

THIS DOCUMENT IS IMPORTANT AND REQUIRES 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 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 Ordinary Shares in Applied Graphene Materials plc before 18 December 2015 (being the date when the Existing Ordinary Shares were marked "ex" entitlement to the Open Offer), please send this document and any accompanying Application Form along with the accompanying reply-paid envelope (for use within the UK only), but not any accompanying personalised Form of Proxy (and accompanying reply-paid envelope (for use within the UK only)) immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold only part of your holding of 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 contained 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.

This document does not constitute an admission document drawn up in accordance with the AIM Rules and the London Stock Exchange has not itself examined or approved the contents of this document. The rules applicable to AIM are less demanding than those applicable to the Official List of the FCA.

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 of the New Ordinary Shares will become effective, and that dealings on AIM will commence, at 8.00 a.m. on 11 January 2016.

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# APPLIED GRAPHENE MATERIALS PLC

(a public limited company incorporated in England and Wales with registered number 8708426)

## Placing of 4,628,571 New Ordinary Shares and Open Offer of up to 1,134,281 New Ordinary Shares at 175 pence per share and Notice of General Meeting *Nominated Adviser and Broker* N+1 Singer

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You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter from the Chairman of the Company which is set out on pages 6 to 14 of this document. This letter explains the background to, and reasons for, the proposed Fundraising and recommends that you vote in favour of the Resolutions.

Notice convening a General Meeting of the Company, to be held at 11.00 a.m. on 8 January 2016 at the offices of Squire Patton Boggs (UK) LLP, 2 Park Lane, Leeds LS3 1ES, is set out at the end of this document.

The action to be taken by Shareholders in respect of the General Meeting is set out on page 15 of this document. If you hold your Ordinary Shares in certificated form, whether or not you plan to attend the General Meeting, you are encouraged to complete the accompanying Form of Proxy and return it 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, at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.00 a.m. on 6 January 2016 (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 Ordinary Shares 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 6 January 2016 (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)). The completion and return of the Form of Proxy will not prevent you from attending and voting in person at the General Meeting, or any adjournment thereof, should you wish to do so.

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 21 December 2015.

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.

If the Basic Entitlements and Excess Entitlements are for any reason not enabled by 3.00 p.m. on 4 January 2016 or such later time and/or date as the Company may decide, an Application Form will be sent to each Qualifying CREST Shareholder in substitution for their Basic Entitlement and Excess Entitlement credited to its stock account in CREST. Qualifying CREST Shareholders who are CREST Sponsored Members should refer to their CREST Sponsors regarding the action to be taken in connection with this document and the Open Offer. The Application Form is personal to Qualifying Non-CREST Shareholders and cannot be transferred, sold, or assigned except to satisfy *bona fide* market claims.

The latest time for acceptance and payment under the Open Offer is 11.00 a.m. on 7 January 2016. The procedure 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 any 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.

Copies of this document are available, free of charge, at the offices of Applied Graphene Materials plc at The Wilton Centre, Redcar, Cleveland TS10 4RF and on the Company's website [www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com).

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 Placing and Open Offer or any acquisition of shares in the Company.

No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in it is correct as of any subsequent time.

### Cautionary note regarding forward-looking statements

This document contains statements about Applied Graphene Materials plc that are or may be deemed to be "forward-looking statements".

All statements, other than statements of historical facts, included in this document may be forward-looking statements. Without limitation, any statements preceded or followed by, or that include, the words "targets", "plans", "believes", "expects", "aims", "intends", "will", "may", "should", "anticipates", "estimates", "projects", or words or terms of similar substance or the negative thereof, are forward-looking statements. Forward-looking statements may include, without limitation, statements relating to future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, etc.

These forward-looking statements are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. Investors should not place undue reliance on such forward-looking statements and, save as is required by law or regulation (including to meet the requirements of the AIM Rules, the City Code, the Prospectus Rules and/or FSMA), Applied Graphene Materials plc does not undertake any obligation to update publicly or revise any forward-looking statements (including to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to Applied Graphene Materials plc or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements contained in this document are based on information available to the Directors at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

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## DIRECTORS, COMPANY SECRETARY AND ADVISERS

<b>Directors</b>	Dr. Bryan Crawford Dobson ( <i>Non-executive Chairman</i> ) Jonathan Peter Mabbitt ( <i>Chief Executive Officer</i> ) Oliver James Lightowlers ( <i>Chief Financial Officer</i> ) Professor Karl Stuart Coleman ( <i>Chief Scientific Officer</i> ) Michael Sean Christie ( <i>Non-executive Director</i> ) Michael Charles Nettleton Townend ( <i>Non-executive Director</i> )
<b>Company Secretary</b>	Oliver James Lightowlers
<b>Registered Office</b>	The Wilton Centre Redcar Cleveland TS10 4RF
<b>Nominated Adviser and Broker</b>	N+1 Singer One Bartholomew Lane London EC2N 2AX
<b>Legal Advisers to the Company</b>	Squire Patton Boggs (UK) LLP 2 Park Lane Leeds LS3 1ES
<b>Legal Advisers to N+1 Singer</b>	Rosenblatt Solicitors 9-13 St Andrew Street London EC4A 3AF
<b>Registrars and Receiving Agent</b>	Capita Asset Services The Registry 34 Beckenham Road Beckenham BR3 4TU

