23 September 2016

Haydale Graphene Industries plc

("Haydale" or the "Group")

Preliminary Results for the Year Ended 30 June 2016

Haydale Graphene Industries plc (AIM: HAYD), the Group focused on enabling technology for the commercialisation of graphene and other nanomaterials, is pleased to announce its annual results for the year ended 30 June 2016.

Operational Highlights:

- Collaboration agreement with world leading resin company, Huntsman Advanced Materials to develop graphene enhanced resins initially with its market leading Araldite® epoxy resin, targeting thermal conductivity in the industrial composites, automotive and aerospace markets;
- Collaboration agreement between Haydale and Graphit Kropfmühl ("GK"), part of AMG Advanced Metallurgical Group N.V., focusing on the development of new value added nano-material products using Haydale's functionalisation process and GK graphitic material, primarily from its mine in Sri Lanka;
- Establishing a European Centre of Excellence under the GK agreement including sale and subsequent delivery of one R&D (HT60) and one larger (HT200) capacity reactor at commercial rates;
- Joint development agreement with one of the world's largest glass fibre reinforced plastic ("GRP") companies, Flowtite Technology AS, to develop the next generation GRP pipe systems for water and sewerage applications;
- Strengthened our ink capability through a commercial tie up with Taiwan specialist ink manufacturer Dowton Electronic Materials Co., Ltd., for the development, production, sales and marketing of a Haydale-branded graphene enhanced screen printable ink which will be aimed initially at the biomedical market; and
- Patent granted by the European Patent Office and already extended to China and Australia.

Post Period End Highlights:

- Acquisition of Innophene Co., Ltd ("Innophene"), based in Bangkok, Thailand, which will become our Far Eastern "Centre of Excellence", enabling the Group to rapidly respond to customers' needs in the APAC region and provides us with high quality, low cost processing, treatment and R&D expertise to accelerate product development;
- Conditional acquisition of ACMC Holding, Inc., and its wholly owned trading subsidiary, Advanced Composites Materials, LLC ("ACM"), which will become the Group's North American "Centre of Excellence" and is the low risk entry point into the US market, where the initial focus is on increasing ACM's existing $3.8 million of annual sales of silicon carbide nanomaterials, in both the US and across our other geographic territories;
- Appointment of Trevor Rudderham as CEO of Haydale Technologies Inc, our US subsidiary that is acquiring ACM, to run and grow the Group's North American operations; and
- Launch of new graphene enhanced Polylactic Acid ("PLA") 3D printing filament to be launched at the TCT show in Birmingham on 28 September.

Financial Highlights:

This year's results are consistent with our internal projections and market expectations:

- Group income up 30% year on year to £1.92 million (2015: £1.48 million);
- Adjusted EBITDA loss of £3.36 million (2015: £2.38 million);
- Investment in R&D increased to £0.94m (2015 £0.56m);
- Continued investment in our reactor and processing capacity totalled £0.47 million (2015: £1.18 million);
- Cash balance at year end of £2.86 million (2015: £2.05 million); and

- Successful placing and open offer in November 2015 to raise £6.0 million (before costs)

Commenting on the results Ray Gibbs, CEO of Haydale, said:

"*The year has been a transitional one moving the business from an R&D focussed operation into a sales and marketing organisation delivering sales of graphene enhanced products. As is normal with a new technology, gaining market acceptance can be a long and difficult task and there are many challenges to meet. However, having invested heavily during the year, we now have the tools to overcome these barriers to entry. We have added to our technical sales teams, substantially increased our production capability, secured a proven, robust supply chain and invested in overseas sales operations to open and serve markets in the Far East and North America. We are set for growth starting with the launch this month of the exciting new product, our branded graphene enhanced 3D PLA printing filament.*

The current financial year is entirely focussed on accelerating conversion of our extensive research and product development into a sales pipeline with commercial revenues of graphene enhanced products. Our routes to market are established in key markets with best in class partners. We have income visibility from our long term grant awards, the ongoing traditional composite consulting services at HCS, advanced leads for the sale of additional reactors into strategic locations and following completion of the acquisition of ACM, we expect to have material high quality recurring revenues from complementary sales of advanced silicon carbide whiskers and fibres. We look forward to the future with confidence."

The Market Abuse Regulation ("MAR") became effective from 3 July 2016. Market soundings, as defined in MAR, were taken in respect of the proposed placing of new ordinary shares (relating to the proposed acquisition of ACM) which was announced at 7a.m. today ("Placing Announcement") with the result that certain persons became aware of inside information, as permitted by MAR. That inside information was set out in the Placing Announcement and this announcement. Therefore, those persons that received inside information in a market sounding are no longer in possession of inside information relating to the Company and its securities.

- Ends -

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About Haydale

Haydale has developed a patented scalable plasma process to functionalise graphene and other nanomaterials. This enabling technology can provide Haydale with a rapid and highly cost-efficient method of supplying tailored solutions to enhance applications for both raw material suppliers and product manufacturers.

Functionalisation is carried out through a patented low-pressure plasma process that treats both mined, organic fine powder and other synthetically produced nanomaterial powders, producing high-quality few layered graphenes and graphene nanoplatelets. The process can functionalise with a range of chemical groups, with the level of functionalisation tailored to the customer's needs. Good dispersion improves the properties and performance of the host material and ensures the final product performs as specified.

The Haydale plasma process does not use wet chemistry, nor does it damage the material being processed; rather, it can clean up any impurities inherent in the raw material. The technology is a low energy user and most importantly environmentally friendly. The Haydale process is a patented enabling technology, allowing the Group to work with a raw material producer who seeks to add value to the base product and tailor the outputs to meet the target applications of the end user.

Haydale, based in South Wales and housed in a purpose-built facility for processing and handling nanomaterials, is facilitating the application of graphenes and other nanomaterials in fields such as inks, sensors, energy storage, composites, paints and coatings.

www.haydale.com Twitter: @haydalegraphene

CHAIRMAN'S STATEMENT

I am very pleased to present the Company's full year results to 30 June 2016. This period has seen the continued implementation of our strategy to promote Haydale as the pre-eminent solutions provider in the commercialisation of graphene and other advanced nanomaterials. In order to introduce products using these advanced materials we continue to engage in partnerships, collaborations and other commercial arrangements with "best in class" companies in our chosen market sectors. A prime example of this is our agreement with Huntsman Advanced Materials who, with global sales of over $10 billion, are one of the world's leading advanced materials suppliers. Another example is the Amiantit Company who are one of the world's largest glass fibre reinforced plastic ("GRP") pipe companies. We expect to commence generating commercial revenues from these current collaborations in the 2017 calendar year.

These two organisations alone will require a secure and robust supply chain and that is why our agreement with AMG Advanced Metallurgical Group N.V. ("AMG") announced in May 2016 is so important. This agreement secures a partner capable of "industrialising" our products and becoming our European "Centre of Excellence". AMG are committing significant resources in setting up a new facility at their subsidiary, Graphite Kropfmühl ("GK"), in Hauzenburg, Bavaria. This facility will be able to satisfy the requirements of our customers and joint development partners. On top of this we have access to a substantial range of graphitic materials from AMG which as a starter material are crucial in delivering the required future expected volumes. Ensuring we have strategically located, dedicated processing centres with a secure, sustainable, consistent, quality material supply is at the heart of our commercialisation strategy.

Fundraising and corporate activity

In November 2015 we announced the successful placing and open offer that raised £6.0 million (before costs) required to fund the ongoing working capital, investment in people, additional plasma reactors and accelerate the product development work on graphene enhanced resins for composites. Additionally, the funding allowed us to continue our global expansion strategy, particularly in Asia, where the culture of doing business is significantly different from that in the Western world. The Asian market demands extensive proof of capability before engaging in commercial discussions. They also demand rapid service and turnaround which requires dedicated local support.

I reported last year that part of our strategy was to consider suitable acquisitions where these provide access to sales with complementary products in our primary target markets of inks and coatings, and composites. We have successfully completed the integration of our first acquisition, UK based Haydale Composite Solutions Limited

("HCS") (formerly EPL Composite Solutions Limited) which was based on a formula of a cash and share payment for the target vendors over a 2 year earn out. This formula worked well and we have repeated the structure on the announcement today of the acquisition of ACMC Holding, Inc., and its wholly owned trading subsidiary, Advanced Composites Materials, LLC. (together "ACM"), a profitable, high quality USA based silicon carbide producer, for a maximum consideration of up to $7.0 million (approximately £5.2 million) payable over the next 3.5 years. Having spent over a year evaluating the North American market, we concluded that the best way to secure a strategic foothold is to acquire a complementary business offering significant growth potential and synergistic products, whilst also allowing for substantial cross selling opportunities within the Haydale Group.

