



SinoTharwa Drilling Co.

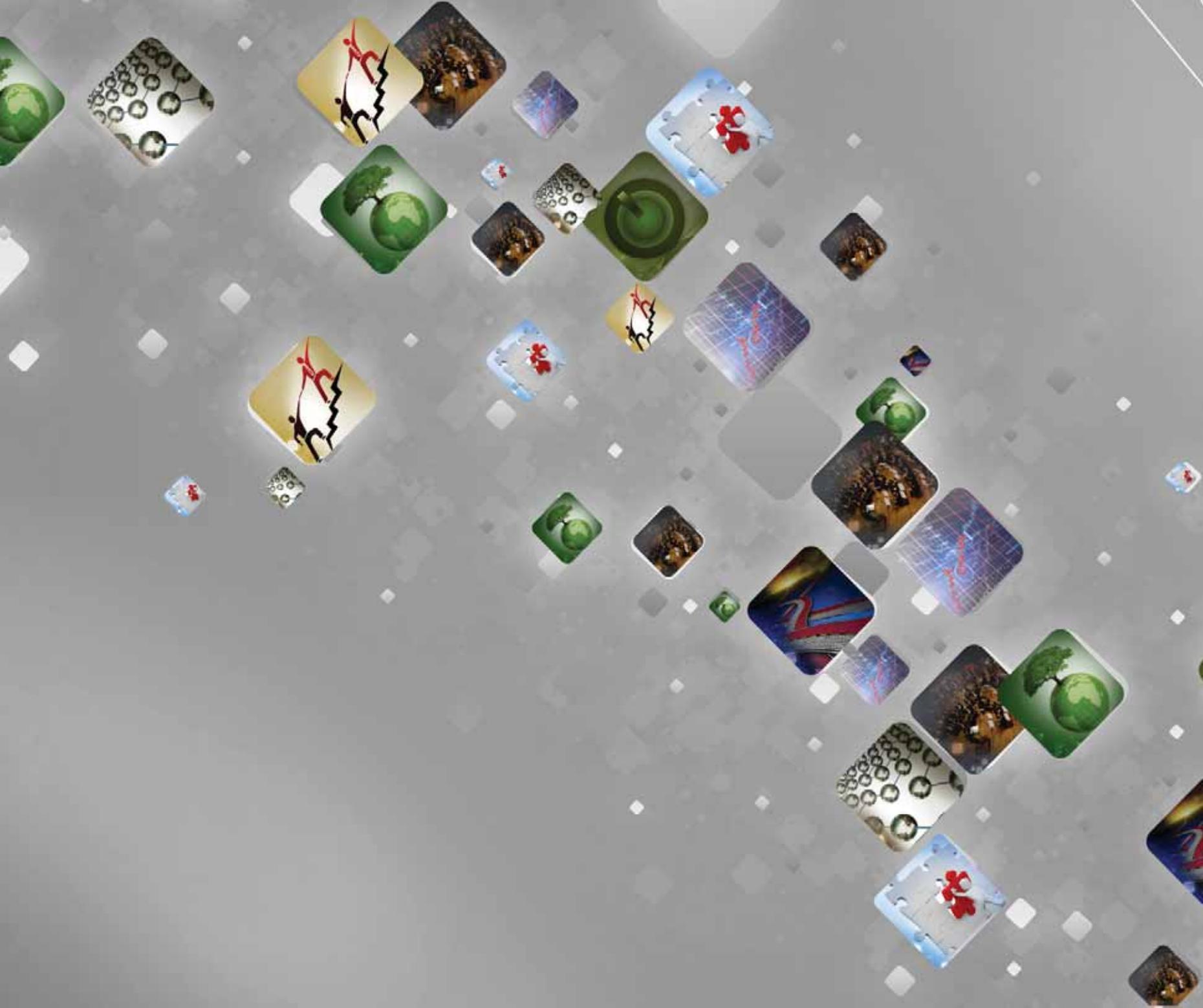


Managing Director's statement:

I would like to extend my thanks and sincere greetings to all Sinotharwa staff; working on Rigs in different locations as well as Cairo Head Office including Egyptians and Chinese employees, on the occasion of 2010 fiscal year closing and for retaining an outstanding performance that exceeded international performance technically and financially in spite of the global financial crisis.

In 2010, Sinotharwa has awarded ISO 9001: 2008 certificate which qualifies the company to work in the global market, in addition it's worth mentioning that the company has successfully achieved 315 % of the original budget reflecting the effort exerted by Sinotharwa staff who were working hard to reduce expenses and to maintain our Rigs' utility with the highest operating rates despite Rigs daily rate decline resulted due to the market critical conditions.

The employees are the main factor of Sinotharwa success and achievements. Over the past five years, the company has increased employees' benefits, provided needed trainings which enhanced their professional level and enables the integration of the company in the global market.



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HUMAN RESOURCES & DEVELOPMENT

Department

Development With No Limits



Our Vision

- We are committed to balanced support of company and individual needs, we are guided by ethical and professional standards.