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlements under the Open Offer	5.30 p.m. on 15 December 2015
Announcement of Fundraising	18 December 2015
Ex-entitlement date for the Open Offer	18 December 2015
Posting of this document, the Form of Proxy and, to Qualifying Non-CREST Shareholders only, the Application Form	18 December 2015
Basic Entitlements and Excess Entitlements credited to stock accounts of Qualifying CREST Shareholders	21 December 2015
Recommended latest time for requesting withdrawal of Basic Entitlements and Excess Entitlements from CREST	4.30 p.m. on 31 December 2015
Latest time and date for depositing Basic Entitlements and Excess Entitlements into CREST	3.00 p.m. on 4 January 2016
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 5 January 2016
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments for use at the General Meeting	11.00 a.m. on 6 January 2016
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)	11.00 a.m. on 7 January 2016
General Meeting	11.00 a.m. on 8 January 2016
Announcement of the results of the General Meeting and Open Offer	8 January 2016
Admission and commencement of dealings in the New Ordinary Shares	8.00 a.m. on 11 January 2016
CREST Members' accounts credited in respect of New Ordinary Shares in uncertificated form	11 January 2016
Expected despatch of definitive share certificates for New Ordinary Shares in certificated form	18 January 2016

### Notes:

1. Each of the times and dates above are indicative only and are subject to change. If any of the above times and/or dates change, the revised times and/or dates will be notified by the Company to Shareholders by announcement through a RIS.
2. All of the above times refer to London time unless otherwise stated.
3. 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.

## ISSUE STATISTICS

Closing Price per Existing Ordinary Share <sup>(1)</sup>	195 pence
Basis of Open Offer	1 Open Offer Share for every 15 Existing Ordinary Shares
Issue Price per New Ordinary Share	175 pence
Discount to Closing Price per Existing Ordinary Share	10.3 per cent.
Number of Ordinary Shares in issue as at the date of this document <sup>(2)</sup>	17,014,216
Number of New Ordinary Shares to be issued by the Company pursuant to the Fundraising <sup>(3)</sup>	5,762,852
Number of New Ordinary Shares to be issued by the Company pursuant to the Placing	4,628,571
Number of New Ordinary Shares to be issued by the Company pursuant to the Open Offer <sup>(3)</sup>	1,134,281
Number of Ordinary Shares in issue immediately following Admission <sup>(3)</sup>	22,777,068
New Ordinary Shares as a percentage of the Enlarged Share Capital immediately following Admission <sup>(3)</sup>	25.3 per cent.
Estimated net proceeds <sup>(3)</sup>	£9.5 million
Ordinary Share ISIN	GB00BFSSB742
SEDOL	BFSSB74
Basic Entitlements ISIN	GB00BYQD2155
Excess Entitlements ISIN	GB00BYQD2262

**Notes:**

1. Closing Price on 17 December 2015, being the last Business Day prior to the announcement of the Fundraising.
2. As at 17 December 2015, being the last Business Day prior to publication of this document.
3. Assuming successful applications are received for all available Open Offer Shares.

## PART I

### LETTER FROM THE CHAIRMAN



## APPLIED GRAPHENE MATERIALS PLC

(a public limited company incorporated in England and Wales with registered number 8708426)

Directors:

Dr. Bryan Crawford Dobson (*Non-executive Chairman*)  
Jonathan Peter Mabbitt (*Chief Executive Officer*)  
Oliver James Lightowlers (*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

18 December 2015

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

Dear Shareholder,

### **Placing of 4,628,571 New Ordinary Shares and Open Offer of up to 1,134,281 New Ordinary Shares at 175 pence per share and Notice of General Meeting**

#### **1. Introduction**

The Company has announced today that it has conditionally raised £8.1 million before expenses by means of a Placing with certain new and existing institutional and other investors of 4,628,571 New Ordinary Shares at 175 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 £2.0 million, on the basis of 1 Open Offer Share for every 15 Existing Ordinary Shares held on the Record Date, at 175 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 Issue Price of 175 pence represents a discount of approximately 10.3 per cent. to the Closing Price on 17 December 2015, being the latest practicable date prior to the publication of this document.

Each of the Placing and Open Offer are 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 11 January 2016 (or such other time and/or date, being no later than 8.00 a.m. on 7 February 2016, 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 11 January 2016.

The Net Proceeds are intended to be used in the near term to scale up the Group's production processes to increase manufacturing capacity, to fund further collaborations and joint development activity with customers, for near term working capital and to fund the Group whilst it pursues production orders.

The Board believes that raising equity finance by way of a 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 Fundraising. 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.

