

15 August 2016



Pennant International Group plc
(AIM: PEN)

First equity fundraising since 2001;
£3.56m placing to provide working capital for major new contract awards and purchase of freehold property;
Introduction of new institutional investors; and
Trading update

Pennant International Group plc ("Pennant" or "the Group"), the AIM quoted supplier of integrated logistic support solutions, products and services, principally to the defence, rail, aerospace and naval sectors and to Government Departments is pleased to announce a share issue to raise a total of up to c.£3.56 million (before expenses) by way of:

- an oversubscribed Firm Placing of 2,504,200 Ordinary Shares of 5 pence each, utilising the Company's existing share authorities, at a price of 55 pence per share to raise £1,377,310 (before expenses); and
- an oversubscribed Conditional Placing of 3,967,072 Ordinary Shares of 5 pence each at a price of 55 pence per share to raise £2,181,890 (before expenses)

The Placing Price represents a discount of approximately 12.7 per cent. compared with the mid-market price of 63 pence per share at which the Ordinary Shares were quoted on AIM as at close of trading on 12 August 2016, the last trading day prior to announcement of the Placing.

A circular will be posted today to Shareholders to convene a general meeting (the "General Meeting") (the "Circular"). The Circular sets out in more detail the background to and reasons for the Placing and contains the resolution proposed to be put to Shareholders at the General Meeting. All capitalised terms in this announcement are as defined in the Circular which will be available on the Company's website: www.pennantplc.co.uk

This announcement contains information which prior to its disclosure was inside information for the purposes of the Market Abuse Regulation.

1. Summary

The Firm Placing comprises the placing of 1,527,739 Ordinary Shares held in treasury and the allotment and issue of 976,461 new Ordinary Shares, in each case at a price of 55 pence per share. A total of £1,377,310 (before expenses) has been raised by way of the Firm Placing utilising the existing share authorities granted at the 2016 AGM. The Firm Placing is conditional only upon compliance by the Company in all material respects with its obligations under the Placing Agreement and the occurrence of First Admission.

The Conditional Placing comprises the placing of 3,967,072 new Ordinary Shares at a price of 55 pence per share. The Conditional Placing will raise approximately £2,181,890 (before expenses). The Conditional Placing is conditional, *inter alia*, upon Shareholders approving the Resolution at the General Meeting, compliance by the Company in all material respects of its obligations under the Placing Agreement and the occurrence of First Admission and Second Admission.

The Directors consider the Conditional Placing to be in the best interests of the Company and its Shareholders as a whole. The Directors unanimously recommend that Shareholders vote in favour of the Resolution to be proposed at the GM as they have intend to do in respect of their own beneficial holdings.

2. Background to and reasons for the Placing

In June 2016 the Company announced that it had secured work on two major projects. The projects with two Middle Eastern customers have an aggregate value in excess of £13 million. Having taken into consideration the working capital requirements of these contracts and to ensure sufficient headroom to facilitate any variations to these contracts or on any other of the Company's other existing orders, the Directors believe it is prudent to supplement the Company's current working capital resources by way of an equity fundraising. The Company has not raised equity since 2001 and the Directors believe that an equity fundraising will not only address the Company's working capital requirements but will facilitate the introduction of new institutional investors, which in turn should enhance the market profile and investor interest in the Company.

3. Trading update

The results for the six month period ended 30 June 2016 are scheduled to be announced on or around 27 September 2016 and are expected to show a profit before tax of approximately £10,000 on turnover of £6,600,000. The Company indicated in a statement made on 16 June 2016 that it expects a substantial improvement in trading in the second half based on the level of the confirmed order book. Trading since that date has been in line with market and management's expectations.

4. Details of the Placing

Subject to the satisfaction of the conditions under the Firm Placing and the conditions under the Conditional Placing including, *inter alia*, the passing of the Resolution, the Company will place a total of 4,943,533 new Ordinary Shares and 1,527,739 Treasury Shares raising in aggregate approximately £3.56 million, before expenses. The Placing Shares have been conditionally placed by WH Ireland, as agent for the Company with institutional and other investors. The Placing Shares will be allotted or acquired (as appropriate) at the Placing Price.

The Firm Placing is conditional, *inter alia*, upon:

- i. compliance by the Company in all material respects with its obligations under the Placing Agreement; and
- ii. Admission of the Firm Placing Shares becoming effective by not later than 8 a.m. on 18 August 2016.

The Conditional Placing is conditional, *inter alia*, upon:

- i. the Resolution to be proposed at the General Meeting being passed without amendment;
- ii. compliance by the Company in all material respects of its obligations under the Placing Agreement; and
- iii. Admission of:
 - a. the Firm Placing Shares becoming effective by not later than 8 a.m. on 18 August 2016; and
 - b. the Conditional Placing Shares becoming effective by not later than 8 a.m. on 1 September 2016.

The Placing Price represents a discount of approximately 12.7 per cent. compared with the mid-market price of 63 pence per share at which the Ordinary Shares were quoted on AIM as at close of trading on 12 August 2016, the last trading day prior to announcement of the Placing.

Pursuant to the terms of the Placing Agreement, WH Ireland, as agent for the Company, has agreed to use its reasonable endeavours to procure subscribers or purchasers (as appropriate) for the Placing Shares at the Placing Price. The Placing has not been underwritten by WH Ireland.