Our Mission

- To provide the highest quality outcomes, underpinned by high level knowledge and expertise, with a commitment to reach productive and creative solutions to issues.

Our Goals

- To develop highly effective supervisors, leaders and managers.
- A diverse, highly skilled, productive, healthy, and efficient workforce.
- Fair and lawful treatment of all employees



Medical Department

We Care Fast

Family Medical Claims:

- We succeed to upgrade the ceiling of the overall family medical by 100%.
- Also, the ceilings for some items have been increased such as optical, dental, laboratory investigations& radiological scan.

Pest Control Services:

- We succeed to implement the schedule for pest control service & laying out the scope of work.

Drugs Inventory:

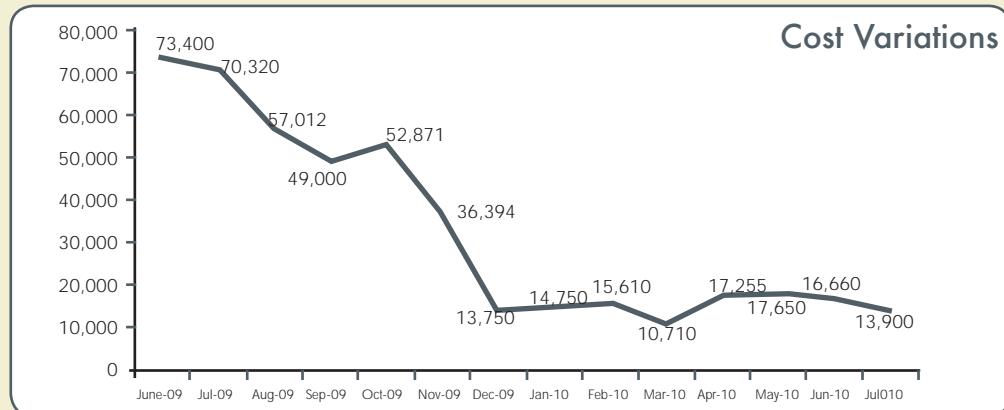
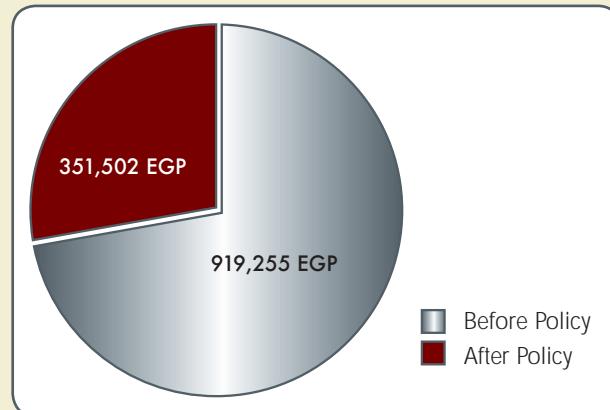
- We established the standard drugs list & We continued the Drugs redistribution plan: reallocation for the extra drugs on the Rigs to other Rigs having deficit.
- Also, we continued new drug inventory system: Drug inventory report received on monthly basis from Rigs & also all drugs consumption on Rigs is registered in Consumption book handled by the Rig physician.

Medical Services Conducted By Alico:

- After negotiations with Alico Company, we've successfully decreased the annual medical premium by 17.5%

Pre-Employment Medical Checkup:

- Handling more than 90 medical checkup for newly hired employees



Personnel Department

Satisfaction Is Our Responsibility

- Employees satisfactions is our major responsibilities in 2010 & at the same time keeping employees performance within all company policies & procedures to guarantee the work flow on the right way.
- The Personnel Division obeys to all governmental & legal requirements through labor office & social insurance office.
- Monitoring & analyzing the results & scores of new performance appraisal for all employees in which their benefits will be reflected in 2011.
- Adding new policies & procedures to SinoTharwa policies as follow:
 - 1- Expatriate Policy.
 - 2- Truck Transportation procedures.
 - 3- Abroad posting procedures.
- Modifying & adapting some company benefits in order to reach the targets of developing personal and business levels, as follow:
 - 1- Transportation allowance, increase daily transportation rates for premises staff and activate this benefit for rigs staff.
 - 2- Activate meals allowance for all Cairo office premises staff on daily basis.
 - 3- Activation local business trip allowance for all employees (premises & rigs staff).
 - 4- Medical insurance, increase ceiling of medical treatment for some services as (optical, Dental, lab analysis, physician visit & Drugs).
- Modified our company organization chart after submitting new organization for Jack up rig site to recruit its staff by the end of this year and Badr Yard location to facilitate the work flow.

