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PURPOSE

The purpose of this Anti-Boycott Compliance Guide and Policy Statement ("Policy") is two-fold. First, this Policy states Hyperdynamics' prohibition of any activity that supports unsanctioned boycotts. Second, this Policy provides a basic understanding of applicable law so that you may properly identify boycott requests and take appropriate action.

SCOPE

All Hyperdynamics employees must comply with this Policy. No employee has the authority to act contrary to the provisions of this Policy or to authorize, direct or condone violations of it by any other employee or by any Hyperdynamics agent.

COMPANY ASSISTANCE


If you have any questions about this Policy or if you have any questions about a particular business transaction, you should contact the Vice President of Commercial and Legal Affairs. Immediately contact your manager and the Vice President of Commercial and Legal Affairs in the event you (i) encounter a request that you believe may be related to a boycott, or (ii) obtain any knowledge of facts or incidents that may be a violation of this Policy.

POLICY STATEMENT

1. Introduction

It is Hyperdynamics policy to comply with the anti-boycott laws and regulations of the United States. Anti-Boycott laws and regulations are intended to prevent United States companies and foreign concerns controlled by or affiliated with United States companies from taking action in support of a boycott imposed by a foreign country upon a country that is friendly to the United States.

There are two federal statutes that govern international boycott activity. The Export Administration Act is enforced by the Department of Commerce, and the Tax Reform Act of 1976 is enforced by the Treasury Department (Internal Revenue Service). Each of these government agencies has adopted comprehensive regulations and guidelines that supplement the statutes, including Part 760 of the Export Administration Regulations and section 999 of the Internal Revenue Code. For purposes of this Policy, we refer to the statutes and regulations collectively as the "laws" and we

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make no distinction between the provisions or requirements of these laws, even though some differences exist.


During periods when the Export Administration Act has lapsed, the Export Administration Regulations, which include the Commerce Department's rules, have been continued in effect pursuant to the International Emergency Economic Powers Act.

Taken together, the laws prohibit a U.S. person and its foreign subsidiaries and affiliates, including branches, from refusing or agreeing to refuse to do business (1) with or in a boycotted country, (2) with any business concern organized under the laws of a boycotted country, (3) with any national or resident of a boycotted country, or (4) with any person who has dealt with a boycotted person or country, when such refusal is pursuant to an unsanctioned foreign boycott. Also prohibited is the furnishing of information for boycott-related purposes, including not only past, present or future business relationships with or in a boycotted country or with a company in the boycotted country, but also any information, public or not, whether connected with boycott-related matters or provided for boycott-related purposes. The furnishing of information with respect to race, religion, sex or other discriminatory purposes is also prohibited.

In addition, there are prohibitions on implementing letters of credit containing boycott-related conditions. The laws also require that boycott-related requests be promptly reported. The Arab League boycott of Israel is the principal foreign economic boycott that U.S. companies must be concerned with today. The anti-boycott laws, however, may apply to all boycotts imposed by foreign countries that are unsanctioned by the United States.

References to a boycott and the receipt of boycott-related requests are frequently associated with transactions that involve sales to buyers in boycotting countries. However, the laws are equally applicable to purchases made from such countries. Therefore, the principles contained in this Policy must be considered whenever a transaction with a buyer or a seller from a boycotting country is being considered. Boycott-related requests may also appear from third countries that are rendered pursuant to transactions connected with boycotting countries and these requests also must be reported.

No employee shall refuse to do business with any country, company, or person for boycott-related purposes. Further, no employee shall provide information, statements, certificates, or any other communication, whether written or oral, which would be in violation of U.S. anti-boycott laws and regulations. More specifically, no employee shall provide any information with regard to our relationship with a boycotted country or any national of a boycotted country, whether in positive or negative terms, or provide any other

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information if requested or provided for boycott-related purposes.

2. Summary of the Law

This summary is not designed to answer all questions that may arise relating to the anti-boycott laws. Rather, it is intended to provide a basic understanding of them and thereby enable you to recognize and avoid potential violations.

