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If you have sold or transferred all your Ordinary Shares in Paragon Diamonds Limited, you should send this document, together with the accompanying Form of Proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Paragon Diamonds Limited

(incorporated in Guernsey with registered number 51819)

Authority to issue shares

Notice of General Meeting

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Notice of a General Meeting of the Company, to be held at the Company's registered office, Dixcart House, Sir William Place, St. Peter Port, Guernsey GY1 1GX at 11.00 a.m. on 8 January 2014 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the General Meeting. To be valid, the Form of Proxy should be completed and returned in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by the Company's registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA no later than 11.00 a.m. on 6 January 2014. Completion and posting of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the General Meeting.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy by the registrars in respect of the General Meeting	11.00 a.m. on 6 January 2014
General Meeting	11.00 a.m. on 8 January 2014

DIRECTORS, SECRETARY AND ADVISERS

Directors	Martin Doyle (<i>Executive Chairman</i>) Stephen Grimmer (<i>Managing Director</i>) Simon Retter (<i>Finance Director</i>) Buddy Doyle (<i>Non-executive Director</i>) all of the registered office as set out below
Company Secretary	William Place Secretaries
Registered Office	Dixcart House Sir William Place St. Peter Port Guernsey GY1 1GX
Nominated Adviser and Broker	Sanlam Securities UK Limited 10 King William Street London EC4N 7TW
Auditors to the Company	Baker Tilly Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB
Solicitors to the Company (English Law)	DWF LLP Bridgewater Place Water Lane Leeds S11 5DY
Solicitors to the Company (Guernsey Law)	Carey Olsen PO Box 98 Carey House, Les Banques St Peter Port Guernsey GY1 4BZ
Registrars	Neville Registrars Neville House 18 Laurel Lane Halesowen B63 3DA

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Company”	Paragon Diamonds Limited
“Directors” or “the Board”	the directors of the Company at the date of this document, whose names are set out on page 4 of this document
“Form of Proxy”	the form of proxy enclosed with this document for use by Shareholders in connection with the General Meeting
“General Meeting”	the general meeting of the Company (or any adjournment of such meeting) convened for 11.00 a.m. on 8 January 2014 to be held at the Company’s registered office, Dixcart House, Sir William Place, St. Peter Port, Guernsey GY1 1GX, for which the notice is set out at the end of this document
“Ordinary Shares” or “Shares”	ordinary shares of 1p each in the capital of the Company
“Resolutions”	the resolutions set out in the Notice of General Meeting at the end of this document
“Shareholders”	holders of Ordinary Shares

LETTER FROM THE DIRECTORS

Paragon Diamonds Limited

(incorporated in Guernsey with registered number 51819)

Directors

Martin Doyle
Stephen Grimmer
Simon Retter
Buddy Doyle

Registered Office:

Dixcart House
Sir William Place
St. Peter Port
Guernsey GY1 1GX

29 November 2013

Dear Shareholder,

Introduction

In order for the Company to continue to grow and develop its assets the Directors are seeking additional authority to issue shares, thus enabling flexibility over its strategy. In addition, the Directors are seeking approval in respect of the issue of shares to Lanstead Capital LP previously announced on the 15 November 2013.

The General Meeting

You will find at the end of this document a notice convening a General Meeting of the Company, to be held at the Company's registered office, Dixcart House, Sir William Place, St. Peter Port, Guernsey GY1 1GX at 11.00 a.m. on 8 January 2014 at which the following resolutions will be proposed:

1. THAT the Directors be hereby generally and unconditionally authorised to allot shares up to an aggregate value of £1,442,979.59
2. THAT the Directors be hereby authorised to allot equities for cash up to an aggregate value of £1,442,979.59 otherwise than in accordance with any pre-emption process
3. THAT the special resolution 6 (the "Earlier Resolution") at appendix A of this notice be varied by increasing the limit of the authority contained in the Earlier Resolution
4. THAT the breach of article 9.2 be ratified and approved.

Entitlement to attend and vote

The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 6.00 p.m. on 6 January 2014. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Action to be taken

You will find enclosed a Form of Proxy for use at the General Meeting. Please complete, sign and return the Form of Proxy as soon as possible in accordance with the instructions printed thereon. Whether or not you intend to be present at the General Meeting, you are requested to complete the enclosed Form of Proxy and return it to the Company's registrars, Neville Registrars, so as to arrive as soon as possible and in any event no later than 11.00 a.m. on 6 January 2014. Completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person should you wish to do so.

Recommendation

The Directors consider the Resolutions to be fair and reasonable and in the best interests of the Shareholders and the Company as a whole and therefore recommend that you vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings amounting, in aggregate to 1,117,258 Ordinary Shares representing approximately 0.39 per cent. of the issued share capital of the Company.

Yours sincerely,

Simon Retter

On behalf of the Directors

PARAGON DIAMONDS LIMITED

(Incorporated in Guernsey with registered number 51819)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of Paragon Diamonds Limited (the “Company”) will be held at the Company’s registered office, Dixcart House, Sir William Place, St. Peter Port, Guernsey GY1 1GX on 8 January 2014 at 11.00 a.m. to transact the following business:

SPECIAL BUSINESS

As special business to consider and, if thought fit, pass the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolutions 2, 3 and 4 will be proposed as special resolutions of the Company:

Allotment of shares

1. THAT the Directors be hereby generally and unconditionally authorised, in substitution for all previous powers granted to them, pursuant to Article 8 of the Company’s Articles of Incorporation (“the Articles”) to exercise all the powers of the Company to allot and make offers to allot equity securities (as defined in Article 8 of the Articles) up to an aggregate nominal amount of £1,442,979.59 provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 or 30 September 2014 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as the authority conferred hereby had not expired.