I am delighted to report that we have also appointed Trevor Rudderham as CEO of Haydale Technologies Inc, our US subsidiary that is acquiring ACM, to run the Group's North American operations. We have ambitious sales targets for our North American operations and we estimate the USA represents around 40% of the world market for our advanced materials. We believe that the acquisition of ACM, which will become the Group's North American "Centre of Excellence", is our low risk entry point into the US market where increasing ACM's existing $3.8 million of annual sales of silicon carbide nanomaterials, in both the US and across our other geographic territories, is our initial focus. We will then look to increase sales of our graphene enhanced products to US customers. The strategic report covers the acquisition of ACM in more detail.

Post year end, we also acquired Innophene Co., Ltd ("Innophene"), based in Bangkok, Thailand, which will become our Far Eastern Centre of Excellence. Innophene allows us to rapidly respond to customers' needs in the region and provides us with high quality R&D expertise to accelerate our product development. Now we have this extra capability we expect to see increased sales activity in this territory over the coming months.

Sales and Marketing

I am particularly proud of the progress made transitioning the Group from research and development to a sales focussed operation. As our suite of products become market ready we will be utilising the existing significant sales and marketing capabilities of Huntsman and our collaboration partner, AMG. Our newly announced graphene loaded polylactic acid (PLA) 3D printing filament will be promoted through distributors in Europe. In Asia we have secured a quality distributor in Taiwan, set up sales and marketing infrastructure in Korea and in Innophene, an operational foothold from which a new centre of excellence will be established to serve the region.

There still remains today a lack of market understanding over the performance of and use of graphene and other new advanced materials such as emerging 2D and 3D nanomaterials. Our work has however confirmed that combining one or more nanomaterials with graphene produces outstanding performance enhancements. We continue to obtain third party verification of our claims in the performance improvements we can make to, for example, epoxy and polyester resins together with glass and carbon fibre structures. Our aim continues to be to demonstrate the significant performance improvements obtained in the tailored addition of graphene and other nanomaterials by commercialising them as quickly and effectively as possible.

The market continues to stress that there is eager anticipation of the first substantive application that capitalises on the outstanding properties of graphene. We expect substantial take up in the graphene 3D PLA printing filament to be launched at the end of September 2016. Our patented process granted by the European Patent Office has already been extended to China and Australia whilst other territories are expected to follow. Our patents and know how provide the novel enabling technology which delivers materials improvements required for commercialisation. We are well placed in the nanomarket where we have access to a multitude of sustainable materials, coupled with a variety of chemical functionalisation that when used with the developed know how of mixing and processing techniques, provides a powerful combination to deliver the performance improvements industry seeks.

As is normal with a new technology, gaining market acceptance is often a long and difficult task and there are many challenges to meet. We now have the tools to overcome these barriers to entry. We have increased our technical team, substantially increased our production capability, obtained a proven supply chain and invested in overseas sales representation to open markets in the Far East and North America. This progress is further outlined in the Strategic Report.

Financial results

Income for the year ended 30 June 2016 increased 30 per cent. year on year to £1.92 million (2015: £1.48 million), being generated from a mixture of reactor sales, grant income and HCS's traditional composite consulting business. Adjusted EBITDA (EBITDA adjusted for share-based payment charges and profit/loss on disposal of property, plant and equipment of £0.22 million (2015: £0.26 million)) was a loss of £3.36 million (2015: £2.38 million). Our cash outflow from operating activities was £3.28 million (2015: £2.73 million) and we continued to invest in our reactor and processing capacity during the year, which totalled £0.47 million (2015: £1.18 million). We ended the year with cash of £2.86 million (2015: £2.05 million).

Operational highlights

During the year under review, the operational highlights for the Group can be summarised as follows:

- Announcement of a collaboration agreement with a world leading resin company, Huntsman Advanced Materials. The agreement specified a joint development of "graphene" enhanced resins such as Huntsman's market leader epoxy resin Araldite® in key composite markets, focussing initially on thermal conductivity. This work is the platform for development of a range of new graphene enhanced Araldite® resins which will be targeted at the industrial composites, automotive and aerospace markets;
- Confirmation of granted patent by the European Patent Office of the Haydale Plasma functionalisation process for, crucially, carbon and other nanoparticles, plus granted patents in China and Australia;
- Delivery, commissioning and installation of a HT60 R&D reactor to UK based, Centre of Process and Innovation ("CPI");
- Grant funded development projects secured totalling over £0.8 million;
- Announcement of a joint development agreement with Lincoln based SHD Composites Limited to launch graphene loaded resin impregnated woven fabrics (known as "pre preg"). The target markets include aerospace, automotive and sporting goods, together with the $1.25 billion "out of autoclave" carbon fibre curing resin industrial tooling market;
- Set up and commissioning of composite pipe testing facility at Haydale Composite Solutions ("HCS") to enable the development and approval of graphene enhanced polymer pipes for the oil and gas industry;
- Our focus on conductive ink has culminated in a second patent application from the Swansea University pipeline agreement, this time in wearable heated apparel aimed at high performance material for elite sports. We have strengthened our ink capability through a commercial tie up with Taiwan specialist ink manufacturer Dowton Electronic Materials Co., Ltd., for the development, production, sales and marketing of a Haydale-branded graphene enhanced screen printable ink which will be aimed initially at the biomedical market;
- Joint development agreement between HCS and Flowtite Technology AS, the wholly owned GRP pipe technology and R&D Centre of The Saudi Arabian Amiantit Company, one of the world's largest glass fibre reinforced plastic ("GRP") pipe companies. The programme is to develop the next generation GRP pipe systems for water and sewerage applications; and
- Collaboration agreement between Haydale and GK, part of AMG Advanced Metallurgical Group N.V., focusing on the development of new value added nano-material products using Haydale's functionalisation process and certain GK graphitic feedstock material, primarily from its mine in Sri Lanka. Under the agreement Haydale supplies, under licence, one R&D reactor (HT60) and one larger capacity reactor (HT200) at commercial rates to GK for use in new R&D programs and the commencement of processing commercial volumes.

Outlook

This year's results are consistent with our projections and market expectations. The current financial year is entirely focussed on the conversion of our extensive research and product development into a sales pipeline and commercial revenues of graphene enhanced products. We have income visibility from our long term grant awards, the ongoing traditional composite consulting services at HCS, advanced leads for the sale of additional reactors into strategic

locations and we now have material recurring revenues from ACM's sales of advanced silicon carbide whiskers and fibres.

We have ambitious plans for growth in the Far East following intensive customer evaluations, especially in Korea, Taiwan and our new "Centre of Excellence" in Thailand. The acquisition of Innophene, which completed in early September 2016, is another significant strategic move in the geographic expansion and creation of appropriate operations to service the local markets. We have quality, experienced local management to deliver on our growth plans, which include the supplying, installing and commissioning of an HT60 plasma reactor into Innophene's facility in Bangkok to satisfy locally the processing requirements of demanding Korean and Taiwanese customers seeking rapid materials evaluation and treatment.

The announcement today of the acquisition of ACM provides Haydale with an established base in North America which will be the first US "Centre of Excellence", situated in the high growth tech region of South Carolina. Our strategy is to take advantage of a fragmented and largely untapped graphene and nano technology market. This operation has quality technical and now commercial management to deliver aggressive growth plans. In addition to ACM, we are currently in preliminary discussions with two strategically important parties in the US regarding acquiring Haydale plasma reactors.

We are now set with capability and planned facilities in the key geographic and strategic territories allowing us to promote our technological solution and value add products to a significant and expectant market. Our supply partners provide a sustainable material source and the reactors are capable of scaling to meet initial demand. These initiatives, together with other development opportunities under consideration, lead the Board to believe that the Group is in a strong position to grow its operations, both at home and overseas, and to deliver its business plan for the benefit of all shareholders. In support of these strategic aims we have, since the year end:

- Announced we will be launching graphene enhanced PLA filaments for 3D printing at the TCT show in Birmingham on 28 and 29 September 2016;

- Completed the acquisition of Innophene on 9 September 2016; and

- Today announced the conditional acquisition of ACM.