The purpose of this document is to set out the reasons for, and provide further information on, 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, as they have irrevocably undertaken to do in respect of their own beneficial holdings of Ordinary Shares, in aggregate representing approximately 11.6 per cent. of the Company's issued share capital on 17 December 2015 (being the last Business Day prior to publication of this document). In support of the Company's proposals, the Directors intend to participate in the Placing in respect of a total of 45,714 New Ordinary Shares, as set out further in paragraph 6 of this letter.

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. The General Meeting has been convened for 11.00 a.m. on 8 January 2016 and will take place at the offices of Squire Patton Boggs (UK) LLP, 2 Park Lane, Leeds LS3 1ES.

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

### ***Overview***

Since admission to AIM in November 2013, the Company has made significant progress. It has established and advanced a large number of customer engagements in each of its three core target sectors and further developed its intellectual property, know-how and knowledge base through extensive work on formatting graphene. This knowledge is intended to help the Group's customers to gain significant property enhancements and performance benefits from the introduction of its formatted graphene into their products.

The Group is now seeing commercial opportunities convert into formal joint development agreements and programmes, although in most cases the exact nature of these remains confidential due to their commercial sensitivity. Importantly, the pace of progress increased as the year has advanced with momentum in customer engagement continuing in the current financial year. The Directors believe that the progress achieved with customers provides evidence of the benefits of graphene and the value that the Company can add, which is helping the business to gain further traction. The Company has to date been focused on its three key markets of polymers and composites, functional fluids and paints and coatings.

The evidence that has been gathered by the Group supports the view that graphene remains highly novel and potentially hugely disruptive and the Directors believe that graphene will establish itself across a wide range of markets over the coming years. The Group's proprietary production process has proven its ability to offer a specialty product of consistent quality. This, together with its knowledge of formatting blends and suspensions, along with the capability to efficiently disperse graphene in the end product has, the Directors believe, positioned the Group to become a leading graphene provider.

### ***Commercial Relationships***

The Group has built its commercial platform based around its proprietary manufacturing process and formulation know-how. The Group's targeted customer engagement has led to product evaluation, supported by the Group's own material characterisation and data generation. This has enabled the Group to develop and expand commercial relationships across its target markets.

In 2015, the Group successfully engaged with two industry recognised, independent test organisations whose preliminary findings in base oils and reinforced polyurethane coatings demonstrate property enhancements when the Group's graphene nanoplatelets are added into these base materials. The Group was able to utilise this information to drive customer engagement, leading to customer evaluations in the final quarter of the 2015 financial year exceeding all of the first three quarters combined. In the current financial year the momentum in customer engagement has continued with relationships extending into joint development activity and collaborations.

The Group is working with over 250 potential customers to consider the benefits of graphene and is providing evaluation samples to an increasing number of potential customers, with over 120 samples provided in the year ended 31 July 2015. Through these programmes both the Group and its customers have generated a broad range of test results.

The Group is currently working at pre-production stage with over 20 customers through a combination of formal joint development agreements, application development work, repeat supplies and with pre-production sampling. The objective of the Group is to convert some of these into production orders and the Board believes a number of these relationships represent near term opportunities which will support the planned increase in production capacity.

Most of the Company's customer relationships are subject to confidentiality provisions. However, in one such partnership with Millers Oils Limited, an independent blender of oil and fuel additives, the customer has recognised the benefits that graphene can deliver in terms of lubricity and reduced wear, and is considering how and where to incorporate this technology into its products. Similarly, under the Group's collaboration with Puralube Germany GmbH, a German based lubricants and oils business, graphene will be formatted for inclusion in sustainable base oil products where improved machine performance and reduced environmental impact from lower CO<sub>2</sub> output are being targeted.

In addition, two of the largest coatings manufacturers in the world are investigating the use of the Group's graphene in products to provide a barrier coating in harsh environments to increase corrosion protection and toughness, reduce wear and improve anti-fouling properties via particulate lubricity.

In the field of composites and polymers, the Group continues its work on the previously reported collaborative projects with Procter & Gamble, Dyson and DuPont Teijin Films, but the Group is also working with other leading consumer brands including customers looking to incorporate graphene into injection moulded thermoplastic to achieve increased mechanical properties without impacting existing manufacturing processes. The Group is also working with a Formula 1 team to improve the toughening of impact structures and has additional customer opportunities in pre-impregnated graphene composites, formulated greases and composite sports goods.

The Group has received notification from NATEP (the National Aerospace Technology Exploitation Programme) that its funding application, working with the Advanced Manufacturing Research Centre with Boeing, for the development of novel graphene processing and deployment techniques into composites and polymers for the aerospace industry, has been successful. At its current evaluation scale this project is expected to be worth in excess of £100,000 to the Group over the project term.

As noted above, the pace of engagement with these partners in the Group's target sectors continues to accelerate and the Directors expect such collaborations to flow through into production orders in due course, with the precise timing dependent on the period to qualification, approval and adoption.

