

**DISCLOSURE STATEMENT**

**of**

**PARAGON OFFSHORE LIMITED**

**with respect to the**

**OFFER TO PURCHASE**

**made by**

**BORR DRILLING LIMITED**

## INTRODUCTION

Paragon Offshore Limited, an exempted company limited by shares incorporated under the laws of the Cayman Islands (“**Paragon**”), is providing this Disclosure Statement in connection with the offer to purchase (the “**Offer**”) all outstanding shares (or beneficial interests therein), par value US \$0.001 per share, of Paragon (each, a “**Share**”) by Borr Drilling Limited, a public limited company incorporated under the laws of Bermuda (“**Purchaser**”). The terms and conditions of the Offer are set forth in Purchaser’s Offer to Purchase (the “**Offer to Purchase**”), which includes the materials attached thereto and which has been disseminated to the members of Paragon (including beneficial owners of Shares, each, a “**member**”).

As more fully described in the Offer, each member of Paragon shall receive for each outstanding Share validly tendered and not properly withdrawn in the Offer, subject to reduction for any applicable withholding taxes in respect thereof (collectively, the “**Tender Offer Consideration**”):

- cash in an amount equal to US \$42.28 per Share, *plus*
- the right to receive from Purchaser cash in an amount equal to the Per Share Jindal Payable Amount (as defined below), if any.

For purposes of the Offer, the following terms have the following meanings:

- “**Per Share Jindal Payable Amount**” means the quotient of the Aggregate Jindal Payable Amount *divided by* 5,498,686, subject to adjustments pursuant to the Tender Offer Agreement (as defined below).
- “**Aggregate Jindal Payable Amount**” means an amount equal to any and all cash proceeds actually received on or before the day prior to the day on which the Acceptance Time occurs by Paragon or any of its affiliates (a “**Company Party**”) from Jindal Drilling & Industries Limited or any of its affiliates (collectively, “**Jindal**”) in whole or partial satisfaction of a certain claim a Company Party has against Jindal.

In connection with, and as a condition to Purchaser’s willingness to enter into and perform its obligations under the Tender Offer Agreement, Purchaser entered into individual tender support agreements (each, a “**Tender Support Agreement**”), with certain members of Paragon (the “**Tendering Members**”). Subject to the terms and conditions of the Tender Support Agreements, the Tendering Members have agreed, among other things, to tender all of their Shares pursuant to the Offer. The Tendering Members beneficially own, in the aggregate, 3,407,072 Shares, representing over 67% of the total outstanding Shares as of February 26, 2018.

Each Tendering Member further agreed to certain restrictions with respect to its Shares, including restrictions on transfer and suspension of its rights under Paragon’s Registration Rights Agreement, dated as of July 18, 2017, until the expiration of its respective Tender Support Agreement. Each Tender Support Agreement will terminate with respect to a particular Tendering Member upon the first to occur of various circumstances but in any event no later than the termination of the Tender Offer Agreement.

The Offer was commenced by Purchaser on February 26, 2018 and expires at 12:01 A.M., Eastern time, on March 24, 2018, unless the Offer is extended (such date, including any extension thereto, being referred to as the “**Expiration Date**”). Upon the terms and subject to the conditions set forth in the Offer, Purchaser will accept for payment and pay for all Shares that are validly tendered before the Expiration Date, and not withdrawn, promptly after the expiration of the Offer (the “**Acceptance Time**”).

The Offer is conditioned upon a number of conditions described in the Offer, including the condition that there are validly tendered, and not withdrawn before the Expiration Date, at least 3,361,763 Shares, representing at least 67% of the Shares and the condition that Paragon shall have completed the Prospector Rig Acquisition (as defined below) prior to the Acceptance Time.

The Offer is being undertaken pursuant to a Tender Offer Agreement dated as of February 21, 2018 by and between Paragon and Purchaser (as such agreement may be amended from time to time, the “**Tender Offer Agreement**”). A more complete description of the Tender Offer Agreement is contained in, and a copy of the Tender Offer Agreement is attached to, the Offer to Purchase.

