

29 November 2017

PipeHawk plc
(“PipeHawk” or the “Company”)

Acquisition of Thomson Engineering Design Limited

PipeHawk is pleased to announce that it has agreed to acquire the entire issued share capital of Thomson Engineering Design Limited (“Thomson”) for a consideration of £1 (the “Acquisition”). Thomson provide solutions for product design and development issues as well as productions for the construction, rail and road haulage industries. The Company’s subsidiary QM Systems has a number of rail industry clients and the board believes that the Acquisition will help provide even greater access to the rail industry, an exciting area of potential expansion for QM Systems; whilst QM Systems’ innovative design and manufacturing expertise will enhance Thomson’s marketing offering and subsequent delivery.

In its most recent financial year to 30 April 2017, Thomson recorded unaudited revenues of approximately £800,000 and an unaudited loss before tax of approximately £180,000. In the six months to 31 October 2017, Thomson achieved an unaudited profit before tax of £22,000 on turnover of £393,000.

As at 30 April 2017, Thomson had net liabilities of approximately £10,000. The vendors of Thomson have warranted that net assets at completion of the Acquisition will be in excess of £1.

Thomson has unsecured, interest free, short term loans due to the vendors of the business amounting to £269,000, of which £19,000 will not be payable before 14 July 2022, and the balance of £250,000 represents unsecured loan notes (“Thomson Loan Notes”).

At completion, PipeHawk accepted the transfer of the liability for £50,000 of the Thomson Loan Notes (“PipeHawk Loan Notes”). Conditional upon the approval of resolutions numbered 4 and 5 contained in the Notice of Annual General Meeting to be held on 14 December 2017, the holders of the PipeHawk Loan Notes have agreed to subscribe for 1,000,000 ordinary shares of 1p each in the Company (“Ordinary Shares”) at a price of 5p per Ordinary Share (the “Subscription Shares”) and the Company will use the proceeds to repay the PipeHawk Loan Notes. The holders have agreed not to dispose of the Subscription Shares for a period of two years from issue. The remaining £200,000 of Thomson Loan Notes will continue to be interest free and Thomson will commence repayment on 14 July 2018 at a rate of £12,500 per quarter, for a period of four years.

If the resolutions are not passed at the AGM, the Subscription Shares will not be issued, and the repayment of the PipeHawk Loan Notes will be funded by PipeHawk’s existing cash reserves.

Admission and Total Voting Rights

Application will be made for the Subscription Shares to be admitted to trading, which is expected to occur on or around 18 December 2017.

Following the issue of the Subscription Shares, the Company will have 34,020,515 Ordinary Shares in issue, with one voting right per share. The Company does not hold any shares in treasury. The total number of Ordinary Shares and voting rights in the Company is therefore 34,020,515.

The above figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the FCA’s Disclosure, Guidance and Transparency Rules.

Enquiries:

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