Disapplication of pre-emption rights

2. THAT the Directors be authorised and empowered, in substitution for all previous power granted to them, pursuant to Article 9 of the Articles to allot equity securities (as defined in Article 8 of the Articles) for cash pursuant to the authority referred to in resolution 6 above as if Article 9.2 of the Articles did not apply to any such allotment provided that this power should be limited to the allotment of equity securities:
 - a. on a *pro rata* basis to the holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law of, or the requirements of any regulatory body or any recognised stock exchange in, any territory; and
 - b. with an aggregate nominal amount of £1,442,979.59 otherwise than pursuant to paragraph above;

and this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 or 30 September 2014 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as the authority conferred hereby had not expired.

Variation of Special Resolution

3. THAT the Special Resolution 6 (the “Earlier Resolution”) at Appendix A of this Notice, passed at the general meeting of the Company on 18 July 2013 be varied by:

- 3.1 replacing the reference to “resolution 6” in the third line of the Earlier Resolution with “resolution 5”;
- 3.2 replacing “£446,591.83” referred to in part b of the Earlier Resolution with £653,000.00;
- 3.3 inserting “6a” after the word “paragraph” in part b of the Earlier Resolution;

so that the Earlier Resolution passed on 18 July 2013 reads:

THAT the Directors be authorised and empowered, in substitution for all previous power granted to them, pursuant to Article 9 of the Articles to allot equity securities (as defined in Article 8 of the Articles) for cash pursuant to the authority referred to in resolution 5 above as if Article 9.2 of the Articles did not apply to any such allotment provided that this power should be limited to the allotment of equity securities:

- a. on a *pro rata* basis to the holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law of, or the requirements of any regulatory body or any recognised stock exchange in, any territory; and
- b. with an aggregate nominal amount of £653,000.00 otherwise than pursuant to paragraph 6(a) above;

and this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 or 30 September 2014 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as the authority conferred hereby had not expired.

Ratification of Breach of Article 9.2

4. THAT the issue by the Company of 20,640,817 Ordinary Shares in the capital of the Company with an aggregate nominal amount of £206,408.17 in excess of the amount permitted by the Earlier Resolution on 18 July 2013 to Lanstead Capital L.P. in contravention of Article 9.2 of the Articles is hereby ratified and approved.

By order of the Board

William Place Secretaries Limited

Company Secretary

29 November 2013

Registered office:

Dixcart House
Sir William Place
St. Peter Port
Guernsey
GY1 1GX

APPENDIX A

Special Resolution 6

Disapplication of pre-emption rights

6. THAT the Directors be authorised and empowered, in substitution for all previous power granted to them, pursuant to Article 9 of the Articles to allot equity securities (as defined in Article 8 of the Articles) for cash pursuant to the authority referred to in resolution 6 above as if Article 9.2 of the Articles did not apply to any such allotment provided that this power should be limited to the allotment of equity securities:

- a. on a *pro rata* basis to the holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under law of, or the requirements of any regulatory body or any recognised stock exchange in, any territory; and
- b. with an aggregate nominal amount of £446,591.83 otherwise than pursuant to paragraph above;

and this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2014 or 30 September 2014 (whichever is earlier) save that the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as the authority conferred hereby had not expired.

Notes:

1. A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint one or more persons as proxy to attend, speak and vote at the meeting instead of such Shareholder provided that if two or more proxies are appointed, each proxy must be appointed to exercise the rights attaching to different shares. A proxy need not also be a Shareholder. The delivery of an appointment of proxy shall not preclude a Shareholder from attending and voting at the General Meeting or at any adjournment thereof.
2. A Form of Proxy is enclosed. If you do not intend being present at the General Meeting and in order for the proxy to be valid please sign and return it so as to reach the Company's Registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, B63 3DA by 11.00 a.m. on 6 January 2014 (or, as the case may be, 48 hours prior to any adjournment of such meeting). The return by a member of a duly completed form of proxy will not preclude such member from attending in person and voting at the meeting.
3. In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy, but the vote of the senior (by order in the register of members) who tenders a vote will be accepted to the exclusion of the others.
4. The quorum for the General Meeting is two Shareholders present either in person or by proxy. The majority required for the passing of each ordinary resolution is a simple majority of the total number of votes cast on such ordinary resolution.
5. At the General Meeting the votes may be taken on the Resolutions by a show of hands or on a poll, at the option of the Chairman. On a poll every Shareholder who is present, in person or by proxy, shall have one vote for every Ordinary Share held by him. On a poll votes may be given either personally or by proxy. A Shareholder entitled to more than one vote need not use all of his votes or cast all of the votes he uses in the same way.
6. To allow effective constitution of the General Meeting, if it is apparent to the Chairman that no Shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any Shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.
7. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specified that only those shareholders entered in the Company's register of members as at 6.00 p.m. on 6 January, will be entitled to attend or vote at the meeting and that the members of votes which any such shareholder may cast, upon a poll, will be determined by reference to the number of shares registered in such shareholder's name at the time. Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote the meeting.
8. As at 28 November 2013 (being the last business day prior to the publication of this document) the Company's issued share capital consists of 288,595,917 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 28 November 2013 are 288,595,917.

9. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
10. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA11) by 11.00 a.m. on 6 January 2014 (or 48 hours preceding the date and time for any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
11. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time). In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

