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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)

Buyback of 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 9 December 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 7 December 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 in respect of the General Meeting	11.00 a.m. on 7 December 2014
General Meeting	11.00 a.m. on 9 December 2014
Proposed completion of the Buyback, Swap Settlement and Loan	9 December 2014

DIRECTORS, SECRETARY AND ADVISERS

Directors	Philip Falzon Sant Manduca (<i>Executive Chairman</i>) Stephen Grimmer (<i>Managing Director</i>) Simon Retter (<i>Finance Director</i>) Martin Doyle (<i>Non-executive Director</i>) all of the registered office as set out below
Company Secretary	William Place Secretaries Limited
Registered Office	Dixcart House Sir William Place St. Peter Port Guernsey GY1 1GX
Nominated Adviser and Broker	Northland Capital Partners Limited 131 Finsbury Pavement London EC2A 1NT
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 LS11 5DY
Solicitors to the Company (Guernsey Law)	Carey Olsen PO Box 98 Carey House, Les Banques St Peter Port Guernsey GY1 4BZ
Registrars	Neville House 18 Laurel Lane Halesowen B63 3DA

DEFINITIONS

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

“AIM Rules”	the AIM Rules for Companies
“Buyback”	the proposed acquisition by the Company, by means of an offmarket transaction, and subsequent cancellation, of 63,000,000 Ordinary Shares at a price of 3p per share for a total consideration of £1,890,000
“Companies Law”	the Companies (Guernsey) Law, 2008, as amended
“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 9 December 2014 to be held at the Company’s registered office, Dixcart House, Sir William Place, St. Peter Port, Guernsey GY1 1GX, notice of which is set out at the end of this document
“Lanstead”	Lanstead Capital L.P., a Shareholder at the date of this document
“Lanstead Shares”	the 63,000,000 Shares owned by Lanstead at the date of this document
“Loan”	the convertible loan of approximately £1,337,000 to be made by Titanium to the Company in order to fund the cash requirement of the Buyback
“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
“Swap Agreements”	the agreements entered into between the Company and Lanstead on 4 June 2013 and 15 November 2013 whereby the parties agreed certain equity swaps in conjunction with share subscriptions by Lanstead on those dates
“Swap Settlement”	the agreement between the Company and Lanstead to close all remaining swaps under the Swap Agreements based on a price of 3p per share
“Titanium”	Titanium Capital Investments Limited, a Shareholder at the date of this document

LETTER FROM THE DIRECTORS

Paragon Diamonds Limited

(incorporated in Guernsey with registered number 51819)

Directors

Philip Falzon Sant Manduca
Stephen Grimmer
Simon Retter
Martin Doyle

Registered Office:

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

13 November 2014

Dear Shareholder,

Introduction

Lanstead currently holds 63,000,000 Shares representing an 18.9% investment in the Company. This investment was originally obtained by way of two subscriptions for a total of 85,000,000 new Shares undertaken on 4 June 2013 and 15 November 2013. As part of the transaction, equity swaps were entered into over 63,750,000 Shares, which equity swaps were to be settled monthly over a period of twenty four months.

On 11 November 2014, the Company announced that it had agreed to purchase the Lanstead Shares in an offmarket transaction, conditional on Shareholder approval, at a price of 3p per share, for a total consideration of £1,890,000, and that the Shares so purchased would be cancelled. In addition, the Company announced that it and Lanstead had agreed to accelerate the settlement of the remaining equity swaps with Lanstead over 33,281,350 Shares based on a settlement price of 3p per share, resulting in a payment due to the Company of approximately £553,000. It is the intention to offset this amount against the consideration payable under the Buyback. The net amount payable to Lanstead of approximately £1,337,000 is to be funded by a loan by Titanium to the Company.

The Titanium Loan is to be provided interest free with a two year maturity, repayable at par on demand in cash or convertible at the option of Titanium into Shares at a price of 3p per Share.