Since the law applies to a boycott imposed by any foreign country against a country friendly to the United States, it is impossible to identify with precision the countries that may be described as "boycotting countries." Boycott requests will most frequently originate from countries that are members of the Arab League. At the present time, the following are members of the Arab League:


Algeria	Lebanon	Somalia
Bahrain	Libya	Sudan
Comoros	Mauritania	Syria
Djibouti	Morocco	Tunisia
Egypt	Oman	United Arab Emirates
Kuwait	Palestinian Authority	The Republic of Yemen
Jordan	Qatar	

The United Arab Emirates is a federation of seven Emirates:

Abu Dhabi	Sharjah	Dubai
Ajman	Fujairah	Umm Al-Quwain
Ras Al-Kaimah		

Although not every member of the Arab League continues to boycott Israel (i.e., Egypt), business transactions with the foregoing countries must nevertheless be closely reviewed. We reiterate that boycott-related requests may originate from countries other than those listed above.

A boycott-related request may be oral or written and may or may not require you to take any specific action. For example, an invitation to bid may contain a statement that the "bidder agrees to comply with all local boycott laws." No specific action is required in response to such a statement, but it is a boycott-related request, and it must be reported even if a bid is not going to be submitted.

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3. Prohibited Activities

Except as specifically set forth in the applicable statute or rule, the following activities are impermissible under the anti-boycott laws:

- agreeing, refusing, or requiring any other person to refuse to do business with any person or entity pursuant to an agreement with, a requirement of, or a request from or on behalf of a boycotting country;
- agreeing, refusing, or requiring any other person to refuse to employ or otherwise discriminate against a United States person on the basis of the race, religion, sex, national origin or nationality of such person;
- furnishing or agreeing to furnish information with respect to the race, religion, sex or national origin of any United States person or personnel of the entity involved in the proposed transaction;
- furnishing or agreeing to furnish information concerning any person's (including those of Hyperdynamics and any of its divisions, affiliates and subsidiaries) business relationships in a boycotted country or with regard to any person believed to be restricted from doing business in boycotting countries;
- furnishing or agreeing to furnish information about whether any person is a member of, has made contributions to, or is otherwise associated with charitable organizations that support a boycotted country; and
- Paying, honoring, or confirming letters of credit that contain any conditions or requirements which are prohibited by the anti-boycott laws or regulations.

4. Forms of Transactions and Requests

It is essential that Hyperdynamics avoids taking any action or agreeing to take any action with respect to a boycott other than those actions clearly permitted under these procedures. An "agreement" to take any impermissible action in response to a boycott request would constitute a violation of the U.S. anti-boycott laws even if a company does not intend to abide by the agreement. It is not necessary that there be a formal written "contract" specifically detailing the duties of the parties in order for an agreement to exist. An agreement may be oral or an agreement may result

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merely by the acceptance of an order in which the applicable purchase order contains a boycott request. Further, compliance with the conditions of a letter of credit is considered a part of the overall contract. In addition, a boycott-related agreement may be inferred from an overall course of conduct.

Set forth below are typical transactions and requests in which impermissible boycotting could arise:

A. Purchase Orders. Purchase orders and other similar documents received from customers in boycotting countries must be examined with great care to determine if they contain boycott requests or statements. Acceptance of an order placed pursuant to a purchase order or other similar document containing a boycott-related request may constitute an act in support of a boycott even though Hyperdynamics does not expressly do or undertake to do any specific act in response to the request. In the event a purchase order or similar document is received that contains a boycott request, the order must be rejected completely unless an agreement is reached with the customer to withdraw the request. The agreement to withdraw must be reached prior to the acceptance of the order.

B. Letters of Credit. Letters of credit frequently contain restrictive provisions or shipping conditions that are related to a boycott. These clauses should be thoroughly reviewed for boycott-related requests before processing. Paying, honoring, confirming, or otherwise implementing a letter of credit that contains an objectionable provision is considered to be an agreement to comply with a boycott request and therefore a violation of the anti-boycott laws.