Members of Paragon should contact Georgeson LLC, the information agent for the Offer, at 1290 Avenue of the Americas, 9<sup>th</sup> Floor, New York, NY 10104 or (888) 505-9118 (toll-free) with any questions about the Offer.

## **BACKGROUND, BOARD RECOMMENDATION AND REASONS FOR THE TRANSACTION**

### *Summary Background of the Transaction*

In late October 2017, representatives of Purchaser contacted representatives of Paragon to discuss Paragon’s interest in pursuing a business combination transaction. On November 6, 2017, Purchaser and Paragon signed a confidentiality agreement and Purchaser began to conduct due diligence.

In late December 2017, Purchaser and Paragon began discussing the commercial terms of a transaction and such discussions continued through January 2018. In January 2018, representatives of Purchaser, Paragon and Paragon’s financial advisor (the “**Financial Advisor**”) met in each of London, England and Houston, Texas to continue to negotiate the commercial terms of a transaction.

On January 24, 2018, the board of directors of Paragon (the “**Board of Directors**”) conducted a meeting, at which, among other things, Paragon’s management team provided the Board of Directors an update on the negotiations with Purchaser. Additionally, at such meeting the Board of Directors received a presentation from the Financial Advisor regarding the conditions in Paragon’s industry, various strategic alternatives available to Paragon and its analysis of Paragon in relation to the valuation being discussed with Purchaser with respect to the Offer.

At the request of Purchaser and Paragon, counsel for Purchaser and Paragon began preparing drafts of the definitive documents in January, which were subsequently exchanged between the parties multiple times.

On February 2, 2018, the Board of Directors conducted a meeting at which, among other things, (a) Paragon's management team provided the Board of Directors an update on the proposed transaction with Purchaser, (b) representatives from the law firm Maples and Calder, engaged as legal counsel with respect to Cayman Island laws, provided a presentation regarding the duties of the directors with respect to the proposed transaction with Purchaser, (c) the Financial Advisor provided an updated presentation of its analysis, and (d) representatives from the law firm Vinson & Elkins LLP, engaged as legal counsel to Paragon with respect to the proposed transaction with Purchaser ("V&E"), provided a presentation regarding Purchaser's proposed transaction structure and the expected terms of the transaction documents. The Board of Directors asked numerous questions and ultimately approved Paragon's continuing to negotiate with Purchaser with respect to the proposed transaction and approaching the Tendering Members to assess their support of a proposed transaction and their willingness to enter into Tender Support Agreements, subject to each such Tendering Member's execution of a confidentiality agreement. The Board of Directors also directed the Financial Advisor to continue with its analysis and provide an updated analysis to the Board of Directors at a subsequent meeting.

During the month of February, Paragon entered into confidentiality agreements with the Tendering Members and V&E and counsel for Purchaser exchanged drafts of, and otherwise negotiated, the Tender Support Agreements and the Tender Offer Agreement.

On February 15, 2018, the Board of Directors conducted a meeting at which, among other things, Paragon's management team provided the Board of Directors an update with respect to the negotiations between Paragon and Purchaser.

Also on February 15, 2018, at Purchaser's request, Paragon circulated drafts of the Tender Support Agreement to the Tendering Members.

On February 19, 2018, at Purchaser's request, Paragon circulated a draft of the Tender Offer Agreement, in substantially final form, to the Tendering Members.

By the close of business on February 21, 2018, Tendering Members beneficially owning 3,407,072 Shares, representing over 67% of the Shares outstanding, had executed and delivered Tender Support Agreements.

On February 21, 2018, the Board of Directors conducted a meeting, to discuss and review the draft Tender Offer Agreement and to consider the proposed transaction. At this meeting, representatives of V&E reviewed the terms of the draft Tender Offer Agreement and representatives of Paragon's Financial Advisor reviewed an updated version of its valuation analysis. Following extensive discussion, the Board of Directors unanimously (a) approved the execution and delivery by Paragon of, and the performance by Paragon of its obligations under, the Tender Offer Agreement, (b) determined that the Offer is in the best interests of Paragon and recommended that the holders of Shares accept the Offer and tender their Shares to Purchaser

pursuant to the Offer, and (c) approved the acquisition by Purchaser of Shares pursuant to the Offer for purposes of Section 49(a) of Paragon's Amended and Restated Articles of Association and Section 4.02(a) of Paragon's Shareholders' Agreement, dated July 18, 2017.