The Directors believe that the earliest adopters of graphene are likely to be customers seeking multiple benefits of graphene, where graphene can be incorporated into a material with limited impact to existing manufacturing processes or where minimal change is required, such as polymers. The Directors believe that adoption will be in the longer term for step change technologies and where significant change is required to manufacturing processes and supply chains in order to incorporate graphene.

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

In June 2015, the Company received its first patent approval from the Japanese Patent Office in respect of its proprietary graphene production process used by the Group for manufacturing graphene nanoplatelets. This was a significant milestone for the Group as it confirms the proprietary nature of its process and the Board anticipates that Japan will be an important market for the Group. Applications for patents relating to the production process are being pursued in other geographic territories.

Whilst graphene has a relatively simple definition, its variety of forms is complex. Data generated by the Group shows that all sources of graphene do not share the same characteristics and the method and conditions of manufacture have a significant influence on the resultant properties exhibited. The Group's proprietary production processes allow it to produce graphene which can be formatted to deliver a range of complementary property enhancements and performance benefits. The Group's understanding of how to format graphene and successfully incorporate it into a host material is absolutely critical for imparting the desired enhancements and performance benefits. Recognising the inherent value of this know-how, the Group's technical team has been significantly expanded to provide the strength and depth of collaboration and technical support that its customers require.



Underpinning the Group's commercial progress is its detailed knowledge, understanding and ability to produce graphene of consistent quality. In the year ended 31 July 2015 the Group successfully demonstrated its ability to produce graphene on a continuous basis, through a period of continuous production for five consecutive days. Production was sustained at volumes below peak capacity in order to ensure the graphene produced was of a consistent quality to achieve the key characteristics that customers require.

Planning for future growth is always complicated in an evolving market, but the Group is committed to putting in place appropriate additional manufacturing capacity in advance of the anticipated growth in demand and intends to expand capacity to six tonnes of graphene per annum.

This proposed increase in capacity will utilise two existing, complementary bottom-up processes for which the Group owns the intellectual property and which are subject to its existing patent and patent applications, to produce graphene formatted specifically for customer requirements. These requirements include a range of attributes including mechanical strength, electrical conductivity, thermal conductivity, lubricity and impermeability and vary considerably depending on the intended customer application.

The Board's objective is for the Group to become a global graphene market leader founded on its in-depth knowledge of manufacture and graphene formulation. The Fundraising will enable additional manufacturing capacity to be put in place in advance of the anticipated growth in demand.

### **3. Current trading**

The Company announced its audited results for the financial year ended 31 July 2015 on 16 November 2015 and these are available on its website ([www.appliedgraphenematerials.com](http://www.appliedgraphenematerials.com)). The Company has continued to trade in line with management expectations since that date.

### **4. Use of proceeds**

The Company is proposing to raise a total of up to £10.1 million (before fees and expenses) from the Fundraising. The Net Proceeds are expected to be used in the near term as follows:

- to scale up the Company's production facilities to increase manufacturing capacity to six tonnes per annum;
- to fund collaborations and joint development activity with customers, including development of new intellectual property;
- to fund the Group whilst it pursues production orders; and
- to finance the working capital requirements of the Group for at least twelve months.

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

It was announced on 18 December 2015 that the Company proposes to raise, in aggregate, up to £10.1 million (up to approximately £9.5 million net of expenses) by way of a Placing of 4,628,571 New Ordinary Shares with certain new and existing institutional and other investors and an Open Offer of up to 1,134,281 New Ordinary Shares, representing, in aggregate, up to 25.3 per cent. of the Enlarged Share Capital, at an issue price of 175 pence per Ordinary Share.

The Issue Price of 175 pence per New Ordinary Share represents a discount of 10.3 per cent. to the Closing Price of 195 pence on 17 December 2015, 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 11 January 2016 (or such later time and/or date, being no later than 8.00 a.m. on 7 February 2016, 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.

The Placing Agreement contains provisions entitling N+1 Singer to terminate the Placing Agreement at any time prior to Admission in certain circumstances that are customary for an agreement of this nature. If this right is exercised, the Fundraising will not proceed. The Fundraising has not been underwritten by N+1 Singer or any other party.

The Placing Agreement contains customary warranties given by the Company to N+1 Singer and a customary indemnity given by the Company to N+1 Singer in respect of liabilities arising out of or in connection with the Fundraising. N+1 Singer is entitled to terminate the Placing Agreement in certain circumstances prior to Admission, including circumstances where any of the warranties are found not to be true or accurate or were misleading and which in any such case is material, or the occurrence of certain *force majeure* events.

A Qualifying Non-CREST Shareholder who has sold or transferred all or part of their holding of Existing Ordinary Shares prior to 18 December 2015, 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 11 January 2016.

## **6. 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 80.3 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 11 January 2016 (or such later time and date as the Company and N+1 Singer may agree, being not later than 8.00 a.m. on 7 February 2016).