C. Contracts and Invitations to Bid. No contract may be executed that contains a boycott-related request. Likewise, no bid shall be submitted in response to an invitation to bid that contains a boycott-related request. Contractual provisions that require Hyperdynamics to "comply with," "follow" or otherwise abide by the law of the country of the customer are highly suspect and should be immediately referred to the Vice President of Legal and Commercial Affairs. The foregoing holds true even if merely requested to comply with, abide by, or go along with laws generally of a country known to be a boycotting country. This is because any such agreement by necessity would have to include the boycott laws of that country. Clauses that specifically state that the contract is "subject to" the laws of a boycotting country or that such laws will "apply to" the contract are permissible. No statement of any kind that refers to the boycott laws of the country is permitted. Since the distinction between permissible and impermissible language is often quite subtle, all such clauses referring to local laws should be referred to the Vice President of Legal and Commercial Affairs.

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As discussed in the section dealing with purchase orders, prohibited language must be deleted from the contract or the invitation to bid before an agreement can be reached or a bid submitted.

D. Oral Agreements. The anti-boycott laws cover oral statements and agreements as well as written requests and agreements contained in documents and contracts. Discussions concerning boycott requests or compliance with boycott requirements generally should be avoided. It is particularly important to avoid any oral understanding that the parties will honor a boycott request even though a provision concerning a boycott has been deleted from a document.

E. Request for Information. Boycott questionnaires and general requests for information may be received that solicit information about Hyperdynamics activities in a boycotted country, its business relationships with other U.S. companies or companies from a boycotted country, or its officers, directors, employees, or shareholders. It is prohibited to provide any such information, even if publicly available, if requested or provided for boycott-related purposes.


The anti-boycott laws prohibit the furnishing of information about a person's race, religion, sex, or national origin and Hyperdynamics' relationships with companies or nationals of a boycotted country or with companies that may engage in business activities with a boycotted country. However, an individual is able to provide such information about himself or his family when, for example, he is applying for a visa.

5. **Examples of Boycott-Related Requests**

The following are some examples of boycott-related requests that you may encounter. The list is not complete and should be viewed only as instructive as to the form and wording that such requests may take and as to Hyperdynamics' general response to such requests. Be aware that particular requests may vary markedly from these examples.

A. A request for a statement or a certificate that the goods or services involved are not manufactured in Israel or do not contain any Israeli materials or were not produced with any Israeli capital or labor. Requests for statements of this type may also be styled as a request for the "Israeli declaration" or a request for "non-Israeli clause."

- (i) This type of request is known as a negative certificate of origin and is prohibited. The transaction cannot be agreed to until the request has been withdrawn.
- (ii) The alternative to such a request is to provide a positive statement of origin, that is, one that states in positive terms the country from which the goods or their

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components originated. For example, "the goods are of U.S. origin and contain only U.S. materials."

- (iii) Even if an agreement with the purchaser is reached to withdraw the request for the negative statement of origin (or any other prohibited boycott-related statement) and substitute a positive statement, the request still must be reported. See "Reporting Requirements" below.

B. A request for a statement or certificate that the goods or materials involved were not manufactured by a blacklisted company.

- (i) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.

C. A request for a statement or certificate that the goods were not transported by a blacklisted vessel.


- (i) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.

D. A related type of request is that the carrier with whom the goods are shipped certify that it

is "not blacklisted," or that its vessels are "not blacklisted," or that its vessels are "eligible" or "allowed" to enter a particular port, or that they are "not prohibited" from entering a particular port or ports. These related requests are considered to be equivalent to a "not blacklisted" statement and are prohibited.

- (i) An exception to this prohibition is a statement that the vessel is "eligible" to enter the ports of Saudi Arabia. This exception was granted because Saudi Arabia presented proof that it requires such statements for valid commercial reasons and, therefore, the statements are not considered to be boycott-related.
- (ii) The prohibition against compliance with this type of request should be distinguished from the shipping certification found in the next example, which is permitted.