Subsequent to such board meeting, on February 21, 2018, Paragon and Purchaser executed and delivered the Tender Offer Agreement, and on February 22, 2018 each of Paragon and Purchaser issued a press release announcing the execution of the Tender Offer Agreement.

On February 26, 2018 the Offer was commenced by Purchaser disseminating the Offer to Purchase to the members.

### ***Recommendation of the Board of Directors***

As described above, at a meeting of the Board of Directors on February 21, 2018, the Board of Directors unanimously determined that the Offer is in the best interests of Paragon and recommended that the holders of Shares accept the Offer and tender their Shares to Purchaser pursuant to the Offer.

### ***Reasons for the Board's Recommendation***

In determining that the Offer is in the best interests of Paragon and recommending that Paragon's members accept the Offer and tender their Shares to Purchaser, the Board of Directors consulted with Paragon's management and its financial and legal advisors and considered a variety of factors weighing in favor of the Offer, including without limitation the material factors listed below:

- *Market and Industry Conditions.* The Board of Directors' perception, regarding Paragon's current and prospective business and its and management's belief that:
  - day rates for Paragon's rigs continue to be depressed, an oversupply of jackup rigs continues to persist and the duration of these market conditions remains uncertain; and
  - the recent recovery of oil and natural gas prices and the recent slight improvement in day rates favorably impact Paragon's ability to consummate a potential transaction at this time.
- *Paragon's Operating Conditions.* The Board of Directors' familiarity with, and understanding of Paragon's financial condition, results of operations, current business strategy and earnings and prospects, including without limitation:
  - the current depressed market conditions in the market for jackup rigs, including average rig utilization and day rates;
  - the age of Paragon's fleet;
  - Paragon's limited access to liquidity; and

- Paragon's declining cash balance.
- *Absence of Liquidity in the Shares.* The fact that a liquid trading market for the Shares does not exist, the limited options available to Paragon to establish a liquid trading market in the Shares, the uncertainty associated with the duration of this condition and the resulting difficulty of the holders of Shares to sell their Shares.
- *Strategic Alternatives.* The possible alternatives to the Offer (including the possibility of continuing to operate as an independent entity), the perceived risks and benefits of any such alternatives, including the timing and likelihood of consummating any such alternative and the Board of Director's assessment that the Offer appears to represent a superior opportunity to any such alternatives.
- *Business Plan.* The risk that Paragon may not be able to successfully execute its business plan as a stand-alone business.
- *Member Support.* The fact that members of Paragon beneficially owning 3,407,072 Shares of Paragon, representing over 67% of the outstanding Shares, have entered into Tender Support Agreements, pursuant to which such members have agreed to tender their Shares to Purchaser pursuant to the Offer, subject to the terms set forth in such Tender Support Agreements.
- *Provisions of the Tender Offer Agreement.* The terms of the Tender Offer Agreement, including:
  - the Tender Offer Consideration; and
  - the conditions to closing of the Offer, including the absence of a financing condition.
- *Financial Advisor.* The Financial Advisor's valuation analysis and review of strategic alternatives available to Paragon.

This discussion of the information and factors considered by the Board of Directors includes the material positive and negative factors considered by the Board of Directors, but is not intended to be exhaustive and may not include all of the factors considered by the Board of Directors. The Board of Directors did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination that the Offer and the Tender Offer Agreement, and the other transactions contemplated by the Tender Offer Agreement, are in Paragon's best interests. Rather, the Board of Directors conducted an overall analysis of the factors described above, including through discussion with and questioning of the Financial Advisor and Paragon's management, and considered the factors overall to be favorable to, and to support, its determination. In addition, individual members of the Board of Directors may have given different weight to different factors.

Please be advised that this explanation of the reasoning of the Board of Directors and certain information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled “Forward-Looking Statements”.

