

Paragon Resources plc
(“Paragon” or the “Company”)

9 May 2017

Company Update

The Company hereby provides an update to Shareholders concerning the affairs of the Company since 10 March 2016, the date of the Company’s last update.

As Shareholders will be aware, the Company has been pursuing an investment in the Ambato Project, a potentially high grade rare earth elements project in Madagascar. As previously announced, the Company’s ability to complete the acquisition of the Ambato Project is dependent on the Company receiving new funding. In May 2015, the Company received binding commitments for £1.5m for this investment from two investors (the ‘Core Funding’). Further commitments were received in August 2015 for an additional £0.5m (the ‘Additional Funding’), which was conditional on the Core Funding being received and the re-listing of the Company on the AIM Market of the London Stock Exchange (‘AIM’), which was to be completed by 28 August 2015. The Core Funding was not received on time to complete the re-listing and the Additional Funding commitments lapsed.

Despite daily communications with the investors who have committed the Core Funding, and the existence of legally binding subscription agreements (‘Subscription Agreements’) for the Core Funding, these investors have not yet complied with their obligations under the Subscription Agreements. While the Company remains optimistic that these investors will comply with their obligations and there is a reasonable expectation that they will do so, the Board has consulted lawyers concerning the basis for an action for breach of contract against these investors. Whilst this has been confirmed, the Company’s ability to pursue any legal claim is subject to raising sufficient litigation funding.

In the event that the Company is unable to secure the Core Funding, or obtain litigation funding to pursue legal action against these investors, then in all likelihood the Company would be wound up. Based on the Company’s financial position at the date of this update, no amounts would be available for distribution to the Company’s Shareholders.

The Board understands that this update does not provide the satisfactory news that Shareholders have no doubt been hoping for, which is in part the reason for the time between this and the previous update announcement while the Board

has worked constantly on trying to get the Core Investment drawn down. This effort is continuing without let up.

The Board would like to reiterate that all communication with Shareholders must continue to be through fully approved announcements and Shareholder documentation and/or Shareholder meetings. This is required to ensure that all Shareholders are provided with the same information, and therefore no direct contact to the Company whether by telephone, text or email will be responded to.

Further announcements will be made as soon as there is relevant news.