E. A request for a statement or certificate that the goods will not be shipped on an Israeli-owned or Israeli-flagged vessel and that the vessel will not call an Israeli port en route to the purchaser.

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- (i) This request may be complied with and it need not be reported.
- (ii) This is the only negative statement that is specifically allowed by the anti-boycott laws. It is critical that the words "en route to the purchaser" or words of similar meaning be used. The exception is permitted to prevent possible confiscation of the goods prior to their delivery. Once the goods are delivered, there is no longer any confiscation to prevent. Language indicating that the carrier will not stop at an Israeli port or airport during its entire journey (or has never called at an Israeli port or airport) is similar to a statement that the vessel is not blacklisted and is, therefore, prohibited.


F. A request for a statement or certificate that the goods are not insured by a blacklisted company or by a company from a boycotted country.

- (i) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.
- (ii) A request for a statement or a certificate that the insurer is qualified to do business in the country of destination or that the insurer "has a duly qualified and appointed agent or representative" in the country of destination.
- (iii) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.

G. A related type of request or requirement is that the identity of the shipper's agent or representative in the boycotting country be provided. Compliance with this request is also prohibited.

- (i) There is an exception for this specific request with respect to Saudi Arabia, under the same rationale as contained in paragraph D above, which has explained that these requirements are for commercial reasons and, therefore, are not boycott-related.

H. A request for a statement that neither the exporting company nor any of its affiliates is blacklisted. A similar request is for a statement that the manufacturer is not a subsidiary of, a parent company of, or a firm on the Israeli-boycott blacklist.

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- (i) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.

I. Request for a statement or certificate that the exporting company does not maintain an office or have a branch in a boycotted country.


- (i) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.

J. A request for a statement or certificate that the exporting company will comply with the laws and regulations of the country of the purchaser or will comply with the boycott laws of that country.

- (i) If the request asks for compliance with the boycott laws, it is clearly boycott-related and compliance with the request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.
- (ii) If the request is for a statement of general compliance with the laws and regulations of the purchaser's country, you must presume the request is boycott-related even though there is no mention of boycott laws. Compliance with this request is prohibited unless advice to the contrary is received from our Legal Department.
- (iii) An agreement may contain a clause that specifically provides that the laws of the boycotting country "will apply" to the performance of the contract or that performance is "subject to" the laws of such country.

K. A request for information concerning the race, religion, sex or national origin of the officers, directors, employees or shareholders of Hyperdynamics.

- (i) Compliance with this request is prohibited. The transaction cannot be agreed to until the request has been withdrawn.
- (ii) The prohibition against providing information is directed toward employers. Individuals may provide information of this type about themselves and members of their immediate families for employment purposes or for purposes of securing a visa.

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As noted, the above list is not all-inclusive and boycott requests may appear in other forms. In particular, any request, direction, or contract provision that contains the words "boycott" or "blacklist" or any reference to Israel, Israeli goods or Israeli nationals, or race, religion, gender, ethnicity or national origin should be considered to be boycott-related. If documents containing any of these terms are received, you should, as with any other boycott-related request, immediately contact the Vice President of Commercial and Legal Affairs.

6. Reporting Requirements


The regulations of the Commerce Department and the Treasury Department require that the mere receipt of a boycott request be reported in a timely manner. The report must also describe the action that the company has taken in response to the request. Therefore, even if an agreement with the purchaser is reached to withdraw the request, a report must still be filed.

A. Commerce Department Regulations require reporting of boycott-related requests by the last day of the month after the end of the calendar quarter in which they were received, if the recipient is a company located in the United States. If the recipient of the request is a foreign division, subsidiary, or affiliate of a U.S. company acting outside the United States, the request must be reported by the last day of the second month after the end of the calendar quarter in which it was received. (For example, for a boycott related request received in the United States during the first quarter, the Commerce Department reporting deadline would be April 30. If the same request were received abroad, the deadline would be May 31.)