### **INTENT TO TENDER OF DIRECTORS, OFFICERS AND TENDERING MEMBERS**

After reasonable inquiry and to the best of Paragon’s knowledge, each executive officer and director of Paragon currently intends, subject to compliance with applicable law, to tender all Shares held or beneficially owned by such person to Purchaser pursuant to the Offer. Additionally, the Tendering Members have entered into Tender Support Agreements, pursuant to which such Tendering Members have agreed to tender their Shares to Purchaser pursuant to the Offer, subject to the terms set forth in such Tender Support Agreements. None of Paragon’s subsidiaries own any Shares. Other than its officers, directors and subsidiaries, Paragon is not aware that it has any affiliates.

### **FINANCIAL ADVISOR**

Paragon retained the Financial Advisor to provide it with financial advisory services in connection with a possible merger, sale or other strategic business combination. Paragon selected the Financial Advisor based on the Financial Advisor’s qualifications, expertise and reputation and its knowledge of Paragon’s industry and its business, financial condition and strategic options. The Financial Advisor is continually engaged in the valuation of businesses and their securities in connection with tender offers, mergers, acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements. Paragon is obligated to pay the Financial Advisor customary compensation for its services, a portion of which is contingent upon the closing of the Offer.

In the ordinary course of business, the Financial Advisor and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of Purchaser and Paragon, and accordingly, may at any time hold a long or short position in such securities.

### **CONFLICTS OF INTEREST**

In considering the recommendation of Paragon’s Board of Directors with respect to the Tender Offer Agreement and the transactions contemplated thereby, including the Offer, and the fairness of the consideration to be received in the Offer, members should be aware that certain executive officers and directors of Paragon have interests in the Offer which may constitute conflicts of interest.

Certain of the directors and officers of Paragon hold equity awards that, in connection with the consummation of the Offer, will be cancelled in exchange for the right to receive (subject to applicable tax withholding) (a) an amount in cash equal to the product of US \$42.28 and the number of Shares subject to such Award and (b) an amount in cash equal to the product of (i) the Per Share Jindal Payable Amount, if any, and (ii) the number of Shares subject to such Award, payable in accordance with the terms of the Tender Offer Agreement.

Additionally, the employment of ten members of Paragon's management will be terminated without cause as of the Acceptance Time as a result of which such individuals collectively shall be entitled to receive severance and other payments in an aggregate amount of approximately US \$15.8 million.

For purposes of all Paragon contracts, agreements, arrangements, understandings and plans, including any such contracts, agreements, arrangements, understandings or plans with or otherwise affecting directors, officers, employees or third parties, the consummation of the Offer will constitute a "Change in Control".

Paragon's Board of Directors was aware of the foregoing potential conflicts of interest and of all such contracts, agreements, arrangements, understandings and plans and any actual or potential conflicts of interest and considered them along with other matters described above.

## **RISK FACTORS ASSOCIATED WITH THE OFFER**

### ***Limited Trading Market to Determine Value***

Because the Shares are not actively traded on a securities exchange, and an active market in the Shares does not otherwise exist, no market price is readily available to determine the value of the Shares. As a result, there is no trading market for any member to consult in determining whether to tender such member's Shares. Each member must make its own determination as to valuation (including, if necessary, consulting with its own financial advisor) and make its own decision regarding the tender of Shares.

### ***The Purchase Price was Determined by Purchaser***

No independent party has been retained by Purchaser, Paragon or any other person that has rendered any opinion with respect to the fairness of the purchase price. The purchase price reflects the price at which Purchaser is willing to purchase the Shares, which may be based on criteria other than Paragon's current or prospective asset value, earnings, net worth or other established criteria for value and therefore should not be considered a "market" or definitive valuation. As a result of the foregoing, it is possible that the Shares may in fact be worth more than the purchase price.

### ***Purchaser May Not Have Adequate Funds to Pay for the Shares***

Purchaser has advised that it estimates it will need approximately \$326.5 million to purchase all Shares pursuant to the Offer for US \$42.28 per Share (assuming no Per Share Jindal Payable Amount), fulfill its other obligations under the Tender Offer Agreement, and pay related fees, expenses and closing payments. Although the Offer is not subject to any financing condition, Purchaser has advised that it does not, as of the date of this Disclosure Statement, have sufficient cash on hand to purchase all Shares pursuant to the Offer. Purchaser has advised that it intends to fund the balance of the amounts required to purchase all Shares pursuant to the Offer and to fulfill its other obligations under the Tender Offer Agreement with the net proceeds from offerings of equity or debt instruments. However, while Purchaser has advised that it has no reasons to doubt that it will obtain the necessary funds, there can be no assurance that Purchaser will be able to raise such additional funds prior to the expiration of the Offer.