To provide the Board with flexibility to issue further Shares, including the re-issue of the Lanstead Shares, the Company is also seeking Shareholder approval to dis-apply pre-emption rights to enable it to allot equity securities, for cash, up to an aggregate nominal amount of £1,975,818.18. This authority covers the potential exercise of all outstanding options and convertible loans as previously announced, and renews previous authority for the issue of Shares.

Background to and reasons for the Buyback

It is the Board's intention that the Company continues with its strategy of development of its principal interest which comprises the flagship Lemphane Kimberlite project in Lesotho, where the Board is looking to commence Stage 1 production of large high value stones in the near term.

The proposed Buyback is aimed at enhancing Shareholder value by reducing the number of Shares in issue to ensure that maximum value is generated for current Shareholders (after taking into account the potential dilution effect of the Loan) through the development of the Lemphane Kimberlite project. Under the current authority obtained at the last Annual General Meeting, the Company is only permitted to buy back Shares from the market. As the Buyback is to be undertaken by an off-market purchase, Shareholder approval is required under the Companies Law. The Company is therefore seeking Shareholder approval to effect the Buyback.

As at 12 November 2014, the total number of Shares in issue was 332,567,427. Following Completion of the Buyback, the total number of Shares in issue will be 269,567,427.

The Directors believe that the ability of the Company to purchase its Shares is an important mechanism for managing capital efficiency and they therefore intend to retain the general buy-back of Shares authority that was granted at the last Annual General Meeting on 8 July 2014 to make market purchases for up to a maximum aggregate number of 33,106,743 of its own Shares.

To enable the Company to complete the off-market Buyback as described above, as well as to provide flexibility over potentially re-issuing the 63,000,000 Shares should it be required, in addition to any Shares which may be issued pursuant to any outstanding options and convertible loans previously announced, the Resolutions as set out below, are now being proposed.

Loan From Titanium

To facilitate the Buyback, Titanium has agreed to provide a loan of approximately £1,337,000 in exchange for convertible loan notes. The loan notes will be redeemable at par in cash on demand, with a long stop date of December 2016.

The loan will be interest free and is convertible at any time in whole or in part into Shares at a price of 3p per Share.

Equity Swaps

Under the Swap Settlement, all remaining Swap Agreements will be settled immediately on completion of the Buyback at a price of 3p per share.

The Swap Settlement will be calculated by reference to the date of completion, which is proposed to be the same date as the General Meeting, and is likely to result in a net payment owed to the Company under the Swap Agreements of approximately £553,000. This amount will be set off against the consideration owed by the Company to Lanstead under the Buyback.

Following completion of the Swap Settlement, each of the Company and Lanstead will release each other from any liabilities under the Swap Agreements.

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 9 December 2014 at which the following resolutions will be proposed:

- 1. Without prejudice to any subsisting authority conferred on the Company, the Company be and is hereby generally and unconditionally authorised for the purposes of section 314 of the Companies (Guernsey) Law, 2008, as amended, to acquire 63,000,000 ordinary shares in the capital of the Company from Lanstead Capital L.P. for an aggregate consideration of £1,890,000, and that the terms of a contract to acquire such ordinary shares (the terms of which are set out in a circular dated the same date as this notice) be and are hereby approved for the purposes of section 314(2) of the Companies Law and the Company be and is hereby authorised to enter into such contract PROVIDED THAT this authority shall expire on 30 September 2015.*
- 2. Subject to and conditional upon the passing of Resolution 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 £1,975,818.18 provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2015 or 30 September 2015 (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.

3. *Subject to and conditional upon the passing of Resolution 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 2 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 £1,975,818.18 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 2015 or 30 September 2015 (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.

Resolution 1 – Buyback of own shares

The resolution is a special resolution and gives the Company the authority to complete an off-market buyback of 63,000,000 Ordinary Shares from Lanstead.

