July 1, 2013

Via Email

U.S. Department of State
2201 C St., NW
Washington, DC 20520
BurmaPublicReport@state.gov

RE: Report on Responsible Investment in Burma

To Whom It May Concern:

Hercules Offshore, Inc., on behalf of its wholly-owned subsidiary, Cliffs Drilling Company, a Delaware company, (collectively, “Hercules Offshore”) hereby submits the enclosed Report on Responsible Investment in Burma, pursuant to the U.S. Department of the Treasury, Office of Foreign Assets Control Burmese Sanctions Regulations General License No. 17 and the U.S. Department of State’s “Reporting Requirements on Responsible Investment in Burma” issued on May 23, 2013. Insofar as Hercules Offshore’s operations in Burma include the economic development of resources, the undertaking may be construed as “new investment” in Burma as defined by 31 C.F.R. § 537.311, and the aggregate investment exceeds $500,000.

Because this transaction involves the Myanma Oil and Gas Enterprise, Hercules Offshore voluntarily submitted a notification to the U.S. Department of State on January 14, 2013, pursuant to the U.S. Department of the Treasury, Office of Foreign Assets Control Burmese Sanctions Regulations General License No. 17 and the U.S. Department of State’s “Reporting Requirements on Responsible Investment in Burma” issued on July 11, 2012.

If you have any questions regarding this matter, please contact Charles A. Lestage, Deputy General Counsel and Chief Compliance Officer, Hercules Offshore, Inc. at 713-350-8303 or cleston@herculesoffshore.com.

Sincerely,

Charles A. Lestage
Hercules Offshore, Inc.
Deputy General Counsel and
Chief Compliance Officer
HERCULES OFFSHORE, INC.
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1. Name

Hercules Offshore, Inc. ("Hercules Offshore" or "Company")

2. Acknowledgement

On behalf of Hercules Offshore, Inc., I understand and acknowledge that this Public Report will be made public. No information included in items 1 through 8 of the Government Report is exempt from public disclosure under FOIA Exemption 4. As such, no redactions have been made to items 1 through 8.

[Signature]
Charles A. Lestage
Deputy General Counsel and
Chief Compliance Officer

3. Public’s Point of Contact

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Chief Compliance Officer
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4. Overview of Operations in Burma

a. Hercules Offshore operates in Burma by and through one of its wholly owned subsidiaries, Cliffs Drilling Company ("Cliffs").

b. On or about November 20, 2012, Cliffs contracted to provide a jackup drilling rig to PTTEP International Limited ("PTTEPI"). PTTEPI has an agreement with the Myanmar Oil and Gas Enterprise ("MOGE") for these operations. On or about January 31, 2013, Cliffs commenced drilling operations offshore Burma pursuant to its contract with PTTEPI.

c. Hercules Offshore maintains an office at the following address in Yangon, Burma:
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No 651, Airport Avenue Lane 1, 10 Miles
Yangon, Burma

d. Hercules Offshore employs approximately 99 people in Burma—36 of whom are Burmese and 63 of whom are non-Burmese. All but six—two of whom are Burmese—work on the rig offshore Burma on a rotational basis.

5. Human Rights, Worker Rights, Anti-Corruption, and Environmental Policies and Procedures

a. Hercules Offshore manages its operations, including those in Burma, by and through an ISO 9001:2008-certified Quality Management System, which includes a Supply Chain Manual that is used to prepare, review, control and approve the purchase of goods and services.

Hercules Offshore has engaged one Burmese company to provide services including MOGE-required rig crews, catering, logistics support, airport meet and greet, customs clearance support and immigration support. Prior to signing an agreement with this supplier, Hercules Offshore conducted due diligence on the company over several months, which is described in detail below.

Pursuant to Hercules Offshore’s International Anti-Corruption Compliance Policy, the supplier completed Hercules Offshore’s Third-Party Due Diligence Questionnaire (the “DDQ”). Among other things, the DDQ requires a prospective supplier to detail its shareholders and ownership structure, describe its anti-corruption policies and procedures and disclose other pertinent information, including the identity of any subcontractors who would ultimately provide any services to Hercules Offshore. As required by the DDQ, the supplier provided a copy of its Code of Ethics to Hercules Offshore.

