to acquire under their Basic Entitlement and (ii) how to apply for Open Offer Shares in excess of their Basic Entitlement under the Excess Application Facility provided they choose to take up their Basic Entitlement in full and should contact them should they not receive this information.

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

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

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form at close of business on 11 October 2017 and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before close of business on 11 October 2017 but were not registered as the holders of those shares at the close of business on 11 October 2017; and
- certain Overseas Shareholders.

If you do not receive an Application Form but think that you should have received one or you have lost your Application Form, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.

7. **Can I trade my Basic Entitlement?**

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should also note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although Basic Entitlements will be admitted to CREST they will have limited settlement capabilities (for the purposes of market claims only). Basic Entitlements will not be tradable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim. Open Offer Shares for which an application has not been made under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer and Qualifying Shareholders who do
not apply to take up their Basic Entitlement will have no rights under the Open Offer or receive any proceeds from it. The Open Offer is not underwritten.

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

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

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

   If the number is not a whole number, you will not receive a fraction of an Open Offer Share and your entitlement will be rounded down to the nearest whole number.

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

    If you hold Existing Ordinary Shares in the Company directly and you sell some or all of your Existing Ordinary Shares before 12 October 2017, you should contact the buyer or the person/company through whom you sell your shares. The buyer may be entitled to apply for Open Offer Shares under the Open Offer. If you sell any of your Existing Ordinary Shares on or after 12 October 2017, you may still take up and apply for the Open Offer Shares as set out on your Application Form.

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

    Completed Application Forms should be returned with a cheque or banker’s draft drawn in the appropriate form. All payments must be in pounds sterling and made by cheque or banker’s draft made payable to “Capita Registrars Ltd Re: Applied Graphene Materials plc – Open Offer A/C” and crossed “A/C Payee Only”. Cheques or banker’s drafts must be drawn on a bank or building society or branch of a bank or building society in the United Kingdom or Channel Islands which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker’s drafts to be cleared through the facilities provided by any of those companies or committees and must bear the appropriate sort code in the top right-hand corner. Third party cheques will not be accepted, with the exception of building society cheques or banker’s drafts where the building society or bank has confirmed the name of the account holder and the number of an account held in the applicant’s name at the building society or bank by stamping or endorsing the cheque or draft to such effect.

    The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Third party cheques (other than building society cheques or banker’s drafts where the building society or bank has confirmed that the relevant Qualifying Shareholder has title to the underlying funds) will not be accepted.

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

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

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

    You should send your completed Application Form, together with the monies in the appropriate form, by post to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal office hours only) to Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU . If you post your Application Form by first-class post, you should allow at least four Business Days for delivery. If you do not want to take up or apply for Open Offer Shares then you need take no further action.

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

    The Receiving Agent must receive the Application Form by no later than 11.00 a.m. on 27 October 2017, after which time Application Forms will not be valid. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.
15. How do I transfer my entitlements into the CREST system?
If you are a Qualifying Non-CREST Shareholder, but are a CREST Member and want your Open Offer Shares to be in uncertificated form, you should complete the CREST deposit form (contained in the Application Form), and ensure it is delivered to the CREST courier and sorting service in accordance with the instructions in the Application Form. CREST Sponsored Members should arrange for their CREST Sponsors to do this.

16. I hold my Existing Ordinary Shares in certificated form. When will I receive my new share certificate?
It is expected that the Receiving Agent will post all new share certificates by 7 November 2017.

17. If I buy Existing Ordinary Shares after the Record Date, will I be eligible to participate in the Open Offer?
If you bought your Existing Ordinary Shares after the Record Date, you are unlikely to be able to participate in the Open Offer in respect of such Ordinary Shares.

18. Will I be taxed if I take up my entitlements?
Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser immediately.

19. What should I do if I live outside the United Kingdom?
Your ability to apply to acquire Open Offer Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your Basic Entitlement and Excess Entitlement. Shareholders with registered addresses or who are located in the United States or any Restricted Jurisdiction are, subject to certain exceptions, not eligible to participate in the Open Offer. Your attention is drawn to the information in paragraph 8 of Part 3 “Terms and Conditions of the Open Offer” of this document.

20. Further assistance
Should you require further assistance, please contact Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales. The helpline cannot provide advice on the merits of the Fundraising nor give any financial, legal or tax advice, and calls may be recorded and monitored for security and training purposes.
DEFINITIONS
The following definitions apply throughout this document (including the Notice of General Meeting and Form of Proxy) unless the context requires otherwise:

“Act” the Companies Act 2006 (as amended)

“Admission” the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules

“AIM” the AIM market operated by the London Stock Exchange

“AIM Rules” the AIM Rules for Companies and guidance notes published by the London Stock Exchange from time to time

“Application Form” the personalised application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer

“Basic Entitlement(s)” the pro rata entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 8 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer

“Business Day” a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in the City of London

“Capita Asset Services” a trading name of Capita Registrars Limited, a limited liability company incorporated and registered in England and Wales with company number 2605568

“certificated form” or “in certificated form” an ordinary share recorded on a company’s share register as being held in certificated form (namely, not in CREST)