### ***Directors' participation in the Placing***

It is intended that the Directors will subscribe for New Ordinary Shares in the Placing at the Placing Price, details of which are set out below:

<i>Director</i>	<i>Number of Existing Ordinary Shares held</i>	<i>Number of Placing Shares being acquired</i>	<i>Total number of Ordinary Shares held following the Placing<sup>1</sup></i>	<i>Percentage of Enlarged Share Capital<sup>1</sup></i>
Dr. Bryan Crawford Dobson	115,586	7,619	123,205	0.57%
Jonathan Peter Mabbitt	114,116	7,619	121,735	0.56%
Oliver James Lightowlers	32,258	7,619	39,877	0.18%
Professor Karl Stuart Coleman	1,716,507	7,619	1,724,126	7.97%
Michael Sean Christie	—	7,619	7,619	0.04%
Michael Charles Nettleton Townend	—	7,619	7,619	0.04%

1 Assuming nil take-up by any Shareholders under the Open Offer

## **7. 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 15 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 21 December 2015.

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 7 January 2016. 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 7 January 2016.

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 21 December 2015.

If the conditions of the Placing Agreement are not fulfilled or (where capable of waiver) waived on or before 8.00 a.m. on 11 January 2016 (or such later time and date as the Company and N+1 Singer may agree, being not later than 8.00 a.m. on 7 February 2016), the Open Offer will not become unconditional and application monies will be returned to applicants, without interest, as soon as practicable thereafter.

## **8. 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.

## **9. 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, being 20.3 per cent. It is anticipated that IP2IPO will participate in the Placing in respect of 1,142,857 New Ordinary Shares and such participation represents a related party transaction pursuant to Rule 13 of the AIM Rules.

Top Technology Ventures (trading as IP Capital) is engaged by the Company as an adviser in relation to the Fundraising. Top Technology Ventures is affiliated with IP2IPO by virtue of it also being a wholly owned subsidiary of IP Group. The Company will pay a fee to Top Technology Ventures of £20,000 and 2.5 per cent. of all funds raised from investors introduced to the Company by Top Technology Ventures in connection with the Fundraising. As IP2IPO is a related party of the Company for the purposes of the AIM Rules, this transaction 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 due to his directorships of Top Technology Ventures, 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.

#### 10. 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 20.3 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 25.3 per cent. to their interests in the Company as a result of the Fundraising.

#### 11. The City Code

The City Code applies to quoted public companies and, in addition unquoted public companies whose central management and control remain in the UK. Accordingly the City Code applies to the Company. Under Rule 9.1 of the City Code, if any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the company at a price not less than the highest price paid for interests in shares by the acquirer or persons acting in concert with him during the previous 12 months.

This requirement would also be triggered if a person, together with persons acting in concert with him, is interested in ordinary shares which in the aggregate carry not less than 30 per cent. of the voting rights of the Company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested.

IP2IPO (which is a wholly owned subsidiary of IP Group), NETF (which is a fund managed by Top Technology Ventures, also a wholly owned subsidiary of IP Group) and Mike Townend (who is a director and employee of IP Group, and a director of Top Technology Ventures and NETF) are deemed to be acting in concert under the City Code ("the IPG Concert Party").

IP2IPO and NETF have an existing combined interest in the capital of the Company of 32.4 per cent. IP2IPO and Mike Townend are participating in the Placing and, following Admission (and assuming nil take-up by any Shareholders under the Open Offer), the IPG Concert Party will be interested in 30.8 per cent. of the Enlarged Share Capital.

As there is no increase in the IPG Concert Party's percentage of Ordinary Shares carrying voting rights, no Rule 9.1 implications arise. The IPG Concert Party will still be subject to the provisions of Rule 9.1 of the City Code in the normal way.

	<i>Percentage of the Company's issued share capital at the date of this document</i>	<i>Percentage of the Company's issued share capital on Admission assuming nil take-up by any Shareholders under the Open Offer</i>
IP2IPO	20.28%	21.22%
NETF	12.14%	9.55%
Mike Townend	—	0.04%
Combined holdings of IP2IPO, NETF and Mike Townend	32.42%	30.8%

## **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, 2 Park Lane, Leeds LS3 1ES on 8 January 2016, 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 £115,257.04 pursuant to the Fundraising, representing approximately 33.9 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 1,978,467 Ordinary Shares, in aggregate representing approximately 11.6 per cent. of the Existing Ordinary Shares.

Additionally, each of IP2IPO, NETF and Ruffer LLP, 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 51.6 per cent. of the Existing Ordinary Shares.