Like Hercules Offshore, all of the supplier’s employees are required to abide by the policies and principles contained in its Code of Ethics. The supplier’s Code of Ethics included provisions covering the following topics:

- Anti-corruption;
- Health, Environment, Safety & Social Responsibilities;
- Discrimination and Harassment;
- Human Rights;
- Record-keeping and Internal Controls;
- Conflicts of Interest; and
- Anti-Money Laundering.
The supplier’s Code of Ethics also identified an Ethics Officer as well as an Ethics Committee, comprised of ten employees, including the Chairman as well as the Head of the Internal Audit Department.

Hercules Offshore also engaged two different third-party due diligence service providers to investigate and provide detailed due diligence reports on the reputation of the supplier as well as its owners. The first due diligence report crosschecked the prospective supplier and its owners against numerous sanctions lists, including OFAC’s SDN List, and resulted in no negative feedback concerning the prospective supplier or its owners. The second due diligence report provided a more in-depth review of the supplier, including intelligence and feedback obtained from on-the-ground sources within Burma concerning the supplier’s general business reputation and human rights record. This report also noted no negative feedback concerning the prospective supplier or its owners.

In addition, Hercules Offshore’s Chief Compliance Officer traveled to Burma to interview the prospective supplier, conduct an anti-corruption training session for the supplier’s key employees and meet with lawyers in Burma as well as the Economic Officer at the U.S. Embassy in Yangon. No negative feedback concerning Hercules Offshore’s prospective supplier resulted from the meetings.

The contract between Hercules Offshore and the Burmese supplier includes several representations and warranties concerning anti-corruption. Hercules Offshore also loaded the supplier, its owners and its subcontractors into a third-party proprietary software program, which crosschecks the subjects against numerous worldwide newspapers and sanctions lists, including OFAC’s SDN List, and provides daily alerts if a potential red flag is noted. As of the date of this report, no such red flags have been noted concerning Hercules Offshore’s Burmese supplier, its owners or its subcontractors.

After the execution of the contract with the supplier, Hercules Offshore’s Chief Compliance Officer traveled to Burma a second time, to meet with its key employees to ensure they understood and were abiding by the principles to which the supplier represented and warranted in the aforementioned contract with Hercules Offshore.

b. As part of its Ethics & Compliance Program, Hercules Offshore requires key foreign-based employees, including those working in Burma, to attend annual, in-person anti-corruption training. Hercules Offshore also requires employees, including those working in Burma, to complete annual online anti-corruption training. All Hercules Offshore employees are required to abide by the Company’s anti-corruption policies and procedures.
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From time to time, Hercules Offshore’s supplier in Burma may interact with foreign governmental entities and/or officials on behalf of the Company. As noted above, this supplier is contractually obligated to abide by Hercules Offshore’s anti-corruption policies and procedures and must attend in-person anti-corruption training administered by Hercules Offshore’s Chief Compliance Officer.

Hercules Offshore also conducts due diligence on third-party agents. As detailed above, Hercules Offshore obtained a DDQ and two separate due diligence reports on its Burmese supplier, which also attended a live, anti-corruption training session conducted by Hercules Offshore’s Chief Compliance Officer. Hercules Offshore continues to monitor its Burmese supplier’s compliance with the Company’s anti-corruption policies and procedures through the help of the previously-discussed, third-party proprietary software program. Hercules Offshore’s Chief Compliance Officer also periodically conferences with Hercules Offshore’s Burmese-based employees and the Company’s Burmese supplier to reinforce the Company’s anti-corruption principles.

c. Hercules Offshore maintains a small office in Yangon, Burma, where it manages its offshore drilling operations. Due to the nature of Hercules Offshore’s operations in Burma, the necessity for stakeholder engagement is limited. First, Hercules Offshore’s drilling operations take place offshore Burma, limiting the possibility of engaging with Indigenous Peoples, as that term is defined in the World Bank Group International Finance Corporation’s Performance Standards on Environmental and Social Sustainability No. 7. Second, Hercules Offshore’s customer, PTTEPI, obtained any and all required concessions directly from MOGE. As part of MOGE’s regulations, Hercules Offshore was required to employ a certain number of MOGE/Burmese crew members. Hercules Offshore complied with MOGE’s regulations, and in so doing, dispatched one of its United States-based teams to Burma to conduct HERO I training—a proprietary, behavioral-based environmental and safety training program conducted over a three-day period. Hercules Offshore paid the MOGE crew members for their time spent attending the training.