“City Code” the City Code on Takeovers and Mergers

“Closing Price” the closing middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange

“Company” or “Applied Graphene Materials” Applied Graphene Materials plc, a public limited company incorporated and registered in England and Wales with registered number 08708426

“CREST” the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in those regulations)


“CREST Member” a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)

“CREST Participant” a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)

“CREST Regulations” the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended from time to time)

“CREST Sponsor” a CREST participant admitted to CREST as a CREST Sponsor
“CREST Sponsored Member”  a CREST Member admitted to CREST as a sponsored member

“Directors” or “Board”  the directors of the Company whose names are set out on page 5 of this document

“EIS”  the Enterprise Investment Scheme as detailed in Part V of the Income Tax Act 2007

“Enlarged Share Capital”  the issued share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the New Ordinary Shares

“Estimated Expenses”  the estimated expenses incurred in connection with the Fundraising, being £0.6 million

“Euroclear”  Euroclear UK & Ireland Limited, the operator of CREST

“Excess Application” or “Excess Shares”  Open Offer Shares which may be applied for by Qualifying Shareholders under the Excess Application Facility

“Excess Application Facility”  the arrangement pursuant to which Qualifying Shareholders may apply for additional Open Offer Shares in excess of their Basic Entitlements in accordance with the terms and conditions of the Open Offer

“Excess Entitlement(s)”  in respect of each Qualifying CREST Shareholder who has taken up his Basic Entitlement in full, the entitlement (in addition to the Basic Entitlement) to apply for Excess Shares up to the number of Open Offer Shares credited to his stock account in CREST pursuant to the Excess Application Facility, which, subject to the terms of the Placing Agreement, may be subject to scaling down according to the Directors’ and N+1 Singer’s absolute discretion

“Existing Ordinary Shares”  the 22,290,763 Ordinary Shares in issue at the date of this document, all of which are admitted to trading on AIM and being the entire issued ordinary share capital of the Company

“FCA”  the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of FSMA

“Form of Proxy”  the form of proxy for use in connection with the General Meeting which accompanies this document

“FSMA”  the Financial Services and Markets Act 2000 (as amended)

“Fundraising”  the conditional Placing and Open Offer of the New Ordinary Shares by N+1 Singer, as agent on behalf of the Company, pursuant to the Placing Agreement, further details of which are set out in this document

“General Meeting”  the general meeting of the Company to be held at the offices of Squire Patton Boggs (UK) LLP at 6 Wellington Place, Leeds LS1 4AP at 11.00 a.m. on 30 October 2017, or any reconvened meeting following any adjournment of the general meeting, notice of which is set out at the end of this document

“Gross Proceeds”  the proceeds from the issue of the New Ordinary Shares, prior to the deduction of the Estimated Expenses, being up to approximately £10 million

“Group”  the Company, its subsidiaries and its subsidiary undertakings

“IP2IPO”  IP2IPO Limited (registered number 04072979), a wholly owned subsidiary of IP Group

“IP Group”  IP Group plc (registered number 04204490)

“ISIN”  International Securities Identification Number
“Issue Price” 36 pence per New Ordinary Share

“Listing Rules” the listing rules of the FCA made in accordance with section 73A(2) of FSMA

“London Stock Exchange” London Stock Exchange plc


“Net Proceeds” the proceeds from the issue of the New Ordinary Shares, after the deduction of Estimated Expenses, being up to £9.4 million

“New Ordinary Shares” the 27,786,345 new Ordinary Shares to be issued pursuant to the Fundraising

“Nominated Adviser” or “N+1 Singer” Nplus1 Singer Advisory LLP, the Company’s nominated adviser and broker

“Notice of General Meeting” the notice convening the General Meeting which is set out at the end of this document

“Open Offer” the invitation to Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price on the terms and subject to the conditions set out in this document and in the case of Qualifying Non-CREST Shareholders only, the Application Form

“Open Offer Shares” the 2,786,345 New Ordinary Shares for which Qualifying Shareholders are being invited to apply, to be issued pursuant to the terms of the Open Offer

“Ordinary Shares” the ordinary shares of 2 pence each in the capital of the Company

“Overseas Shareholders” shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside of the United Kingdom

“Panel” The Panel on Takeovers and Mergers

“Participant ID” the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant

“Placing” the conditional placing, by N+1 Singer, as agents of and on behalf of Applied Graphene Materials, of the Placing Shares on behalf of the Company on the terms and subject to the conditions contained in the Placing Agreement

“Placing Agreement” the conditional agreement dated 10 October 2017 made between N+1 Singer and the Company in relation to the Fundraising

“Placing Shares” the 25,000,000 New Ordinary Shares to be issued to Placees pursuant to the Placing

“Prospectus Directive” directive 2003/71/EC on the requirements for a prospectus to be published when securities are offered to the public or admitted to trading

“Prospectus Rules” the prospectus rules published by the FCA pursuant to section 73A of the FSMA

“Qualifying CREST Shareholders” Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at the Record Date