The Placing Agreement contains warranties from the Company in favour of WH Ireland in relation to, *inter alia*, the accuracy of the information in this Circular and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify WH Ireland in relation to certain liabilities it may incur in respect of the Placing. WH Ireland has the right to terminate the Placing Agreement in certain circumstances prior to First Admission or Second Admission, in particular, in the event of a material breach of the warranties given to WH Ireland in the Placing Agreement, the failure of the Company to comply in any material respect with its obligations under the Placing Agreement, the occurrence of a force majeure event or a material adverse change affecting the condition, or the earnings or business affairs or prospects of the Group as a whole, whether or not arising in the ordinary course of business.

Settlement and dealings

Application has been made for the Firm Placing Shares to be admitted to trading on AIM (to the extent not already admitted), with dealings expected to commence on 18 August 2016. In due course application will be made for the Conditional Placing Shares to be admitted to trading on AIM and, on the assumption that, *inter alia*, the Resolution is passed, dealings are expected to commence on 1 September 2016.

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared on or after the date on which they are issued or transferred (as appropriate). It is expected that CREST accounts will be credited with entitlements to the Placing Shares as soon as practicable after 8.00 a.m. on the day of First Admission or Second Admission (as applicable) and that share certificates (where applicable) will be despatched as soon as practicable after First Admission or Second Admission (as applicable).

In accordance with the provisions of the Disclosure and Transparency Rules of the FCA, the Company confirms that, following the Placing, its issued share capital will comprise 32,943,533 Ordinary Shares of 5 pence each. All Ordinary Shares shall have equal voting rights and, following the Firm Placing, none of the Ordinary Shares will be held in treasury. The total number of voting rights in the Company immediately following Second Admission will therefore be 32,943,533.

5. Use of proceeds

The net proceeds of the Placing will be used principally to provide the Company with the working capital headroom that the Directors believe is appropriate to support the delivery of the Company's existing order book as supplemented by the recent new projects outlined in paragraph 3 above. In addition, the Company expects to use approximately £500,000 of the proceeds to acquire an additional freehold property adjacent to the Company's existing premises. This will provide the Company with additional production space and facilitate future growth in the Training Systems division of the Company.

6. General Meeting

The Circular will contain a notice convening a General Meeting of the Company to be held at the offices of Company, Pennant Court, Staverton Technology Park, Cheltenham, Gloucester GL51 6TL at 10.30 a.m. on 31 August 2016 at which the resolution proposed to disapply statutory pre-emption rights in respect of the allotment and issue of such number of new Ordinary Shares as are necessary for the Conditional Placing will be put to Shareholders.

The Directors already possess sufficient authority to allot all the Placing Shares to the extent not already held in treasury pursuant to the authorities conferred upon them by the resolutions passed at the 2016 AGM. The passing of the Resolution will enable the Directors to allot the Placing Shares for the Conditional Placing without the application of statutory pre-emption rights.

7. Excess demand and Director participation

As a result of the recent progress the Company has made, both in terms of refining its corporate governance framework and through the securing of two significant contract wins, there has been significant demand for the Company's shares, both from new and existing institutional shareholders. In order to meet this demand, it is the intention of the CEO of the Company, Chris Snook to sell c. 1,000,000 Existing Ordinary Shares at the Placing Price representing c.3.6 per cent. of issued share capital.

Simon Moore, Chairman of the Company, will acquire 18,183 Firm Placing Shares. Following Second Admission, Mr Moore will have an interest in 0.06 per cent. of the issued share capital.

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PLACING STATISTICS

Placing Price	55 pence
Number of Existing Ordinary Shares	28,000,000
Total number of voting rights as at the date of the Circular	26,472,261
Number of Ordinary Shares held in treasury to be sold in the Firm Placing	1,527,739

Number of new Ordinary Shares to be issued pursuant to the Firm Placing	976,461
Number of Ordinary Shares in issue immediately following First Admission	28,976,461
Number of Conditional Placing Shares to be issued pursuant to the Conditional Placing	3,967,072
Total number of new Ordinary Shares to be issued pursuant to the Firm Placing and the Conditional Placing	4,943,533
Percentage of the Enlarged Share Capital represented by the Placing Shares excluding shares held in treasury	15.0 per cent.
Number of Ordinary Shares in issue immediately following Second Admission	32,943,533
Total voting rights following Second Admission	32,943,533
Gross proceeds of the Placing	Approximately £3.56 million
Estimated net proceeds of the Placing	Approximately £3.32 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Despatch of the Circular to Shareholders	15 August 2016
First Admission and dealings in the new Ordinary Shares pursuant to the Firm Placing expected to commence on AIM	18 August 2016
Expected date for CREST accounts to be credited for Firm Placing Shares to be held in uncertificated form	18 August 2016
Latest time and date for receipt of Forms of Proxy	10.30 a.m. on 29 August 2016
General Meeting	10.30 a.m. on 31 August 2016
Second Admission and dealings in the Conditional Placing Shares expected to commence on AIM	1 September 2016
Expected date for CREST accounts to be credited for Conditional Placing Shares to be held in uncertificated form	1 September 2016
Despatch of definitive share certificates in respect of the Conditional Placing Shares to be held in certificated form, if applicable	by 12 September 2016

Notes

1. Each of the times and dates above are indicative only and if any of the details contained in the timetable above should change, the revised times and dates will be notified to Shareholders by means of an announcement through a Regulatory Information Service.
2. All of the above times refer to London time unless otherwise stated.
3. All events listed in the above timetable in relation to the Conditional Placing are conditional on the passing at the General Meeting of the Resolution.