## **14. EIS/VCT Schemes**

The Company has applied for and received advance assurance from HMRC (dated 26 November 2015) 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 at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by no later than 11.00 a.m. on 6 January 2016 (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 6 January 2016 (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**

**The Directors believe that the Resolutions to be proposed at the General Meeting are in the best interests of the Company and Shareholders as a whole and unanimously recommend that you vote in favour of the Resolutions. Each of the Directors who are also Shareholders, being Bryan Dobson, Jon Mabbitt, Karl Coleman and Oliver Lightowlers, have irrevocably undertaken to vote in favour of the Resolutions in respect of, in aggregate, 1,978,467 Existing Ordinary Shares, representing approximately 11.6 per cent. of the Existing Ordinary Shares.**

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. The investment offered in this document may not be suitable for all of its recipients. 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 Part 2 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 and the benefits of incorporating the same into customers' 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 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. Furthermore, the Board expects that the Group will require additional capital in the future to fund the business and there can be no certainty that additional capital will be available. 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 market-leading 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 any revenue, 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. 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 graphene production 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 ***Proposed scaling up of production***

The operation of the Group's production facilities following the planned increase to manufacturing capacity 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 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;
- The application of the technology supporting the Group's planned expansion is relatively new and therefore is subject to higher implementation and operational risk; and
- The actual operating and manufacturing capacity of the scaled up production process may be less than expected due to currently unknown process issues or equipment reliability.

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

### 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 and 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, 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 ***The Group's production process is subject to operating risks***

The production process is 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.

### 1.11 ***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 tenancy at will, which can be terminated with immediate effect 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.

### 1.12 ***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.

### 1.13 ***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 substantially 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.

#### 1.14 *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.

### 1.15 *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.

### 1.16 *Management of growth*

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on its management and operational, financial and personnel resource. 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.

### 1.17 *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.

### 1.18 *Health, safety and environmental risks*

The Group's operations 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 will submit 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.

#### 1.19 ***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.

#### 1.20 ***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.

#### 1.21 ***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.

#### 1.22 ***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.

#### 1.23 ***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 in the short to near term. However, the Board expects that the Group will 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.

#### 1.24 ***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.

#### 1.25 ***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).

### **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 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 risk of a Eurozone break-up. 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 facts 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 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 Board expects that the Group will 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 £10.1 million by the issue of up to 5,762,852 New Ordinary Shares at the Issue Price through the Placing and Open Offer.

4,628,571 New Ordinary Shares are proposed to be issued pursuant to the Placing and up to 1,134,281 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 1,134,281 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 25.3 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 175 pence each for every 15 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 15 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 10.3 per cent. to the Closing Price for an Ordinary Share of 195 pence on 17 December 2015 (being the latest practicable date prior to the date of this document).

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 by 21 December 2015. 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 11 January 2016.

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 11 January 2016 (or such later time and/or date being no later than 8.00 a.m. on 7 February 2016, 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 18 January 2016.

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 8.00 a.m. on 21 December 2015;
- (ii) New Ordinary Shares in uncertificated form will be credited by 8.00 a.m. on 11 January 2016 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 18 January 2016 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 renounees (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 7 January 2016.

The New Ordinary Shares are expected to be issued on 11 January 2016. 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 18 December 2015 (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 5 January 2016.

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 (being 18 December 2015), 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 the Record Date 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 the Record Date 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 7 January 2016. 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 7 January 2016, 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 7 January 2016.

### ***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 Fundraising 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 7 January 2016, 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 7 January 2016 (the cover bearing a legible postmark not later than 11.00 a.m. on 7 January 2016); and (b) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 7 January 2016 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 7 January 2016 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 Fundraising 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 (depository 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 £11,000 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 Fundraising 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 18 January 2016, 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 to be subscribed for via the Placing.

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 21 December 2015 (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 7 January 2016.

#### ***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 (i) 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 GB00BYQD2155;
- (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 28704APP;
- (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 7 January 2016; 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 7 January 2016, in order to be valid is 11.00 a.m. on that day. After 11 January 2016, 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 11 January 2016, 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 GB00BYQD2262;
- (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 28704APP;
- (j) 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;
- (k) the intended settlement date. This must be on or before 8.00 a.m. on 11 January 2016; and
- (l) 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 7 January 2016 in order to be valid is 11.00 a.m. on that day. After 11 January 2016, 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 11 January 2016, 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 7 January 2016. 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 8.00 a.m. on 11 January 2016 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 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;
- (viii) 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;
- (ix) 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 (depository receipts and clearance services) of the Finance Act 1986; and
- (x) 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.

***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 8.00 a.m. on 11 January 2016

(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 7 January 2016.

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 4 January 2016, 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 31 December 2015 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 7 January 2016.

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 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, are satisfied that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

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, sell, resell, 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.

## PART 4

### QUESTIONS AND ANSWERS ABOUT THE OPEN OFFER

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 ordinary 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 1,134,281 New Ordinary Shares at a price of 175 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 15 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 175 pence per Open Offer Share represents a discount of 10.3 per cent. to the Closing Price on 17 December 2015.

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 18 December 2015 (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 7 January 2016, 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 7 January 2016, 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 £1.75, which is the price in pounds of each Open Offer Share (giving you an amount of £43.75 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 7 January 2016, 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 18 January 2016.

(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 by no later than 11.00 a.m. on 7 January 2016, 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 18 January 2016.

