PARAGON RESOURCES PLC

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 NOVEMBER 2014

CHAIRMAN'S STATEMENT

17 February 2015

Dear Shareholder,

I am pleased to announce the interim results of Paragon Resources PLC ('Paragon' or the 'Company', collectively with its subsidiary and associate companies, the 'Group') for the six months ended 30 November 2014.

The Group and Company financial statements for the 12 months to 31 May 2014 (the '2014 Financial Statements') were published last week on 12 February 2015. Readers are referred to those financial statements for further details on the Group.

Project

As reported in the 2014 Financial Statements, the Company was an Investing Company on AIM until trading of the Company's Ordinary Shares was cancelled on 26 September 2014 pending re-listing through an IPO on completion of the transaction announced on 22 September 2014.

The transaction, subject to Shareholder consent, will involve Paragon acquiring MRE Mining (Mauritius) Ltd from Tana Minerals Pty Ltd in exchange for the issue of new Ordinary Shares in Paragon and raising new equity capital to develop the project.

MRE holds the rights to a potentially high grade rare earth (REE) project in central Madagascar which has a long history of artisanal mining of bastnaesite, a major rare earth mineral, which outcrops over an extensive area and occurs as coarse grained crystals. There are several REE deposits associated with carbonatite and microsyenite intrusives along kilometre-scale regional structures. This style of geological setting elsewhere has hosted world class producing mines.

The project covers a large area with the potential for bulk tonnage, high grade rare earth mineral deposits as well as evidence of several other styles of mineral deposits including base metals and dimension stone that have excellent potential for securing early cashflows. The widespread occurrence at surface and coarse nature of the rare earth mineralisation suggests that relatively early production of concentrates could be achievable.

Re-admission to AIM

The documentation, including an Admission Document, relating to the transaction and fund raising is being completed. It is the Board's intention to apply for re-admission of the Company's Ordinary Shares to trading on AIM as soon as possible.

S D Hunt
Executive Chairman

FOR FURTHER INFORMATION PLEASE CONTACT:

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MANAGEMENT DISCUSSION & ANALYSIS

This management discussion and analysis ('MD&A') should be read in conjunction with the Group's unaudited condensed consolidated financial statements and notes thereto for the six month period ended 30 November 2014 ('Half 1-2015') (the 'Interim report') and the audited financial statements and notes thereto for the 12 month period ended 31 May 2014 (available from www.paragon-resources.com).

Except where otherwise noted, amounts are presented in this MD&A in United States Dollars.

1. LISTING DETAILS

Paragon Resources PLC's Ordinary Shares were quoted on the AIM Market of the London Stock Exchange under symbol PAR until 26 September 2014 when the Company's admission to AIM was cancelled due to the Company not having implemented in full its Investing Policy within the timeframe required by AIM. As more fully discussed in the Chairman's Statement, the Company is seeking re-admission to AIM which is subject to, *inter alia*, Shareholder approval and raising additional funding.

2. OPERATIONS AND FINANCIAL REVIEW

Details of the Group's operations during the period, including relevant financial matters, are included in the Chairman's Statement.

3. CHANGE IN DIRECTORS

The Directors who held office during the period and until the date of this report were:

Director	Position	Date of appointment / cessation of office
S D Hunt	Executive Chairman	Appointed 10 September 2012
A Beveridge	Chief Executive Officer	Resigned 30 September 2014
D Cassiano-Silva	Non-Executive Director	Appointed 29 July 2013
D A Sheeran	Non-Executive Officer	Appointed 6 August 2012

CONSOLIDATED INCOME STATEMENT

	Note	**6 months ended 30 November 2014 Unaudited US$000**	6 months ended 30 November 2013 Unaudited US$000	12 months ended 31 May 2014 Audited US$000
CONTINUING OPERATIONS				
Administrative expenses		**(215)**	(346)	(601)
Operating loss		**(215)**	(346)	(601)
Share of results of associates		**-**	2	2
Loss on impairment of associates		**-**	-	(253)
Investment revenues	**2**	**-**	2,913	2,913
Finance costs	**3**	**(4)**	(120)	(120)
(Loss) / profit before taxation		**(219)**	2,449	1,941
Taxation		**-**	-	-
(Loss) / profit for the period attributable to owners of the Company		**(219)**	2,449	1,941
		US cents	**US cents**	US cents
(LOSS) / EARNINGS PER SHARE				
Basic and diluted (loss) / earnings per share		**(0.05)**	0.8	0.5
		No.	**No.**	No.
Weighted average number of shares outstanding		**474,850,706**	305,801,888	379,298,518