“Qualifying Non-CREST Shareholders” Qualifying Shareholders holding Ordinary Shares in certificated form at the Record Date
“Qualifying Shareholders” holders of Ordinary Shares on the register of members of Applied Graphene Materials at the Record Date with the exclusion of Shareholders with a registered address or who are resident in any Restricted Jurisdiction

“Record Date” close of business on 11 October 2017

“Register” the register of members of the Company

“Registrars” or “Receiving Agent” Capita Asset Services

“Resolutions” the resolutions set out in the Notice of General Meeting

“Restricted Jurisdiction” each and any of Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa, New Zealand and the United States and any other jurisdiction where the extension or the availability of the Open Offer would breach any applicable law

“RIS” a regulatory information service as defined by the Listing Rules

“Securities Act” the US Securities Act of 1933 (as amended)

“SEDOL” Stock Exchange Daily Official List

“Shareholders” holders of Ordinary Shares

“UK” the United Kingdom of Great Britain and Northern Ireland

“uncertificated” or “in uncertificated form” a shareholding which is recorded on a company’s share register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

“United Kingdom Listing Authority” the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA

“US” or “United States” the United States of America, each State thereof, its territories and possessions (including the District of Columbia) and all other areas subject to its jurisdiction

“USE” an unmatched stock event

“VCT” venture capital trust
NOTICE OF GENERAL MEETING

APPLIED GRAPHENE MATERIALS PLC

(Registered in England and Wales with number 8708426)

NOTICE is hereby given that the General Meeting of Applied Graphene Materials plc (the “Company”) will be held at 11.00 a.m. on 30 October 2017 at the offices of Squire Patton Boggs (UK) LLP on 6 Wellington Place, Leeds LS1 4AP 2017 to consider and, if thought fit, to pass the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution. Unless the context requires otherwise, words and expressions defined in the circular dated 12 October 2017, of which this notice forms part, have the same meanings when used in this notice.

ORDINARY RESOLUTION

1. THAT, in addition to all subsisting authorities, to the extent unused, the Directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the “Act”) to exercise all powers of the Company to allot ordinary shares of 2 pence each in the capital of the Company (“Ordinary Shares”) or to grant rights to subscribe for or to allot Ordinary Shares up to an aggregate nominal amount of £555,726.90 (being equal to 27,786,345 Ordinary Shares) pursuant to the Fundraising. The authority conferred by this resolution shall expire at the conclusion of the Company’s next annual general meeting (unless previously revoked or varied by the Company in general meeting) or, if earlier, the date which is 15 months after the date on which this Resolution is placed, save that the Company may, before such expiry, revocation or variation make an offer or agreement which would or might require shares in the Company or rights to be allotted or granted after such expiry, revocation or variation and the Directors may allot shares in the Company or grant rights in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied.

SPECIAL RESOLUTION

2. THAT, in addition to all subsisting authorities, to the extent unused, and subject to and conditional upon the passing of Resolution 1 set out in this notice of general meeting, the Directors be and they are hereby empowered pursuant to section 571(1) of the Act to allot or make offers or agreements to allot equity securities (as defined in section 560(1) of the Act) in connection with the Fundraising, payment for which is to be wholly in cash, as if section 561 of the Act did not apply to any such allotment. The authority conferred by this Resolution shall be limited to the allotment of equity securities pursuant to the Fundraising up to an aggregate nominal value of £555,726.90 (being equal to 27,786,345 Ordinary Shares) and shall expire at the Company’s next annual general meeting (unless previously revoked or varied by the Company in general meeting) or, if earlier, the date which is 15 months after the date on which this Resolution is placed, save that the Company may, before such expiry, revocation or variation make an offer or agreement which would or might require equity securities to be allotted after such expiry, revocation or variation and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired or been revoked or varied.

By Order of the Board

Gareth Jones Company Secretary
Registered Office
The Wilton Centre
Redcar
Cleveland
TS10 4RF

Dated 12 October 2017

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company’s register of members at close of business on 11 October 2017 shall be entitled to attend and vote at the General Meeting. Changes to entries on the register of
If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of General Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. Completion and return of a proxy form will not prevent you from attending and voting at the General Meeting.

A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Asset Services at the address set out in note 6.

To be effective at the General Meeting, a form of proxy duly executed (together with any power of attorney or other written authority under which it is executed or a notarially certified copy of such power or authority) must be delivered to Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF by no later than 11.00 a.m. on 26 October 2017 or not less than 48 hours before the time of any adjourned meeting together with any authority under which it is agreed.

CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. Proxies submitted via CREST must be received by the Company’s agent (RA10) by no later than 11.00 a.m. on 26 October 2017 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting (excluding any part of a day that is not a Business Day)).

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The time of receipt of a proxy appointment or an instruction to a previously appointed proxy will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer’s agent (CREST ID RA10) is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Any electronic address provided either in this notice or any related documents (including the Chairman’s letter and proxy form) may not be used to communicate with the Company for any purposes other than those expressly stated. Members who have general queries about the General Meeting should contact Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. No other form of communication will be accepted.

As at close of business on the day immediately prior to the date of posting of this Notice of General Meeting, the Company’s issued share capital comprised 22,290,763 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at close of business on the day immediately prior to the date of posting of this Notice of General Meeting is 22,290,763.