(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 £1.75, which is the price in pounds sterling of each Open Offer Share (giving you an amount of £131.25 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 7 January 2016, 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 18 January 2016.

**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 the Record Date and who have converted them to certificated form;
- Qualifying Non-CREST Shareholders who bought Existing Ordinary Shares before the Record Date but were not registered as the holders of those shares at the close of business at the Record Date; 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 18 December 2015, 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 18 December 2015, 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 7 January 2016, 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 18 January 2016.

**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. Can I claim EIS relief?**

The Company accepts no responsibility for securing EIS relief for any investor, nor for maintaining any EIS eligibility.

If you are interested in claiming EIS relief, please contact the Company at its registered address and, if the Company still considers that EIS requirements are met, it will request additional information from you so that it can complete the required EIS 1 form as part of the process for an individual investor’s relief application.

If you are in any doubt regarding eligibility of any claim for relief you should seek professional advice immediately.

**21. 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 the Form of Proxy unless the context requires otherwise:

<b>“Admission”</b>	the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>“Application Form”</b>	the personalised application form accompanying this document on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
<b>“Basic Entitlement(s)”</b>	the <i>pro rata</i> entitlement of Qualifying Shareholders to subscribe for 1 Open Offer Share for every 15 Existing Ordinary Shares registered in their name as at the Record Date, on and subject to the terms of the Open Offer
<b>“Board” or “Directors”</b>	the directors of the Company whose names are set out on page 3 of this document
<b>“Business Day”</b>	any day on which banks are usually open in England and Wales for the transaction of business, other than a Saturday, Sunday or public holiday
<b>“Capita Asset Services”</b>	a trading name of Capita Registrars Limited, a limited liability company incorporated and registered in England and Wales with company number 2605568
<b>“certificated” or “in certificated form”</b>	a share or other security not held in uncertificated form (that is, not in CREST)
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Closing Price”</b>	the closing middle market quotation of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange
<b>“Companies Act” or the “Act”</b>	Companies Act 2006
<b>“Company” or “Applied Graphene Materials”</b>	Applied Graphene Materials plc, a public limited company incorporated in England and Wales with registered number 8708426
<b>“CREST”</b>	a relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
<b>“CREST Manual”</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996, as amended)

<b>“CREST Member”</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations)
<b>“CREST Participant”</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended from time to time)
<b>“CREST Sponsor”</b>	a CREST participant admitted to CREST as a CREST Sponsor
<b>“CREST Sponsored Member”</b>	a CREST Member admitted to CREST as a sponsored member
<b>“EIS”</b>	the Enterprise Investment Scheme as detailed in Part V of the Income Tax Act 2007
<b>“Enlarged Share Capital”</b>	the total number of issued Ordinary Shares in the capital of the Company on completion of the Fundraising following the issue of the Placing Shares and the Open Offer Shares
<b>“Estimated Expenses”</b>	the estimated expenses incurred in connection with the Fundraising, being approximately £0.6 million, assuming all Open Offer Shares are issued
<b>“Excess Application” or “Excess Shares”</b>	Open Offer Shares which may be applied for by Qualifying Shareholders under the Excess Application Facility
<b>“Excess Application Facility”</b>	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
<b>“Excess Entitlement(s)”</b>	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
<b>“Existing Ordinary Shares”</b>	the issued share capital of the Company as at the date of this document, being 17,014,216 Ordinary Shares
<b>“FCA”</b>	the Financial Conduct Authority in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“Form of Proxy”</b>	the enclosed form of proxy for use by Shareholders in connection with the General Meeting
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Fundraising”</b>	the Placing and Open Offer
<b>“General Meeting”</b>	the general meeting of the Company to be held at 11.00 a.m. on 8 January 2016 at the offices of Squire Patton Boggs (UK) LLP, 2 Park Lane, Leeds LS3 1ES, or any reconvened meeting following any adjournment of the general meeting, notice of which is set out at the end of this document