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 November 2014 Unaudited US$000	6 months ended 30 November 2013 Unaudited US$000	12 months ended 31 May 2014 Audited US$000
(Loss) / profit for the period	**(219)**	2,449	1,941
Items that may be reclassified subsequently to profit and loss:			
Foreign currency translation gain on foreign operations	**5**	10	16
Total comprehensive income for the financial period	**(214)**	2,459	1,957

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 November 2014 Unaudited US$000**	30 November 2013 Unaudited US$000	31 May 2014 Audited US$000
Non-current assets				
Property, plant and equipment		**-**	-	-
Interests in associates		**-**	202	-
		-	202	-
Current assets				
Trade and other receivables		-	16	16
Cash and cash equivalents		**144**	128	16
		144	144	32
Total assets		**144**	346	32
Current liabilities				
Trade and other payables		**117**	57	83
Short-term provisions		**-**	43	-
		117	100	83
Net current assets / (liabilities)		**27**	44	(51)
Net assets / (liabilities)		**27**	246	(51)
Share capital	**5**	**3,698**	3,665	3,698
Share premium		**122,279**	122,163	122,279
Shares to be issued reserve		**-**	13	-
Convertible loan note reserve	**6**	**293**	-	-
Warrants reserve		**-**	4	-
Merger reserve		**8,858**	8,858	8,858
Translation reserve		**20**	10	16
Accumulated losses		**(135,121)**	(134,467)	(134,902)
Equity / (deficit) attributable to equity holders of the parent		**27**	246	(51)

The Half 1-2015 unaudited condensed consolidated financial statements of Paragon Resources PLC, registered number 95036, were approved by the Board of Directors and authorised for issue on 17 February 2015. Signed on behalf of the Board of Directors:

S D Hunt
Executive Chairman

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 November 2014 Unaudited US$000**	6 months ended 30 November 2013 Unaudited US$000	12 months ended 31 May 2014 Audited US$000
(Loss) / profit for the period		**(219)**	2,449	1,941
Adjustments for:				
Share based payment expense		**-**	1	70
Foreign exchange gain		**-**	(2)	(2)
Share of results of associate		**-**	(2)	(2)
Loss on impairment of associate		**-**	-	253
Loss on settlement of liabilities in Ordinary Shares		**-**	37	37
Finance costs		**4**	120	120
Investment revenues		**-**	(2,913)	(2,913)
Operating cash flows before movements in working capital and provisions		**(215)**	(310)	(496)
Decrease in trade and other receivables		**15**	48	48
Increase / (decrease) in trade and other payables and short term provisions		**35**	10	(8)
Net cash used in operating activities		**(165)**	(252)	(456)
Cash flows from investing activities				
Interest received		**-**	1	-
Acquisition of investment in an associate		**-**	(32)	(32)
Expenses incurred in acquiring investment in an associate		**-**	(16)	(16)
Net cash used in investing activities		**-**	(47)	(48)
Cash flow from financing activities				
Proceeds from issue of new Ordinary Shares		**-**	239	334
Ordinary Share issue expenses		**-**	(16)	(21)
Proceeds from the issue of Convertible Loan Notes	**6**	**314**	-	
Expenses incurred in issuing Convertible Loan Notes	**6**	**(21)**	-	
Net cash inflow from financing activities		**293**	223	313
Net increase / (decrease) in cash and cash equivalents		**128**	(76)	(191)
Effect of exchange rates on cash and cash equivalents		**-**	13	16
Cash and cash equivalents at beginning of period		**16**	191	191
Cash and cash equivalents at end of period		**144**	128	16

1. Basis of preparation

The Interim report, which is unaudited and has not been reviewed by the Company's auditor, has been prepared in accordance with the International Financial Reporting Standards ('IFRS') accounting policies adopted by the Group and set out in the annual report for the 12 month period ended 31 May 2014. The Group does not anticipate any significant change in these accounting policies for the year ended 31 May 2015.

In preparing this report, the Group has adopted the guidance in the AIM rules for interim accounts which do not require that the interim condensed consolidated financial statements are prepared in accordance with IAS 34, *'Interim financial reporting'*. While the financial figures included in this report have been computed in accordance with IFRSs applicable to interim periods, this report does not contain sufficient information to constitute an interim financial report as that term is defined in IFRSs.