A copy of the draft contract to effect the Buyback will be available for inspection at the Company's registered office for a period of 15 days ending with the date of the General Meeting, and at the General Meeting itself, and the terms of the contract are as follows:

Name of Shareholder: Lanstead Capital L.P.

Number of Ordinary Shares proposed to be acquired by the Company: 63,000,000

Consideration: an aggregate amount of £1,890,000 (3p per Ordinary Share)

The Ordinary Shares acquired by the Company will be cancelled.

The selling shareholder warrants that it is the legal and beneficial owner of the Ordinary Shares free from all encumbrances and that the Ordinary Shares are fully paid

Resolution 2 – Authority to issue Ordinary Shares

The resolution is an ordinary resolution that gives the Directors authority to allot and issue up to 197,581,818 Ordinary Shares in the Company.

Resolution 3 – Disapplication of pre-emption rights

The resolution is a special resolution that includes authority to allot equity securities, for cash, with an aggregate nominal amount of £1,975,818.18, otherwise than on a pre-emptive basis.

Related Party Transactions

The Buyback, Swap Settlement and Loan each constitutes a related party transaction under the AIM Rules. The Directors consider, after consultation with Northland Capital Partners Limited, the Company's

Nominated Adviser, that the terms of the Buyback and the Swap Settlement are fair and reasonable insofar as the Shareholders are concerned.

The independent Directors (not including Philip Falzon Sant Manduca) consider, after consultation with Northland Capital Partners Limited, the Company's Nominated Adviser, that the terms of the Loan are fair and reasonable insofar as the Shareholders are concerned.

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 7 December 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 7 December 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 3,796,457 Ordinary Shares representing approximately 1.14 per cent. of the issued share capital of the Company.

Yours sincerely,

Philip Falzon Sant Manduca
Chairman

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 9 December 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 Resolutions 1 and 3 will be proposed as special resolutions and Resolution 2 will be proposed as an ordinary resolution of the Company:

Buyback of Shares

1. Without prejudice to any subsisting authority conferred on the Company, the Company be and is hereby generally and unconditionally authorised for the purposes of section 314 of the Companies (Guernsey) Law, 2008, as amended, to acquire 63,000,000 ordinary shares in the capital of the Company from Lanstead Capital L.P. for an aggregate consideration of £1,890,000, and that the terms of a contract to acquire such ordinary shares (the terms of which are set out in a circular dated the same date as this notice) be and are hereby approved for the purposes of section 314(2) of the Companies Law and the Company be and is hereby authorised to enter into such contract PROVIDED THAT this authority shall expire on 30 September 2015.

Allotment of shares

2. Subject to and conditional upon the passing of Resolution 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 £1,975,818.18 provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2015 or 30 September 2015 (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

3. Subject to and conditional upon the passing of Resolution 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 2 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 £1,975,818.18 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 2015 or 30 September 2015 (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.

By order of the Board

William Place Secretaries Limited

Company Secretary

13 November 2014

Registered office:

Dixcart House

Sir William Place

St Peter Port

Guernsey, GY1 1GX

Notes:

1. A Shareholder entitled to attend and vote at the 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 Meeting or at any adjournment thereof.
2. A form of proxy is enclosed. If you do not intend being present at the 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 7 December 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 Meeting is two Shareholders present either in person or by proxy. The majority required for the passing of each special resolution is not less than 75% of the total number of votes cast on such special resolution. The majority required for the passing of the ordinary resolution is a simple majority of the total number of votes cast on such ordinary resolution.
5. At the 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 show of hands every Shareholder who is present, in person or by proxy shall be entitled to one vote. 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 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 (Guernsey) Regulations, 2009 the Company specified that only those shareholders entered in the Company's register of members as at 18.00 p.m. on 7 December 2014, 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 12 November 2014 (being the last business day prior to the publication of this document) the Company's issued share capital consists of 332,567,427 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 12 November 2014 are 332,567,427.
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 RA10) by 11.00 a.m. on 7 December 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.