

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) 596 / 2014 WHICH FORMS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("MAR").

Haydale Graphene Industries plc
('Haydale' or the 'Group')
Haydale US placed into insolvency process

Ammanford, 10 February 2025 - Haydale (AIM: HAYD), the advanced materials group, announces that, further to the Group's announcement of 23 December 2024 regarding the completion of the reconstituted Board's business review, the Board has lodged the necessary filings in court in the state of Georgia (the "Court") to place its wholly owned subsidiary, Haydale Ceramic Technologies LLC, ("HCT") into a corporate insolvency process under Chapter 11 subchapter V of the United States ("US") Bankruptcy Code, and a Court hearing is expected to be held over the next few days to consider the commencement of the process.

Under the protection of the Chapter 11 subchapter V process, the Group then intends to proceed to file a proposed plan with the Court to sell the assets of HCT through a court supervised process pursuant to section 363 of the US Bankruptcy Code (the "Plan") via a public auction. This is seen by management as the best means of realising maximum value for those assets and giving the greatest potential for cash to be returned to Haydale (which has an outstanding intercompany debtor balance within the US sub group of £12.8m to the Group (the "Intergroup Balance")) after all liabilities of HCT have been settled, albeit there can be no guarantee of any such outcome. The Group has received several expressions of interest from third party companies that are expected to participate in the process.

Chapter 11 subchapter V is a court-supervised process for small companies that provides protection from pre-existing creditors whilst the sales process is effected. During this process, HCT will remain in possession and control of its assets to allow the business and operations to continue uninterrupted. It is anticipated that HCT will remain in Chapter 11 for a period of up to 90 days; HCT has sufficient access to working capital to fund itself through this process.

HCT comprises the Group's Silicon Carbide and cutting tool manufacturing facility based in Greer, South Carolina, with sales offices serving the North American, European and East Asian markets. In the Group's results for the year to 30 June 2024 Haydale US generated revenues of £3.3m, making pre-tax losses of £0.8m, and had net liabilities of £4.7m at the same balance sheet date.

Over the last few years, the Group has strategically repositioned its US operations by expanding focus from silicon carbide (SiC) powder sales to the manufacture and distribution of advanced cutting tools. This transition aimed to enhance value by moving up the supply chain and capitalising on the growing demand in sectors such as aerospace and automotive. Despite these strategic initiatives, the expected growth in the Group's US operations has not materialised. It has become clear to the reconstituted Board that the previous management team's confidence in the US business' ability to convert the pipeline on a timely basis was overly optimistic and not reflective of the Group's operational preparedness or knowledge of market conditions. Despite efforts to improve the performance of the US business, the Board expects HCT to remain loss-making beyond FY25 and has concluded that divestment of the US operations is in the best interests of the Company and its shareholders. In arriving at this decision, the Directors considered other possible scenarios, though concluded that the time required, costs and intervening persistent cash drain on the Group would not be justified.

The chosen course of action will significantly reduce overhead costs and operational complexity, contributing to the Group's goal of achieving improved profitability and cash flow in FY25, in order to protect Haydale's core business. Substantial cost savings in FY25 will be realised through the elimination of ongoing operating losses and associated overheads in the US business.

The remaining Intergroup Balances and investment not already provided against by Haydale as at 30 June 2024 will be provided against in full in the interim accounts to 31 December 2024.

Following the above process, the sale of the Group's South Korean Subsidiary as announced on 23 December 2024, and the exit from the Thailand operations effected earlier in January 2025, Haydale will comprise the Group's UK based nanomaterials business that facilitates the integration of graphene and other nanomaterials into the next generation of industrial materials and commercial technologies, incorporating Haydale's rich base of c100 patents.

Further announcements will be made at the appropriate time.

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