B. Failure to report requests in a timely manner is a violation of the law, even if no action to comply with the request is taken. To be sure that reports are properly filed, you must promptly send all boycott-related requests to the Vice President of Commercial and Legal Affairs.

Our Legal Department will advise as to the proper course of action to take and will file the necessary report. Since the reports require information about the goods or services being purchased, the price involved and the date the request was received, you should submit a copy of the document in which the request is contained as well as copies of the purchase order, contract, letter of credit and related documents.

C. The Treasury Department Regulations require annual reporting of boycott-related requests. The Legal Department will provide copies of all boycott-related requests it receives to our Tax Preparers to assist in the filing.

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7. Compliance Procedures

Compliance with the anti-boycott laws demands the attention of each employee who may be involved in business transactions with Middle East customers. To facilitate compliance, Hyperdynamics will maintain the following procedures:

A. We will review all potentially objectionable documents and requests for information that relate to transactions with boycotting country customers. We may appoint others to process the documents as long as all such individuals are familiar with the material contained in the Compliance Guide and instructed to suspend the processing of any transaction that appears to relate to a boycott request and immediately report the receipt of the material to the Vice President of Commercial and Legal Affairs.

B. We will distribute copies of the Policy and for periodically securing a Compliance Statement from each employee. The Compliance Statement will ensure awareness of the Policy and seek information required to prepare reports to the US Government.

C. Our Tax specialist is responsible for reviewing the boycott country list and related regulations, updated by the US Treasury Department quarterly. Based upon the information collected by our Vice President of Legal and Commercial Affairs, described in paragraphs A and B above, our Tax preparers will file the appropriate disclosure forms and statements to the US Internal Revenue Service.


D. We will provide advice when boycott-related questions arise.

E. We will provide advice and guidance to the operating entities, receive and review the report from the various entities and take whatever additional steps are deemed necessary to ensure that compliance with the anti-boycott laws is being achieved.

CONSEQUENCES OF VIOLATION OF POLICY


Any employee who violates this Policy, orders another to violate this Policy, or knowingly permits a subordinate to violate this Policy will be subject to disciplinary action, up to and including termination.

In addition, the anti-boycott laws of the Commerce Department and the Treasury Department each contain penalty provisions, and any of the prohibited activities discussed in this Policy could violate those laws. A violation of the Export Administration Act, the statute administered by

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the Commerce Department, provides for criminal and civil penalties. **Criminal penalties provide that anyone who knowingly violates the Export Administration Act or any order, regulation or license issued thereunder, may be fined up to \$50,000 or five times the value of the exports involved, whichever is greater, and may be imprisoned for up to five years. For "willful" violations, the per violation penalty for individuals is a fine of up to \$250,000, imprisonment for up to ten years, or both. For a company, the penalties for each violation could be \$1 million or up to five times the value of the exports involved, whichever is greater.** Civil penalties for a company could be as high as \$11,000 for each violation and/or result in the denial of export privileges. Although a fine could be substantial, the denial of export privileges could have a far more devastating effect on Hyperdynamics business.

A violation of the Tax Reform Act of 1976 may be punished by a reduction of available foreign tax credit, the denial of certain benefits otherwise allowable as shareholder of a foreign controlled corporation, and the denial of deferral of tax. Once the Internal Revenue Service finds a violation in one transaction with a customer, it will presume that all transactions involving customers in boycotting countries are violations. The burden shifts to a company to show that it has not violated the law with respect to each transaction. The cost of such proof could be considerable. "Willfully" failing to file required reports with the Internal Revenue Service is punishable by a fine up to \$25,000 or imprisonment up to one year, or both.

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ACKNOWLEDGEMENT

TO: Hyperdynamics Corporation

RE: 2015 – Anti-Boycott Compliance Guide and Policy Statement

The undersigned hereby acknowledges receipt of the Hyperdynamics Corporation Anti-Boycott Compliance Guide and Policy Statement dated 2015, and confirms that the undersigned has read, is familiar with, and agrees to follow the Policy.

Name _____

Dated this _____ day of _____ 2015