We announced in July that Dr Chris Spacie was stepping down as a plc director to concentrate principally on delivering capacity and processing improvements on the plasma reactors. I would like to thank him for the valuable contribution he has made to the Board over the years and the impact on processing controls and plasma reactor improvements since 2013.

When I joined the Board in November 2013, my intended tenure was to be for at least a 2 year period. Having now served almost 3 years, I believe now to be the right time to step aside and let a new Chairman preside over the next phase of Haydale's growth. The business has moved on considerably since I joined, and the admission to AIM in April 2014 has provided access to capital and the platform to propel Haydale forward and grow. It is very pleasing to see that we now have geographic coverage in the strategic territories the Board considers our major business opportunities exist. I am also proud to have led the Company during a period of so many collaborations with major multinationals being entered into and the endorsement of our products, service and technical offering to date by these partners. Our partners provide the means to generate sales and we remain confident that our growing product portfolio will generate increased revenue in 2017. I will continue the Chairman role for the present, but intend to step aside once a suitable candidate has been found to navigate the business through commercialisation, the natural evolution and next phase of the Company's life.

Finally, I would therefore like to thank the staff, my fellow Board members and the Group's external advisers for their hard work and dedication in positioning the Group for its next stage of development; sales growth. This year is the period when we seek to generate significant sales increase and given the recent overseas investment, the ongoing equipment, new staff and promotion we have the platform to achieve our objectives.

John Knowles
Chairman
23 September 2016

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

Haydale Graphene Industries Plc ("HGI", "Haydale" or the "Group") is the AIM listed group that has developed a patented scalable plasma process to functionalise graphene and other nanomaterials which, together with extensive mixing and dispersion know-how, allows graphene and other nanomaterials to be incorporated into existing products to provide industry with value added commercial products. The Group has evolved considerably in the last 2½ years and now has subsidiaries and a physical presence in its chosen key markets and geographies worldwide. In summary, these subsidiaries are:

Haydale subsidiary	*Location*	*Principal activities*
Haydale Limited	Ammanford, Wales	Main R&D operation which also sources, handles, functionalises and processes nanomaterials
Haydale Composite Solutions Limited ("HCS")	Loughborough, England	Composites design, R&D and testing specialist, covering the full product development lifecycle
Haydale Technologies (Korea) Limited ("HTK")	Seoul, South Korea	Dedicated sales servicing the fast moving Korean, Chinese and Japanese markets
Innophene Co., Ltd ("Innophene") – to be renamed Haydale Technologies (Thailand) Company Limited ("HTT")	Bangkok, Thailand	Provides a low cost R&D Centre of Excellence, servicing the APAC region and supporting HTK's sales team
Haydale Technologies, Inc. ("HTI")	South Carolina, USA	HTI has conditionally acquired ACM which provides new premises suitable for establishing the Group's US Centre of Excellence

Taking each subsidiary above in turn:

Haydale Limited is the main R&D operation which also sources, handles, functionalises and processes nanomaterials using a suite of prototyping and analytical equipment, as well as its own patented plasma reactors, to facilitate the commercial application of graphene and other nanomaterials for both internal product development and third party customers worldwide. Haydale Limited's facility has the capability to produce carbon based conductive inks and has mixing equipment for preparing thermoset masterbatch samples with high loadings of functionalised nanomaterials.

Haydale Limited has also entered into a collaboration agreement with Graphit Kropfmuhl GmbH ("GK"), part of AMG Advanced Metallurgical Group N.V. ("AMG") to develop new valued added nanomaterial products using Haydale's HDPlas® functionalisation process and Haydale Limited will supply an HT60 R&D reactor and a larger capacity HT200 reactor to a purpose built GH facility in Germany, creating the Group's European Centre of Excellence.

HCS is a recognised composite, design, R&D and testing house, that spans the complete product development lifecycle. Historic customers included significant corporations such as National Grid, SSE, Eirgrid, Chevron, Anglian Water, Severn Trent Water, Yorkshire Water and 3M. More recently HCS has been developing next generation products using Haydale's functionalised nanomaterials with leading epoxy resin producer Huntsman

Advanced Materials ("Huntsman"), the owners of the Araldite® brand, and Flowtite Technology AS, the wholly owned GRP Pipe technology and R&D centre of The Saudi Arabian Amiantit Company ("Amiantit").

HCS has developed a reputation for delivering innovative solutions in the commercial applications of advanced polymer composite materials working with global companies for more than 20 years, primarily in the thermoset market. There are, on average, over 7 million tonnes of thermoset resin produced globally each year. Historically, HCS's business has focused on a range of market sectors where thermoset resins have tended to dominate, including the oil, gas and water industries, infrastructure for electricity and energy sectors plus the marine and transportation markets. HCS also works with OEMs and end-users to develop and provide composite solutions with demonstrable clear technical, economic and environmental benefits over existing structures currently manufactured in traditional materials such as steel, aluminium, wood or concrete.

Following its acquisition by HGI in 2014, HCS's focus has expanded into developing products which incorporate graphene and other nanomaterials (principally Carbon Nano Tubes ("CNTs")) using both thermoset and thermoplastic resins in order to enhance specific properties of the resulting composite structure, including thermal conductivity, electrical conductivity and mechanical or physical characteristics (such as strength, stiffness and fracture toughness).

In anticipation of being able to serve a global market, the Group now has operations in the Far East, through HTK, its subsidiary in South Korea, and its newly acquired business in Thailand, Innophene Co., Ltd, ("Innophene"). HTK has a sales office in Seoul and employs a sales and marketing person dedicated to serving the Korean, Chinese and Japanese markets. Innophene, to be renamed Haydale Technologies (Thailand) Company Limited ("HTT"), has sales personnel as well as an R&D team capable of serving the fast moving Far Eastern markets.

HTI, the Group's US subsidiary and the entity which has today conditionally acquired ACMC Holding, Inc., and its wholly owned trading subsidiary, ACM, has previously contracted with a sales and marketing agent but has now appointed Trevor Rudderham as CEO and hired a salesman tasked with increasing sales at ACM and introducing Haydale graphene products into the US.

Commercialising Graphene and the performance conundrum

Having the ability and knowledge to incorporate the most appropriate nanomaterials in a (hybrid) combination is something which the Haydale management feels is unique in the market today opening up a range of opportunities to position the company as the solution based enabling technology to commercialise graphene and other nanomaterials. Now strategically well positioned geographically, Haydale can source the most appropriate graphene and other nanomaterials feedstock from suppliers that, in conjunction with its unique patented plasma treatment (known as functionalisation), and its extensive knowledge based mixing and processing capability, can provide a tailored customer focussed solution. The Group's technology and know-how enables nanoparticles to be dispersed uniformly into the target host material where, most importantly, homogeneous dispersion is essential in enabling the well documented significant properties of graphene and other nanomaterials to be realised.

The Group's management continues to promote the real benefits of graphene and other nanomaterials rather than the lab based, highly technical and specialised potential which has the tendency to generate significant amounts of hype. Through its work on the resins program for Huntsman we have developed considerable know how and in house knowledge on the mixing and processing techniques required to properly disperse graphene and other nanomaterials into a thermoset or thermoplastic resin. What has become abundantly clear from our work is that adding a second nanomaterial alongside graphene into a concentrated masterbatch can have significant effects on performance, over and above that from mixing graphene alone. This process, which we term "material hybridisation" is where we see the future for the commercialisation of many composite materials and indeed inks.

Followers of the graphene story will know that it has many vaunted properties (e.g. increasing strength and stiffness, high conductivity, impermeability to gases, to name but a few) but as an inert substance it does not mix readily with other materials. Furthermore, producing a consistent, commercially available single layer of graphene (where 3 million sheets stacked together are only 1 millimetre thick) is proving a significant technical challenge and which

general observers may perceive as not currently commercially viable. Yet almost every day, new possible applications are announced as potential new uses. There has been a significant amount of hype generated by this material, often arising from passionate researchers excited by its properties, which can have a positive effect if used in the correct way. The challenge is how to translate these properties measured in the laboratory into commercial applications. This is Haydale's key differentiator; with its unique plasma functionalisation technology incorporating the recently developed materials hybridisation know-how.