The financial information contained in this report also does not constitute statutory accounts under the Companies (Jersey) Law 1991, as amended. The financial information for the 12 month period ended 31 May 2014 is based on the statutory accounts for the period then ended. The auditors reported on those accounts. Their report was qualified with respect to the amounts reported for discontinued operations in the comparative 17 month period ended 31 May 2013 due to limitations in the scope of their work following the default of HAMC Minerals Limited ('HAMCM') under the Secured Loan Facility ('SLF') (as such term is defined in the audited financial statements for the 12 month period ended 31 May 2014). Their report further included a statement of emphasis of matter regarding the Company and Group's going concern status. Readers are referred to the auditors' report to the Group financial statements as at 31 May 2104 (available at www.paragon-resources.com).

The Interim report has been prepared in accordance with the IFRS principles applicable to a going concern, which contemplate the realisation of assets and liquidation of liabilities during the normal course of operations. As described in the Chairman's Statement, the Company entered in to a memorandum of understanding to acquire 100% of the share capital of MRE and raise additional funding for working capital purposes and to complete the initial geological assessment of the REE assets held by MRE (the Proposed Transaction).

As at the date of this report the Company has available cash balances of approximately £95,000 which are insufficient to fund the full implementation of the Proposed Transaction which requires the Company to access additional new funding, which in all likelihood will involve the issue of additional new Ordinary Shares or convertible loan notes. The attractiveness of the Company's Ordinary Shares and convertible loan notes as an investment opportunity will depend on a number of factors, including but not limited to, the quality and experience of its management team, the nature of the projects it identifies, the liquidity of the Company's equity instruments and the anticipated return available to Shareholders.

The Directors believe that the Proposed Transaction will provide attractive returns to investors and, having consulted with the Company's financial advisers, the Directors believe that the Company will be able to raise the additional funding to complete the Proposed Transaction. While the Directors have been successful in securing funding (through mandatorily convertible loan notes) in June and November 2014 and January 2015 (refer to note 6 and 7.1), there can however be no certainty that additional funding will be available, or if available, whether the terms will be acceptable to the Company. There can also be no certainty that the final terms of the Proposed Transaction will be agreed, or if agreed, that the Proposed Transaction will be completed. If the Proposed Transaction does not complete, although the Group believes it will have sufficient cash resources to continue in existence for 12 months after the date of approval of the Interim report, such cash balances are unlikely to be sufficient to fund any alternative, commercially acceptable, transaction which might be identified in this period.

As a result of the above factors, the Directors acknowledge that material uncertainties exist which may cast significant doubt on the Company and the Group's ability to continue as a going concern and, therefore, to realise its assets and discharge its liabilities in the normal course of business. Nevertheless after making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to complete the Proposed Transaction and to therefore continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Investment revenues

	6 months ended 30 November 2014 Unaudited US$000	6 months ended 30 November 2013 Unaudited US$000	12 months ended 31 May 2014 Audited US$000
Interest income on bank deposits	-	1	1
Gain on redemption of Convertible redeemable preference shares (note 4)	-	2,912	2,912
	-	2,913	2,913

3. Finance costs

	6 months ended 30 November 2014 Unaudited US$000	6 months ended 30 November 2013 Unaudited US$000	12 months ended 31 May 2014 Audited US$000
Interest expense on Convertible redeemable preference shares	**-**	118	118
Interest expense on Convertible Loan Notes	**4**	-	-
Change in fair value of derivative liabilities	**-**	2	2
	4	120	120

4. Convertible redeemable preference shares

As at 31 May 2013, the Company and Group had outstanding 1,028,075 Convertible redeemable preference shares ('CRPS') with a nominal value of $4,336,000 and accrued and unpaid dividends of $506,000. Under IFRS the CRPS were accounted for as including both equity and liability components. The liability component of the CRPS was recorded at 31 May 2013 at $3,759,000 (excluding the CRPS dividend due) and the equity component was recorded at $617,000. On 24 July 2013 the terms and conditions of the CRPS were amended at the Class Meeting of the Preference Shareholders to permit the Company to redeem in full the outstanding CRPS, including the related CRPS Dividends due, through a special redemption. Pursuant to the amended terms, the Company, at its election, could redeem the 1,028,075 CRPS outstanding and the related CRPS dividend due through the issue of such number of new Ordinary Shares as was equivalent to the number of Ordinary Shares in issue immediately prior to the Company electing to make the special redemption.