<b>“Gross Proceeds”</b>	the proceeds from the issue of the New Ordinary Shares prior to the deduction of Estimated Expenses, being £10.1 million, assuming all Open Offer Shares are issued
<b>“Group”</b>	the Company and its subsidiaries
<b>“IP2IPO”</b>	IP2IPO Limited (registered number 04072979), a wholly owned subsidiary of IP Group
<b>“IP Group”</b>	IP Group plc (registered number 04204490)
<b>“Issue Price”</b>	175 pence per New Ordinary Share
<b>“Listing Rules”</b>	the listing rules of the FCA made in accordance with section 73A(2) of FSMA
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Money Laundering Regulations”</b>	Money Laundering Regulations 2007, the money laundering provisions of the Criminal Justice Act 1993, Part VIII of FSMA (together with the provisions of the Money Laundering Sourcebook of the FCA and the manual of guidance produced by the Joint Money Laundering Steering Group in relation to financial sector firms), the Terrorism Act 2000, the Anti Terrorism Crime and Security Act 2001, the Proceeds of Crime Act 2002 and the Terrorism Act 2006
<b>“N+1 Singer”</b>	Nplus1 Singer Advisory LLP and, where the context allows, its affiliates, the Company’s nominated adviser and broker, which is incorporated as a limited liability partnership in England and Wales with registered number OC364131
<b>“Net Proceeds”</b>	the estimated net proceeds from the issue of the New Ordinary Shares after the deduction of the Estimated Expenses from the Gross Proceeds
<b>“NETF”</b>	The North East Technology Fund L.P. (registered number LP013737), acting by its general partner North East Technology (GP) Limited (registered number 06628835) a fund managed by Top Technology Ventures
<b>“New Ordinary Shares”</b>	the Ordinary Shares to be issued in connection with the Fundraising
<b>“Notice” or “Notice of General Meeting”</b>	the notice of the General Meeting set out at the end of this document
<b>“Open Offer”</b>	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
<b>“Open Offer Shares”</b>	the 1,134,281 New Ordinary Shares for which Qualifying Shareholders are being invited to apply, to be issued pursuant to the terms of the Open Offer
<b>“Ordinary Shares”</b>	the ordinary shares of two pence each in the capital of the Company and “Ordinary Share” is to be construed accordingly



<b>“Overseas Shareholders”</b>	Shareholders with registered addresses outside the United Kingdom or who are citizens or residents of countries outside of the United Kingdom
<b>“Panel”</b>	The Takeover Panel
<b>“Participant ID”</b>	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant
<b>“Placee”</b>	any person that has conditionally agreed to subscribe for the Placing Shares
<b>“Placing”</b>	the conditional placing, by N+1 Singer, as agents of and on behalf of the Company, of the Placing Shares on behalf of the Company on the terms and subject to the conditions contained in the Placing Agreement
<b>“Placing Agreement”</b>	the conditional placing agreement dated 18 December 2015 between the Company and N+1 Singer relating to the Placing and Open Offer
<b>“Placing Shares”</b>	the 4,628,571 New Ordinary Shares to be issued to Placees pursuant to the Placing
<b>“Prospectus Rules”</b>	the Prospectus Rules published by the FCA under Section 73A of FSMA
<b>“Prospectus Directive”</b>	directive 2003/71/EC on the requirements for a prospectus to be published when securities are offered to the public or admitted to trading
<b>“Qualifying CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares in uncertificated form in CREST at the Record Date
<b>“Qualifying Non-CREST Shareholders”</b>	Qualifying Shareholders holding Ordinary Shares in certificated form at the Record Date
<b>“Qualifying Shareholders”</b>	holders of Ordinary Shares on the register of members of the Company at the Record Date with the exclusion of Shareholders with a registered address or who are resident in any Restricted Jurisdiction
<b>“Record Date”</b>	close of business on 15 December 2015
<b>“Registrars” or “Receiving Agent”</b>	Capita Asset Services
<b>“Resolutions”</b>	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
<b>“Restricted Jurisdiction”</b>	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.
<b>“RIS”</b>	a regulatory information service as defined by the Listing Rules
<b>“Securities Act”</b>	the US Securities Act of 1933 (as amended)
<b>“Shareholders”</b>	holders of Ordinary Shares

<b>“Top Technology Ventures”</b>	Top Technology Ventures Limited (registered number 01977742) a wholly owned, FCA registered subsidiary of IP Group, trading as IP Capital
<b>“uncertificated” or “in uncertificated form”</b>	a shareholding which is recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“United States” or “US”</b>	the United States of America
<b>“USE”</b>	an unmatched stock event
<b>“VCT”</b>	venture capital trust
<b>“£”, “Pounds Sterling” or “Pence”</b>	UK pounds sterling, the lawful currency of the United Kingdom

## 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. at the offices of Squire Patton Boggs (UK) LLP, 2 Park Lane, Leeds LS3 1ES on 8 January 2016 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 18 December 2015, 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 £115,257.04 (being equal to 5,762,852 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), 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 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 £115,257.04 (being equal to 5,762,852 Ordinary Shares) and shall expire at the Company’s next annual general meeting (unless previously revoked or varied by the Company in general meeting), 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

**Oliver Lightowlers**  
*Company Secretary*

Registered Office  
The Wilton Centre  
Redcar  
Cleveland  
TS10 4RF

Dated 18 December 2015

**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 6.00 p.m. on 6 January 2016 shall be entitled to attend and vote at the General Meeting. Changes to entries on the register of members after this time will be disregarded in determining the right of any person to attend or vote at the meeting.
2. 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.
3. 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.
4. 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.
5. 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.
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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 11.00 a.m. on 6 January 2016 or not less than 48 hours before the time of any adjourned meeting together with any authority under which it is agreed.
7. 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 6 January 2016 (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)).
8. 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.
9. 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.
10. As at 5.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting, the Company's issued share capital comprised 17,014,216 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 5.00 p.m. on the day immediately prior to the date of posting of this Notice of General Meeting is 17,014,216.