Haydale is focussed not on the technically challenging single sheet graphene but stacks of graphene layers in the range of 5 to 100 sheets, generally acknowledged, depending on the number of sheets, as few layered graphene ("FLGs") or graphene nanoplatelets ("GNPs"). Both FLGs and GNPs are generally produced in different ways by a number of manufacturers from a carbon feedstock of either mined organic graphite or a hydrocarbon vapour/gas. The FLGs and GNPs can be produced by a "top down" production method, involving the exfoliation of mined graphite to produce flakes which often involves multi stage production. Alternatively, they can be produced by a "bottom up" method, such as chemical vapour deposition from a carbon source such as methane. The bottom up (synthetic) process generally uses an energy consumptive hot reactor (900 degrees Celsius or more), that needs post production cleaning processes and hence a cost structure which generally means, without significant economies of scale, the material cannot compete on price with the GNPs from mined graphite. Hence the need for the synthetically produced material to find applications that are not competing with the mined organic GNPs.

With so many different nanomaterials on the market being described as "graphene" and no industry standardisation, we believe the buyer can easily get confused where prices of similarly labelled products can range from $50 to over $2,000 per kg. The temptation is to plump for the cheapest one available, but often this is not the best option. Haydale has years of experience evaluating the market place where all materials are different and vary in performance as well as price. Understanding the price/performance matrix is critical in evaluating the material that best suits the application whilst being economically viable. Moreover, we know which suppliers can produce scalable, consistent quality product; the key to commercialising these carbon based materials.

The fact that Haydale is not a manufacturer of raw graphene is sometimes lost on the general market and we spend considerable time and effort in educating potential users of that fact and our differentiated position as a solutions provider allows us to produce the right material (hybrid or not) for end product improvement. We have a patented enabling technology coupled with new in house mixing and processing know how that sets us apart in the market today. We have the capability now to source and use organic or synthetically produced flake graphene together with CNTs, and to modify their surface with specific chemical functional groups tailored to the requirements of the end user's application when mixed together as a hybrid masterbatch.

Our market focus is targeted on sectors where we consider early adoption of new innovative materials is commonplace. Often, take up of a new material is hampered by conservatism coupled with the perceived need to invest significant sums in new plant and equipment and discard the existing machinery. We consider that our focussed markets of composites, inks and coatings have less inbuilt inertia to change and are early adopters of such new materials. Their processing does not normally require capital equipment change. Critically our focus is to develop every day applications in non-regulated markets as adoption generally does not need long term testing certification. This approach should enable HCS especially to quickly get GNP-loaded intermediate products into the market, initially with the imminent launch of graphene enhanced 3D printing PLA filaments.

OPERATING REVIEW

In the year under review, and in the three months' post year-end, the Company has made significant progress in building its human resources, production and sales capability. Crucially we have made two strategic acquisitions post year end that now completes our required geographic coverage in the key territories of The Far East, UK, Europe and the USA. The objective now is to accelerate the transition of the business from an R&D focussed operation into a sales and marketing organisation. We have the business units in place with quality management, the supply chain and collaboration partners with sales reach to commence commercial sales of products. The objective has been to underpin the strategic markets we are focussed on to deliver the growth required to move to an operating

profit as highlighted in the Chairman's Statement. One of the fundamental items of this strategy is to have a sustainable supply chain secured for anticipated demand and multiple sites that answer the customers' requirements for a disaster recovery plan.

R&D Reactors, Materials and the Supply Chain

Access to the right sustainable nanomaterials is crucial in being able to offer the ultimate customer focussed solution in a global market over the long term. In May 2016, the Group concluded a collaboration agreement with Graphit Kropfmuhl GmbH ("GK"), part of AMG Advanced Metallurgical Group N.V., focusing on the development of new value added nanomaterial products using Haydale's functionalisation process and certain GK graphitic feedstock material, primarily from its mine in Sri Lanka. Under the agreement, Haydale has supplied, under licence, two plasma reactors, an R&D reactor (HT60) and a larger capacity reactor (HT200) at commercial rates to GK for use in new R&D programmes and the commencement of processing commercial volumes.

Following a successful public tender in November 2015, Haydale supplied, installed and commissioned a HT60 reactor to the UK based, Centre of Process and Innovation ("CPI"). The CPI collaborates with universities, SMEs and large corporates to help overcome innovation challenges and develop the next generation of products and processes. It is an excellent "shop window" for our technology and we understand it is performing well and functionalising not only carbon based materials but also Boron Nitride, known as the "white graphene". Pleasingly, other academic and renowned research institutes have enquired on the availability of HT60s for their own R&D requirements.

We have evaluated and qualified many different suppliers to provide us with a broad range of materials to ensure we provide what best suits the end users' application. This is an ongoing process and we have a dedicated team to conduct the review as there are increasing numbers of new materials being made available, although a significant portion have yet to be qualified at a commercial level. All of our accredited suppliers have to be able to demonstrate continuity of supply and consistency of product which are critical components in the supply chain.

Composites and 3D Printing

An advanced composite typically consists of 50% long fibre reinforcement and 50% polymer resin. The role of the long fibres is to provide the strength, stiffness and impact resistance in the structure while the polymer resin is to provide environmental resistance and to transfer external loads into the fibres. Traditionally, the polymer resin is usually discounted when determining the strength and stiffness of a composite material, being largely seen as the glue that binds the fibres together and gives the material its shape. The composite market is growing rapidly, and at over $90 billion p.a., is significant and remains one of our most substantial sales opportunities.

We believe that, for the first time, with the advent of Haydale's functionalised GNPs and hybrid materials, HCS has the ability to change and influence the polymer resin properties by the addition of functionalised graphene. It has been demonstrated that, by adding functionalised graphene and other nano fillers, HCS can dramatically improve the resin properties of mechanical, thermal conductivity, electrical conductivity and physical properties. This offers improved polymer resins and hence improvements in the composite. There is more work to be done in this area but we are extremely encouraged by initial indicative results, especially in the surface finish and thermal properties of the composite material.

Through our collaboration with one of the world's leading resin companies, Huntsman, we anticipate that their ready formed sales and distribution network will be the sales channel for the next generation of performance resins developed by them and enhanced with our GNPs. We already know that the graphene based additives we use significantly improves the thermal conductivity of Huntsman's Araldite® epoxy resin. A resin which can be heated up and cooled down quicker has many applications in the composite tooling market as well as in the automotive industry.

We have invested heavily during the last 18 months in developing our knowledge and know how around the introduction of graphenes and other nanomaterials into thermoset and thermoplastic resins. Whilst this significant

internal investment has diverted some resources from securing more of HCS's traditional third party composite consultancy contracts, we anticipate recovering a significant proportion of our investment during the current financial year, with material sales at high margins expected in future years.

We have researched the unregulated high growth 3D printing market and its products for some 18 months. The culmination of this programme was us utilising our mixing and dispersion knowledge and know how that enabled us to successfully add under 1 per cent. of our functionalised GNPs into PLA (Polylactic Acid) and produce a graphene loaded 3D printing PLA filament. PLA is a standard 3D printing medium in global use currently. We have announced the launch of this product following successful trials and distributor feedback confirming product demand, and so we will demonstrate our PLA at the TCT Show in Birmingham on 28/29 September. This unregulated market offers significant near term sales with high margins and with additional materials being evaluated, (such as Nylon 6, ABS and Polypropylene), we consider that the 3D additive manufacturing market will be an important revenue driver for the Group. In addition, Innophene has developed a "non-black" 3D PLA derived from their transparent conductive ink which will increase Haydale's product range through the use of added pigment colouration to the PLA. In time, we will also make the ink products available from Innophene and the UK for sale in the USA through our sales and marketing resource in country. The USA is a significant market for our ink products and with our footprint now firmly established at ACM, we expect sales to commence in the first half of 2017.

Inks and Coatings

Our work on inks to date focussed on grant funded projects primarily in bio-medical sensors. We have made, in conjunction with our project partners, workable bio-medical sensors. Notably the work we have been doing with Fraunhofer and our other partners on a general pathogen reel-to-reel bio-medical sensor is proving extremely positive. Here, BioChips that have been used primarily in medical research can, due to advances in printing technology, be manufactured at considerably lower cost enabling them to now be suitable for industrial applications such as drug development to combat viral infections. Additionally, applications in the field of comprehensive water monitoring are now conceivable. The projected completion date of this collaborative research project is in 2017 and we are optimistic of delivering a commercial product from this work when it completes in approximately 15 months' time. We have previously reported on our ink production capabilities but have recently been focussing on developing the patent applied for pressure sensor where we have been receiving numerous and potentially significant enquiries for this novel product.