### ***Withdrawal Rights***

Shares tendered prior to the Expiration Date may only be validly withdrawn prior to the Expiration Date. After the Expiration Date, tendered Shares may not be withdrawn unless Purchaser is required to extend withdrawal rights under applicable law.

### ***Effect of Offer on Members that Tender Shares in the Offer and whose Shares are Accepted***

A Member that validly tenders Shares that are accepted for purchase will be giving up all of its rights as a member of Paragon with respect to such tendered Shares other than its right to receive the per Share Tender Offer Consideration for each Share tendered, including, without limitation, the right to future appreciation or cash distributions with respect to such Shares.

### ***Limited Trading Market Following the Offer***

Members that do not tender all of their Shares in the Offer will remain members of Paragon following the Offer. Following the Offer, Purchaser expects to own at least 67% of the Shares. No trading market currently exists for the Shares and, following the consummation of the Offer, trading liquidity in the Shares is likely to be even more limited in light of the significant amount of Shares that Purchaser will then own. The lack of an active trading market could adversely affect the ability to transfer Shares and the price at which such Shares may be transferred. The extent of the trading market for Shares following consummation of the Offer will depend on the number of members that remain, the dispersion of Shares among such members, and other factors.

### ***Treatment of Shares Not Tendered in the Offer***

The rights of Paragon's Members are currently governed by its Amended and Restated Memorandum and Articles of Association and its Shareholder's Agreement dated July 18, 2017, (collectively, the "governing documents"). Following the Offer, Purchaser expects to own at least 67% of the Shares. Following the Acceptance Time, Purchaser may seek to amend these governing documents. Any such amendments may adversely affect the rights of members that do not tender all of their Shares.

Purchaser is not obligated to undertake a merger following the Offer in order to acquire Shares not tendered in the Offer, although Purchaser has advised Paragon that it currently intends to do so. As a result, no assurance can be given that Purchaser will seek to acquire Shares that are not tendered in the Offer or if it does so, the price that it will be willing to offer. If a merger between Purchaser and Paragon occurs, then any member that did not tender all of its Shares in the Offer will, provided such member follows the relevant procedures set out in Cayman Islands law within the specified timeframes, have the right to dissent from the merger and to be paid a payment of the fair value of its shares in accordance with Cayman Islands law.

### ***Where to Find More Information***

Additional information about Paragon is available on Paragon's webpage at [www.paragonoffshore.com](http://www.paragonoffshore.com) and in the Offer to Purchase disseminated to the members outlining the Offer.

### ***Forward Looking Statements***

This Disclosure Statement includes “forward-looking statements”. All statements other than statements of historical facts included in this Disclosure Statement are forward-looking statements, including without limitation statements regarding Paragon’s financial position, business strategy, the Expiration Date and the Acceptance Time, contract commitments, dayrates, and plans and objectives of management for future operations. When used in this report, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “should” and similar expressions are intended to be among the statements that identify forward-looking statements. Although Paragon believes that the expectations reflected in such forward-looking statements are reasonable, Paragon cannot assure that such expectations will prove to be correct. These forward-looking statements speak only as of the date of this Disclosure Statement and Paragon undertakes no obligation to revise or update any forward-looking statement for any reason, except as required by law. Such statements are subject to various factors, including without limitation those described under the heading “Risk Factors Associated with the Offer” and those described in other materials made available by Paragon or Purchaser. Such risks and uncertainties are beyond Paragon’s control, and in many cases, Paragon cannot predict the risks and uncertainties that could cause Paragon’s actual results to differ materially from those indicated by the forward-looking statements. Each member should consider these risks and uncertainties when evaluating its decision as to whether to tender its Shares into the Offer.