Further, displayed on board Hercules Offshore’s rigs as well as on its Intranet site are instructions on how to report grievances, including
instructions on how to report grievances anonymously. Hercules Offshore’s supplier in Burma also includes instructions in its Code of Ethics on how to report grievances to its Ethics Officer or anonymously via a suggestion box.

e. As part of its Quality Management System, Hercules Offshore maintains a Health, Safety and Environment Manual, Legal Manual and Human Resources Manual. Each of the manuals, along with the Company’s Code of Conduct, contains numerous policies and procedures, which touch upon human rights, sustainability, worker rights, anti-corruption and the environment. Hercules Offshore has an overarching commitment to conduct its operations in a safe, secure and environmentally responsible manner. The Company’s top priority is to safeguard the well-being of its employees, customers and contractors.

Hercules Offshore also has a proactive Quality, Health, Safety and Environment Department that integrates health and safety management systems into the Company’s ongoing business practices. The Company has implemented an annual training program to enhance employees’ safety and occupational health knowledge, including recognizing and mitigating potential unsafe conditions. Hercules Offshore’s Quality, Health, Safety and Environment Policy Statement is included as Exhibit A.

As of the date of this filing, Hercules Offshore is in the process of obtaining an ISO 14001 (Environmental Management) certification.

f. The policies and procedures described above are communicated to Hercules Offshore’s employees located in Burma. The principles described above, and included in the above-referenced policies and procedures, have been communicated to Hercules Offshore’s supplier in Burma as well as to the MOGE-supplied crews working aboard Hercules Offshore’s rig offshore Burma. Hercules Offshore’s Burmese supplier was also trained by Hercules Offshore’s Chief Compliance Officer on several of the above-referenced principles. Hercules Offshore’s employees as well as its Burmese contractor and MOGE-supplied crews must adhere to the standards outlined in the above-referenced policies and procedures.

6. **Arrangements with Security Service Providers**

As of the date of this report, Hercules Offshore has not made arrangements with any Security Service Providers related to its operations in Burma.
Property Acquisition

As of the date of this report, Hercules Offshore has not purchased, used or leased any land or other real property valued over $500,000 or larger than 30 acres related to its operations in Burma.

Transparency

As of the date of this report, Hercules Offshore has not made any payments, nor to its knowledge have any payments been made on its behalf, valued over $10,000 to any government entity in Burma.
Hercules Offshore is committed to an incident-free workplace. Quality, Health, Safety, and Environmental excellence are core Company values in conjunction with providing reliable and cost-effective services to the oil and gas industry in order to meet or exceed customer expectations and enhance customer satisfaction. QHSE objectives serve as our Company’s strategy for survival and growth.

Management will provide sufficient resources to ensure a superior QHSE culture is achieved across the organization. QHSE is not managed by good luck.

Supervisors will ensure that we take the time to do the job right the first time, every time. We will not only stop the job if it is unsafe; we will not start the job until it is. Quality, personnel safety, and protection of the environment are not separate to performance; they are performance.

All employees are accountable and obligated to eliminate at-risk behavior in themselves and others. Working safely is a condition of employment!

We are committed to our stated objectives which include:

- Common QHSE Industry Standards will be deployed across all divisions of the organization
- Compliance with all applicable legal and other requirements to which the Company subscribes is maintained
- Appropriate levels of risk analysis are applied to all activities, including prevention of pollution
- Employees participate fully in all QHSE processes; suggestions for improvement are actively encouraged
- The cause (s) of incidents are identified and communicated at appropriate levels across the organization to prevent reoccurrence
- The effectiveness of the Company’s management system is continually improved