During the year under review, we have announced a collaboration with Taiwan based Dowton, where the market is receptive to screen based printable conductive ink, again in the conductive sensor market. We have now repeat sampled a range of distributors and printers, where the application appears to be specifically suitable for the bio-medical sensor market. Whilst the lead time is potentially long for the required medical approvals, we continue to look for other market opportunities for the range of inks that we now have in areas such as wearable technology and sports apparel.

Other markets

Energy Harvesting

In a massively crowded market the area where we have chosen to focus is supercapacitors, which require a rapid delivery of concentrated energy. The work is showing promise particularly in improved capacitance achieved by adding FLG loaded pastes. Ongoing work is required before we consider an approach to one of the battery companies specialising in supercapacitors.

Elastomers

We have over the past year been investigating the use of certain functionalised nanomaterials into natural rubber with a view to increasing (again) the thermal, electrical and mechanical performance of materials aimed at the Elastomers market. Initial work has been very encouraging and we have commenced discussions with certain compounders and distributors to accessing what we view as a potentially very significant market given elastomers

are used extensively in the automotive industry and in every day products from sealing rings, to coatings and even rubber gloves.

Sales strategy

As part of the sales process we have worked hard on promoting Haydale and its capabilities. Raising awareness and demonstrating that our materials enhance real products in the everyday world has been a key pillar of our strategy. We have, in the past few months, announced a series of promotional and marketing initiatives such as:

- Sponsorship of the Manchester Science Museum Graphene exhibition which has raised our profile both in the UK and internationally. To coincide with the opening, we demonstrated the BAC Mono supercar which incorporated our graphene loaded carbon fibre body panels live on BBC News to provide visual evidence of the work being done to improve performance of certain of the vehicle's composite parts;

- A collaboration agreement with the National Graphene Institute in Manchester (that has already lead to new potential project opportunities); and

- Added graphene into a composite wing of a "drone" built by the University of Lancaster and flown at the Farnborough Air Show in July, to much acclaim by the pilot in terms of improved handling and control.

Sales in the Territories

Korea is becoming a key market for Haydale. Since opening an office in Seoul in 2015, we have developed at least 10 key potential commercial customers, a number of whom supply to the two dominant electronics giants in South Korea. Sales of functionalised materials have been made with encouraging feedback although as yet no significant commercial orders have been received. Nevertheless, the ability to utilise our existing knowledge and know-how learnt at HCS in improving thermal and electrical properties of thermoplastic and thermoset based composites gives us considerable confidence that commercial orders will be received in due course. The market continues to move quickly and having a physical presence in country assists us in trying to meet those needs. With the addition of the newly acquired Innophene, we expect the speed of response from our new operation to meet that expected by the Korean customers. In a demonstration of the cross selling opportunities available in our enlarged group structure, our Korean sales and marketing manager has already introduced the silicon carbide product offering of ACM into a significant Korean customer and evaluation is underway.

The North American market appears generally untapped and of equal importance to both Europe and the Far East. The decision to employ a full time staff member and acquire ACM is a game changing moment for our US operation. We have reviewed our position in the US and decided we needed a business to establish a foothold in America. Haydale Technologies Inc., having acquired ACM, will operate from Greenville, South Carolina, with ACM's facility being capable of housing our plasma reactors and we expect to place one there in 2017. We expect the new acquisition to open sales and collaboration opportunities in what we perceive as a fragmented market offering significant revenue opportunities.

The sale of one of our HT60 reactors, through a competitive tender process, to the CPI in Sedgefield was achieved before the grant of Haydale's process patent and the establishment of a second UK processing base was an important milestone for the Gorup. The CPI has acknowledged that our reactor has bridged a technology gap in their offering which we consider to be a significant endorsement of our process. Feedback from the CPI has been very positive with the machine performing well and functionalising a number of new and novel materials, including the "white graphene" Boron Nitride.

Funded and Private Venture projects

Sampling of functionalised materials continues as a means to engage with industrial corporations and manufacturers and to enter collaborations and consortia on dedicated projects. Some of these are grant funded projects while others are important in their own right and hence financed through our own resources. During the year under review, we have secured focussed and important grant funded work from which our future income is expected be over

£0.8m. We will continue to seek this important source of funded work especially as the outcome is always to demonstrate a commercial product application. The projects we are now undertaking include UV visible bruisable composites (in conjunction with Alex Thomson Racing), carbon/carbon brake pads for the aircraft industry, heated composite structures for de-icing applications and hydrogen pressure vessels for hydrogen powered fuel cell vehicles. Included in the awards were two collaborative 18-month research projects managed by the National Aerospace Technology Exploitation Programme ("NATEP") for aircraft lightning strike protection utilising graphene enhanced composites, and conductive adhesives. These projects are being managed by Haydale's recently formed Aerospace and Defence division run by Ebby Shahidi, who joined us during the year, having been the former Technology Director of Cytec Industrial Materials.

Operations and technical

One of our key drivers has been the ability to increase the plasma reactor capacity by reducing processing time and yet increasing the batch volume. This has been successfully done for certain materials and consequently we now have an established processing and treatment facility in Ammanford capable of processing tonnes of nanomaterials per year into an intermediate product to the customers' specification. The processing capacity depends on a range of factors, in particular the nature of the nanomaterial being processed and the graphene loading required. The plasma process patent granted to Haydale offers not only the opportunity to exploit the graphene market but other non-carbon based 2D materials. During the year the importance of processing nanomaterials has become an area of equal importance to graphene for the future growth of Haydale. The plasma patent was also granted in Australia, and crucially the significant market of China.

In the year under review, the Group's headcount increased from 32 to 46 as we tackle internal and externally funded projects. Following our two recently announced acquisitions, Innophene and ACM, we anticipate that this will increase to over 60 by the end of 2016. The Group has experienced a significant transformation since our IPO a little over two years ago when we had only 11 employees and operated from one site. We now rely considerably less on consultants for discrete projects, preferring to have the skills developed internally and using their specialist experience in specific areas and in some cases opening sales avenues. To ensure we convert the high levels of enquiries we receive into targeted sales opportunities, we would like to add to our development and product personnel, including an experienced Sales and Marketing Director. However, there is no present intention to increase the Group's headcount materially above 60 in the near future.

To accommodate the growth in personnel in Ammanford, staff are now housed in three units with a combined floor space of 10,000 sq. ft. HCS's facilities in Loughborough are approaching capacity and we will be carefully evaluating its growth requirements during 2017.

Patents, IP and Licensing

This will become an increasingly important part of the Group's revenue mix in the coming years as Haydale's strategy is not to be a volume producer of the functionalised nanomaterials or masterbatch. We intend, however, to produce sufficient volumes to meet pre-production trials before handing over to our licensed industrial partners. We know that multinational organisations such as Huntsman demand a robust and quality supply chain, as well as suitable disaster recovery plans. Accordingly and in anticipation of requiring increased volumes of functionalised materials, we entered into the collaboration agreement with GK in May 2016 which included the supply to GK of an HT60 and HT200 plasma reactor. To fully exploit our granted process patent we believe that there is a need to create centres of excellence in our key geographic markets of the UK, Europe, the Far East and the USA. These centres will, under licence, service and supply their local markets with intermediate products (such as inks and resins) and it is anticipated that each centre will, over time, operate both an HT60 and HT200 plasma reactor.

In Europe, the granting of our European patent on the plasma functionalisation process by the European Patent Office in November 2015 strengthens our licensing capability and protects our technology. This assisted in licensing the technology to GK, our GNP supply partner, and they are a key channel for European sales and processing of volume related sales from their site in Hauzenburg, Bavaria. In May 2016, we signed a joint collaboration agreement that will establish a European centre of excellence in that region to service mainland Europe's demand for

functionalised nanomaterials. GK has agreed to help establish key accounts across Europe especially as they have significant customer reach through sales of their existing graphitic materials.

Key Performance Indicators ("KPIs")

The Board consider there are a number of important KPIs which are non-financial, such as: the nature and size of development projects; the speed of response to inbound enquiries; product performance improvements of the host material once enhanced with our functionalised materials vs the control; the ability to convert non-disclosure agreements and letters of intent for collaborations to development project discussions and binding commercial contracts. Performance against these non-financial KPIs is in line with the Board's expectations for the year under review.