On 8 August 2013 the Company elected to redeem the CRPS and issued 172,237,386 new Ordinary Shares and 1,883,912,614 Deferred Shares to redeem the CRPS and settle the outstanding cumulative CRPS dividend due at that date of $588,000. The Deferred Shares have no economic value but were required to be issued to maintain the par value of the Company's issued share capital. The fair value of the Ordinary Shares issued in accordance with the special redemption was $1,470,000 which was allocated to the liability component of the CRPS of $4,382,000 (including the CRPS dividend). The difference of $2,912,000 was credited to profit and loss within investment revenues as a gain on settlement of the CRPS liabilities. $97,000 of the equity component of the CRPS was reclassified to Deferred Share capital and the balance of $520,000 was reclassified to accumulated losses.

Following the redemption in full of the CRPS, the Company and Group had no further obligations in respect of the CRPS.

5. Share capital

	30 November 2014 Unaudited £	30 November 2013 Unaudited £	31 May 2014 Audited £
Share capital			
Authorised			
3,000,000,000 Ordinary Shares of £0.0005 each	**1,500,000**	1,500,000	1,500,000
45,000,000,000 Deferred Shares of £0.0005 each	**22,500,000**	22,500,000	22,500,000
7,000,000 Preference Shares of £1.00 each	**7,000,000**	7,000,000	7,000,000
	31,000,000	31,000,000	31,000,000

	30 November 2014 Unaudited £000	30 November 2013 Unaudited £000	31 May 2014 Audited £000
Allotted, called up and fully paid			
474,850,706 Ordinary Shares of £0.0005 each (30 November 2013: 435,675,097; 31 May 2014: 474,850,706)	**237**	218	237
4,249,257,484 Deferred Shares of £0.0005 each	**2,125**	2,125	2,125
Nil Preference Shares of £1.00 each	**-**	-	-
	2,362	2,343	2,362

6. CONVERTIBLE LOAN NOTES

During the period the Group has drawdown £195,000 ($314,000) under three financing facilities to provide working capital funding, with an additional £100,000 (approximately $152,000) drawn down in January 2015 (collectively the 'Convertible Facilities'). At the date of this report, the terms of the Convertible Facilities are as follows:

- A total committed facility amount of £295,000;
- Interest payable at 8% per annum on all drawn balances;
- Unsecured.

The outstanding balance of the Convertible Facilities will automatically be converted into Ordinary Shares in the Company on re-admission of the Company's Ordinary Shares to AIM ('Re-admission') at a conversion price equal to 83.33% of the price (the 'Conversion Price') that any new Ordinary Shares are issued for cash pursuant to the Re-admission ('Conversion') subject to a maximum Conversion Price of 0.08333 pence. The Convertible Facilities will not be repayable in cash. If Re-admission has not occurred before 30 June 2015, then on that date the outstanding balance of the Convertible Facilities will be converted into Ordinary Shares at a conversion price of 0.1 pence per Ordinary Share ('Alternative Conversion').

On Conversion, the note holder will receive warrants to subscribe for new Ordinary Shares on the basis of 1 warrant for every 1.25 new shares received on Re-admission, such warrants to be exercisable within 5 years from the date of grant at the Conversion Price ('Warrants'). On Alternative Conversion, the noteholders will receive warrants to subscribe for new Ordinary Shares on the basis of 1 warrant for every 1.25 new shares received by way of the Alternative Conversion, such warrants to be exercisable within 5 years from the date of grant at a price of 0.1 pence per Ordinary Share.

Interest is payable in cash on the earlier of Conversion on Admission or Alternative Conversion.

Fees of £13,000 ($21,000) were incurred in connection with the Convertible Facilities issued in the period, which were settled in cash. Additional fees of £15,000 ($23,000) were recorded subsequent to the period end. An additional 29,500,000 warrants were issued to the noteholders which will be subject to the same terms as the Warrants.

The Convertible Facilities are mandatorily convertible into new Ordinary Shares and have been recorded as a component of the Company and Group's equity.

7. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

7.1. ISSUE OF CONVERTIBLE LOAN NOTES

In January 2015 the Company and Group has drawn down £100,000 under a new financing facility, the terms of which are described in note 6. Fees of £15,000 ($23,000) were incurred in connection with this financing facility which were settled in cash.