The important financial KPIs are the income, cash position and the operating cash flows of the Group. In addition, as revenues increase, an important KPI will be the quantum of the order book and we have commenced internal reporting on this metric. For the year ended 30 June 2016, the Group's income of £1.92 million was in line with management's expectation with cash and deposit balances amounting to £2.86 million at 30 June 2016 (2015: £2.05 million), again in line with budgets. The operating cash outflow for the year ended 30 June 2016 of £3.36 million (2015: £2.38 million loss) was also in line with the budgeted cashflow for the year.

Acquisitions

After the year end we announced two acquisitions to cement the geographic expansion of our business and now have the capability to exploit our targeted four major markets of the UK, Europe, USA and the Far East.

Innophene
On 9 September 2016 we completed the acquisition of Bangkok based Innophene. Consideration for the acquisition was the issue of 176,952 new ordinary shares in Haydale ("Haydale Shares"), representing approximately 1% of the Company's issued share capital.

Innophene's portfolio of ink products and its PLA "non-black" 3D printing resin will extend the Group's products available for sale. Innophene's access to The Thailand Science Park in Bangkok, with its extensive analytical and processing capabilities, provides a platform for it to become the Group's Far East Centre of Excellence.

Crucially, the acquisition will also provide Haydale with research and development capability for current and potential Far East customers. This will require the delivery, under licence, of an HT60 plasma reactor to Innophene's site on the Thailand Science Park to provide low cost processing and treatment services. A second reactor (HT200) is likely to follow in 2017 to meet anticipated demand in the region.

ACM
The announcement today of the conditional acquisition of ACM in South Carolina for an initial consideration of approximately $5.0 million finally establishes our USA base from which we will start to expand our graphene capabilities in the North American market and cross sell ACM's nanomaterials through our other territories.

The acquisition of ACM will be funded through a mixture of cash and the issuance of new Haydale Shares, with the cash element being satisfied from an agreed new $1.7 million bank facility with ACM's existing bankers, United Community Bank (secured on the ACM fixed assets), and a placing, subscription and open offer of new Haydale Shares with existing and new investors to raise up to £2.6 million announced today. ACM's existing management (who are also the vendors) and technical team are keen to stay and assist in growing the US business, where they have the opportunity to increase their consideration by up to $2.0 million dependent on agreed sales growth at ACM over the next 3-4 years.

ACM reported audited revenues of approximately $3.8 million in the year ended 31 December 2015 and has an existing order book in excess of $4.5 million. ACM's annual sales are underpinned by a recently renewed 3-year contract with a Japanese customer who accounted for approximately $2.0 million of ACM's revenue in 2015.

There are substantial cross selling opportunities to increase ACM's existing profits through targeted sales of their silicon carbide products and we have already introduced a Korean client to ACM who requires an enhanced scratch resistant cookware coating that ACM has previously supplied another user. Pleasingly, following a rapid response by ACM to the inbound enquiry, the coating is now under evaluation in Korea with encouraging results.

FINANCIAL REVIEW

Statement of Comprehensive Income

In the year under review, the Group's three key areas of focus were: (i) the development of novel graphene and other nanomaterial enhanced products; (ii) continuing the scale up of its patented plasma reactors for both internal capacity needs and third party sales opportunities; and (iii) securing new grant funded projects as well as delivering on the existing projects.

During the period, HCS in Loughborough built on the work it started during the previous financial year, specifically in improving the thermal, electrical and mechanical performance of certain thermoset epoxy resins. In particular, significant investment was made in new highly skilled personnel, in new processes and new test equipment to ensure that the Group retained all of the key IP, knowledge and know-how in the development surrounding these higher performing resins. Work at Ammanford also continued in improving our graphene enhanced inks, primarily for the Far East markets.

The team at Ammanford continues to invest and deliver incremental improvements in reducing processing cycle times and increase load capacities in both plasma reactor models, the HT60 and HT200. Importantly, sales of an HT60 reactor to the CPI in the UK as well as an HT60 and HT200 to GK in Germany demonstrated the Group's advancement in capacity scale up.

£0.80 million of new grant funded projects were secured during the year, building upon the £0.83 million of projects awarded in the previous year. Grant funded projects are extremely important to the Group in that they are typically longer term (12-24 months) contributors to our fixed overhead base. They allow us work alongside world renowned businesses in their particular field of expertise and they are expected to lead to the development of a commercial product at the end of the project.

The Group's income for the year increased 30 per cent. year on year to £1.92 million (2015: £1.48 million), £0.59 million of which was sale of reactors. Importantly, the Group has £0.16 million of deferred income at the year end to release during the current financial year in respect of reactor sales made in the year under review. The provision of composite consultancy services by HCS to third parties was, as budgeted, £0.54 million during the year ended 30 June 2016, a planned reduction on prior years due to the focus on internally generated novel products and their surrounding IP and know-how. In the year to 30 June 2016, the Group's income generated from grant funded projects totaled £0.75 million (2015: £0.83 million) and arose where a consortium of, often world renowned and strategically important international companies collaborate to develop new products with viable market needs.

Overall R&D spend for the year increased by almost two-thirds to £0.94 million (2015: £0.56 million), of which £0.51 million was expensed during the year, with the balance of £0.43 million being capitalised and is expected to be amortised over 20 years. This planned increase in internal development is expected to deliver material levels of sales of new products in the current and future financial years. The Group's other administrative costs for the year totaled £5.09 million (2015: £3.66 million) and included a full year of costs from HCS acquired in November 2014. Included within administrative costs were the Group's IP and patent costs, which doubled to £0.10 million from £0.06 million in the prior year. Overall, the loss from operations for the year was £4.01 million (2015: £3.01 million loss), and included non-cash items of £0.76 million (2015: £0.61 million). The loss per share was similar to that recorded last year at £0.26 (2015: £0.25 loss).

Statement of Financial Position and Cashflows

As at 30 June 2016, net assets amounted to £6.60 million (2015: £4.29 million), including cash balances of £2.86 million (2015: £2.05 million). Other current assets increased to £1.44 million at the year end (2015: £0.95 million) complementing a reduction in current liabilities to £1.00 million as at 30 June 2016 (2015: £1.33 million). Expenditure on capital equipment again utilised a significant portion of cash during the year at £0.47 million (2015: £1.18 million). In November 2015, the Company settled the entire deferred contingent consideration due on its acquisition of HCS in November 2014 of £0.77 million.

Net cash outflow from operating activities for the year was £3.28 million (2015: £2.73 million), the principal contributing factor being the loss from operations loss of £4.01 million (2015: £3.01 million).

Capital Structure and Funding

As at 30 June 2016, the Company had 15,236,946 ordinary shares in issue (2015: 11,446,446). During the year, the Company issued 3,790,500 new ordinary shares, 3,750,000 of which were issued in connection with the Company's £6.0 million oversubscribed placing and open offer in November 2015. The balance of 40,500 shares issued were in respect of option exercises. Since the year end, on 9 September, the Company issued 176,952 new ordinary shares as consideration for the acquisition of Innophene such that as at the date of this report, the Company has 15,413,898 ordinary shares in issue.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return to equity holders of the Company and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages this objective through tight control of its cash resources to meet its forecast future cash requirements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
REVENUE	1,169	644
Other income	754	831
TOTAL INCOME	1,923	1,475
Administrative expenses		
Research and development expenditure	(514)	(559)
Share based payment expense	(326)	(258)
Other administrative expenses	(5,092)	(3,663)
	(5,932)	(4,480)
LOSS FROM OPERATIONS	(4,009)	(3,005)
Finance costs	(14)	(24)
LOSS BEFORE TAXATION	(4,023)	(3,029)
Taxation	386	140
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(3,637)	(2,889)

Other comprehensive income:

Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	(44)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(3,681)	(2,889)
Loss for the year attributable to:		
Owners of the parent	(3,598)	(2,889)
Non-controlling interest	(39)	-
	(3,637)	(2,889)
Total comprehensive loss attributable to:		
Owners of the parent	(3,637)	(2,889)
Non-controlling interest	(44)	-
	(3,681)	(2,889)
Loss per share attributable to owners of the Parent		
Basic (£)	(0.26)	(0.25)
Diluted (£)	(0.26)	(0.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

Company Registration No. 07228939	**30 June 2016 £'000**	**30 June 2015 £'000**
ASSETS		
Non-current assets		
Goodwill	685	685
Intangible assets	1,141	775
Property, plant and equipment	1,576	1,576
Investments	-	117
	3,402	3,153
Current assets		
Inventories	398	283
Trade receivables	49	257
Other receivables	613	277
Corporation tax	379	129
Cash and bank balances	2,862	2,049
	4,301	2,995
TOTAL ASSETS	7,703	6,148
LIABILITIES		

Non-current liabilities		
Provision for contingent consideration	-	260
Bank loans	104	270
	104	530
Current liabilities		
Provision for contingent consideration	-	510
Bank loans	166	162
Trade and other payables	656	619
Deferred income	176	26
Corporation tax	-	8
	998	1,325
TOTAL LIABILITIES	1,102	1,855
TOTAL NET ASSETS	6,601	4,293
EQUITY		
Capital and reserves attributable to equity holders of the parent		
Share capital	305	229
Share premium account	11,840	6,254
Share-based payment reserve	656	329
Foreign exchange reserve	(39)	
Retained earnings	(6,117)	(2,519)
Non-Controlling Interest	(44)	-
TOTAL EQUITY	6,601	4,293

HAYDALE GRAPHENE INDUSTRIES PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Share capital	Share premium	Share-based payment reserve	Foreign Exchange Reserve	Retained profits	Total Attributable to equity holders of parent	Non-Controlling Interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 July 2014	225	6,134	71	-	370	6,800	-	6,800
Total comprehensive loss for the year	-	-	-	-	(2,889)	(2,889)	-	(2,889)
Recognition of share-based payments	-	-	258	-	-	258	-	258
Issue of ordinary share capital	4	120	-	-	-	124	-	124
At 30 June 2015	229	6,254	329	-	(2,519)	4,293	-	4,293
Comprehensive loss for the year	-	-	-	-	(3,598)	(3,598)	(39)	(3,637)
Other Comprehensive loss	-	-	-	(39)	-	(39)	(5)	(44)
Total Comprehensive loss for the year	-	-	-	(39)	(3,598)	(3,637)	(44)	(3,681)
Recognition of share-based payments	-	-	327	-	-	327	-	327
Issue of ordinary share capital	76	5,586	-	-	-	5,662	-	5,662
At 30 June 2016	305	11,840	656	(39)	(6,117)	6,646	(44)	6,601

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000

HAYDALE GRAPHENE INDUSTRIES PLC

Cash flow from operating activities		
Loss before taxation	(4,023)	(3,029)
Adjustments for:-		
Amortisation of intangible assets	63	64
Depreciation of property, plant and equipment	370	288
Impairment on available for sale asset	117	-
Reduction in deferred consideration	(117)	-
(Profit)/Loss on disposal of property, plant and equipment	(107)	19
Share-based payment charge	327	258
Finance costs	14	24
Operating cash flow before working capital changes	(3,356)	(2,376)
Increase in inventories	(115)	(98)
Increase in trade and other receivables	(128)	(126)
Decrease in payables and deferred income	187	(210)
Cash used in operations	(56)	(434)
Income tax received	128	76
Net cash flow from operating activities	(3,284)	(2,734)
Cash flow used in investing activities		
Purchase of property, plant and equipment	(470)	(1,182)
Purchase of Intangible Assets	(429)	
Proceeds from disposal of property, plant and equipment	207	-
Acquisition of subsidiary	-	(244)
Settlement of deferred consideration	(350)	-
Net cash flow in investing activities	(1,042)	(1,426)
Cash flow used in financing activities		
Finance costs	(14)	(24)
Proceeds from issue of share capital (net of share issue costs)	5,359	124
New bank loans raised	-	500
Repayments of borrowings	(162)	(68)
Net cash flow from financing activities	5,183	532
Effects of exchange rates changes	(44)	-
Net increase / (decrease) in cash and cash equivalents	813	(3,628)
Cash and cash equivalents at beginning of the financial year	2,049	5,677
Cash and cash equivalents at end of the financial year	2,862	2,049

1. General information

Haydale Graphene Industries Plc (the "Company") and its subsidiaries (together the "Group") are focussed on enabling technology for the commercialisation of graphene and other nanomaterials.

The Company is a public limited company which is listed on the AIM Market of the London Stock Exchange plc and is incorporated and registered in England and Wales. The Company's registered office is Clos Fferws, Parc Hendre, Capel Hendre, Ammanford, Carmarthenshire, SA18 3BL.

2. Group Annual Report and Statutory Accounts

The financial information of the Group set out above does not constitute "statutory accounts" for the purposes of Section 435 of the Companies Act 2006. The financial information for the year ended 30 June 2016 has been extracted from the Group's audited financial statements which were approved by the Board of directors on 23 September 2016 and will be delivered to the Registrar of Companies for England and Wales in due course. The report of the auditor on these financial statements is unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

3. Basis of preparation

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRSs') as adopted by the European Union, this announcement does not itself contain sufficient information to comply with those IFRSs. This financial information has been prepared in accordance with the accounting policies set out in the 30 June 2016 report and financial statements.

4. Revenue and interest income

(i) Goods

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised generally on delivery, or customer acceptance for where customer acknowledges the transfer of risk and reward of ownership and are liable for insuring the goods.

(ii) Services

Engineering design and research revenue is recognised on the percentage of completion method unless the outcome of the contract cannot be reliably determined, in which case contract revenue is only recognised to the extent of contract costs incurred that are recoverable. Foreseeable losses, if any, are provided for in full as and when it can be reasonably ascertained that the contract will result in a loss.

The stage of completion is determined based on the proportion of contract costs incurred compared to total estimated contract costs.

(iii) Interest income

Interest income is recognised as finance income on an accruals basis using the effective interest rate method.

5. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the board of directors of Haydale Graphene Industries Plc) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The directors of the Group consider the principal activity of the Group to be the sale and distribution of specialist research and development materials in the field of nano-technology, and therefore consider this currently to be the sole operating and reportable segment. Overseas sales relate to the fulfilment of sales generated outside the UK but actioned within the UK.

Geographical information

All revenues of the Group are derived from its principal activity, the sale and distribution of nano-technology products or the delivery of research projects into those same materials. All assets are located within the United Kingdom and all losses are generated in that territory. The Group's revenue from external customers by geographical location are detailed below.

	2016 £'000	2015 £'000
By destination		
United Kingdom	397	409
Europe	743	222
North America	3	11
Rest of the World	26	2
	1,169	644

During the year end 30 June 2016, 35% (2015: 32%) of the Group's revenue depended on a single customer and 27% (2015: 25%) of the Group's revenue depended on a second single customer.

Revenue within Europe was predominantly split between Germany (57%) and Ireland (41%) (2015: Ireland 93%).

All amounts shown as other income within the Statement of Comprehensive Income are generated within and from the United Kingdom.

Revenue from goods was £626,000 or 54% (2015: £56,000 or 9%) and revenue from services was £543,000 or 46% (2015: £588,000 or 91%).

	2016 £'000	2015 £'000
Services	543	588
Reactors	591	-
Goods	35	56
	1,169	644

6. Loss before taxation

Loss before taxation is arrived at after charging:

	2016 £'000	2015 £'000
Research and development:		
- current period's expenditure	480	524
- amortisation of capitalised expenditure	34	35
- amortisation of other intangibles	29	29
Depreciation of property, plant and equipment	370	288
Loss on disposal of property, plant and equipment	(107)	19
Foreign Exchange	(118)	41
Operating lease rentals:		
- land and buildings	98	93
- plant and machinery	23	17

7. Loss per share

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

	2016 £'000	2015 £'000
Loss after tax attributable to owners of the Haydale Graphene Industries Plc Group	(3,598)	(2,889)
Weighted average number of shares:		
- Basic and Diluted	13,713,757	11,376,248
Loss per share:		
- Basic (£) and Diluted (£)	(0.26)	(0.25)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33. At 30 June 2016, there were 1,458,775 (2015: 1,321,655) options and warrants outstanding.

8. Intangible assets

	Customer Relationships £'000	Development expenditure £'000	Goodwill £'000	Total £'000
Cost				
At 1 July 2014	-	700	51	751
Additions	285	-	634	919
At 1 July 2015	285	700	685	1,670
Additions	-	429	-	429
At 30 June 2016	285	1,129	685	2,099
Accumulated amortisation				
At 1 July 2014	-	146	-	146
Charge for the period	29	35	-	64
At 1 July 2015	29	181	-	210
Charge for the year	29	34	-	63
At 30 June 2016	58	215	-	273
Net book value				
At 30 June 2016	227	914	685	1,826
At 30 June 2015	256	519	685	1,460
At 30 June 2014	-	554	51	605

Goodwill
Goodwill arose on the acquisition of EPL Composite Solutions Ltd (now Haydale Composite Solutions Limited "HCS") on 1 November 2014 (£634,000), Haydale Ltd on 21 May 2010 (£24,000) and of the trade and assets of Intelligent Nano Technology Ltd (£27,000) on 12 May 2010.

Customer Relationships
The Customer relationships intangible asset arose on the fair value of assets on the acquisition of EPL Composite Solutions Ltd (now Haydale Composite Solutions Limited) on 1 November 2014.

Development costs
Development costs brought forward arose on the fair value of assets on the acquisition of Haydale Ltd on 21 May 2010 for development of nano-technology projects, where it is anticipated that the costs will be recovered through future commercial activity.

Development expenditure of £429,000 was capitalised during the year in accordance with IAS 38 in connection with the Group's expenditure with the development of graphene enhanced epoxy resins, where the Directors believe that future economic benefit is probable. Capitalised development expenditure is not amortised until the products or services are ready for sale or use.

Amortisation
Capitalised development costs are amortised over the estimated useful life of 20 years. The amortisation charge is recognised in administrative expenses.

The Customer relationships intangible is amortised over the estimated useful life of 10 years. The amortisation charge is recognised in administrative expenses.

9. Property, plant and equipment

	Leasehold improvements £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2014	198	605	56	2	861
Acquired on acquisition of Subsidiary	-	174	-	-	174
Additions	61	1,086	35	-	1,182
Disposals	-	(35)	-	-	(35)
At 1 July 2015	259	1,830	91	2	2,182
Additions	188	273	8	-	469
Disposals	-	(99)	-	-	(99)
At 30 June 2016	447	2,004	99	2	2,552
Accumulated depreciation					
At 1 July 2014	39	261	33	1	334
Charge for the year	24	241	22	1	288
Disposals	-	(16)	-	-	(16)
At 1 July 2015	63	486	55	2	606
Charge for the year	28	323	19	-	370
At 30 June 2016	91	809	74	2	976
Net book value					
At 30 June 2016	356	1,195	25	-	1,576
At 30 June 2015	196	1,344	36	0	1,576
At 30 June 2014	159	344	23	1	527

Included within plant and machinery are assets under construction totalling £15,000 (2015: £192,000).

10. Inventories

	2016 £'000	2015 £'000
Raw materials	72	42
Work in progress	300	229
Finished goods	26	12
	398	283

Raw materials and finished goods comprise functionalised carbon, chemicals and associated raw materials. Work in progress comprises recoverable costs on long-term contracts.

11. Trade receivables

	2016 £'000	2015 £'000
Trade receivables	49	257
	49	257

12. Other receivables

	2016 £'000	2015 £'000
Other receivables	411	166
Prepayments and accrued income	202	111
	613	277

13. Share capital and share premium

	Number of shares No.	Share capital £'000	Share premium £'000	Total £'000
At 1 July 2014	11,247,823	225	6,134	6,359
Issue of £0.02 ordinary shares	198,623	4	120	124
At 30 June 2015	11,446,446	229	6,254	6,483
Issue of £0.02 ordinary shares	3,790,500	76	5,586	5,662
At 30 June 2016	15,236,946	305	11,840	12,145

During the year, the Company issued 3,790,500 new ordinary shares of 2p each, 3,750,000 of which were issued at £1.60 in connection with the Company's £6.0 million placing and open offer in November 2015, with the balance of 40,500 ordinary shares issued were in respect of the exercise of options.

In November 2014, 198,623 £0.02 ordinary shares were issued at a price of £0.6225 per share following the acquisition of EPL Composite Solutions Ltd (now Haydale Composite Solutions Ltd), whereby the company repaid the directors' loans of the acquired entity.

Issue costs amounting to £376,372 (2015: £nil) have been charged to the share premium account in the year.

14. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	260	273
Tax and social security	67	81
Accruals and other creditors	329	265
	656	619

15. Bank loans

	2016 £'000	2015 £'000
Bank loans	270	432

The borrowings are repayable as follows:-		
- within one year	166	162
- in the second year	104	162
- in the third to fifth years inclusive	-	108
	270	432

All borrowings are denominated in pounds sterling. The directors consider that there is no material difference between the fair value and carrying value of the Group's borrowings.

	2016 **%**	**2015** **%**
Average interest rates paid	2	2

In December 2014 a bank loan of £500,000 was drawn during the year and securitised by cash deposits. The loan accrues interest at 1.5% above the Bank of England base rate and is repayable in equal monthly instalments until February 2018.

16. Deferred income

Deferred income is recognised for both capital and revenue grants from governments and other funding parties, and released as income in accordance with the relevant conditions of the grant concerned.

	2016 **£'000**	**2015** **£'000**
Grants	19	26
Commercial Deferred Income	157	-
	176	26

Grants

In the year ended 30 June 2015, Haydale Limited received a business innovation grant totalling £33,000, which is being credited to the statement of comprehensive income in line with the depreciation of the associated acquired machinery. The amount credited to the statement of comprehensive income during the year was £6,521.88.

Commercial Deferred Income

As at 30 June 2016, deferred income £157,315 arose in relation to a sale where a cash receipt was received in advance (£146,315) and a provision for potential warranty claims (£11,000), which will expire by 31 May 2017.

17. Capital commitments

The Group had the following capital commitments in the respective years:

	2016 £'000	2015 £'000
Contracted but not provided for	22	125

18. Acquisition

On 1 November 2014, the Company reached agreement to acquire the entire issued share capital of EPL Composites Solutions Ltd (now Haydale Composite Solutions Ltd) for a maximum consideration of £1.19 million. As at 30 June 2015, deferred contingent consideration of £0.77 million remained outstanding. During the year under review, the Company settled £0.35 million of the consideration in cash, £0.30 was reinvested in shares with the balance of £0.12 million being waived.

19. Post Balance Sheet Events

On 9 September 2016, the Group announced the completion of the acquisition of Innophene Co., Ltd, a business focussed on the production of graphene enhanced conductive ink and composites, based on the Thailand Science Park, Bangkok, consideration for which was settled by the issue of 176,952 new ordinary shares in Haydale to the vendors.

The Group today announced the conditional acquisition of US based ACMC Holding, Inc., and its wholly owned trading subsidiary, Advanced Composite Materials, LLC for up to $7.0 million, consideration for which is to be funded by an issue of new equity via a placing, subscription and open offer to raise up to £2.6 million and the issue of $1.0 million of new ordinary shares in Haydale to the vendors.

As at the date of this announcement, a detailed assessment of the fair value of the identifiable net assets of these companies has not been completed.

20. Going Concern

The directors have prepared and reviewed financial forecasts. After due consideration of these forecasts, current cash resources and the net proceeds of the fundraising agreed today and scheduled to be received by the Company on or around 12 October 2016, the directors consider that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report), and for this reason the financial statements have been prepared on the going concern basis.

21. Further information

A copy of this preliminary statement will be available to download on the Group's website www.haydale.com. Copies of the Annual Report and Accounts, together with the notice convening the annual general meeting, will be posted to shareholders in due course at which time the Annual Report and Accounts will be made available to download on the Group's website, www.haydale.com, in accordance with AIM Rule 26.

22. Notice of Adoption of Financial Reporting Standard 101 ("FRS 101"): Reduced Disclosure Framework

The parent company's financial statements contained in the Company's Annual Report for the year ended 30 June 2015 were prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

A new UK GAAP accounting framework introduced by the Financial Reporting Council ("FRC") became mandatorily effective for the financial statements of UK companies with accounting periods commencing on or after 1 January 2015. Under this new framework, the Company is required to elect to prepare its parent company financial statements on one of the bases permitted by the FRC. The

consolidated financial statements of the Company's group will continue to be prepared in accordance with EU-adopted IFRS and are unaffected by this new accounting framework.

The Company proposes to adopt FRS 101, a reduced disclosure regime, for its parent company financial statements for the year ended 30 June 2016 and on an ongoing basis until such time as the Company notifies shareholders of any change to its chosen accounting framework for the parent company financial statements. The Company's election to adopt FRS 101 for its parent company's financial statements does not require shareholder approval. However, as stipulated in FRS 101, the Company is required to notify all shareholders of this election. Any shareholder or shareholders holding in aggregate 5 per cent or more of the total allotted shares in the Company may serve an objection. Objections must be served in writing and delivered to the Company Secretary at Clos Fferws, Parc Hendre, Capel Hendre, Ammanford, Carmarthenshire, SA18 3BL not later than 23 October 2016.