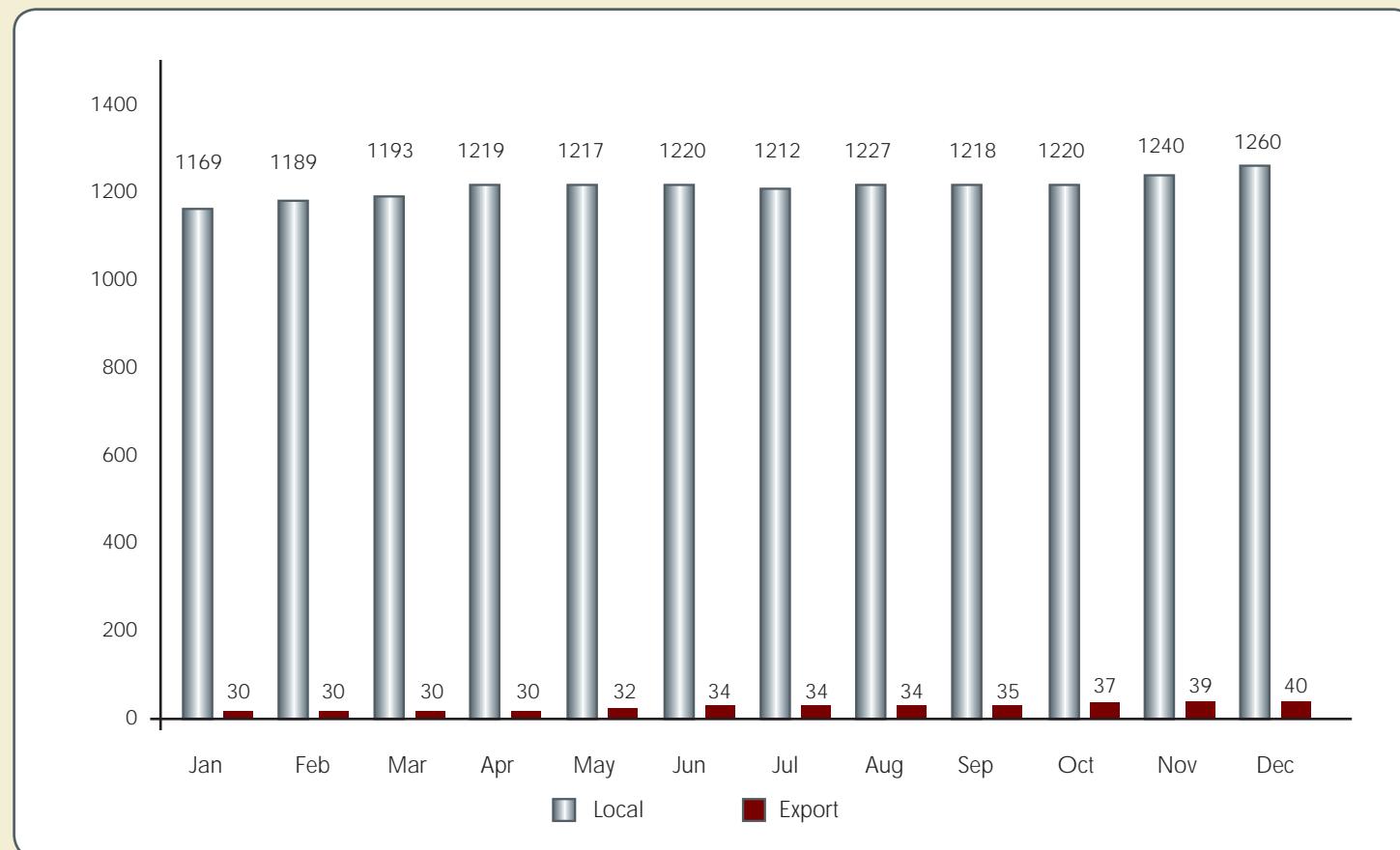
2010 Manpower Highlights



Location	No. of Employees
Head Office	86
St#1	83
St#2	83
St#3	76
St#4	76
St#5	76
St#6	75
St#7	76
St#8	72
St#9	72

Location	No. of Employees
St#10	76
St#11	75
St#12	79
St#21	57
St#22	56
St#23	55
St#24	56
Jack up	50
Badr Yard	21
Total Manpower	1300

2010 Manpower



Training Department

Mapping Your Future

SinoTharwa is aimed at permanently developing the performance of the organization and its employees, as an essential condition for the ongoing improvement and competitive level of the business.

SinoTharwa Training is not only considered for new employees but also for current employees because ongoing training helps them to be adapted to the rapidly change of job requirements.

SinoTharwa conducted a Training Needs Assessment for all employees to obtain baseline data that will identify existing and future training needs of employees & to determine training and development priorities for employees.

Objectives.

The training needs analysis was designed to accomplish the following objectives:

- Identify (and assess) SinoTharwa's training needs.
- Specify competencies development plans.
- To have professionals in the future who may fill occupations of greater responsibility.
- Define the Company Training Plan to respond to the company objectives.
- Provide information so as to create Competencies Development Plan.

Objectives of Employee Training & Development Process:

Long Term Objectives

- Promote the permanent development of the employees, aligning the training with the needs generated by the business strategies, within a business culture committed to knowledge.
- Focus the knowledge transfer towards the business plans.
- Create value for the company through knowledge.

Medium Term Objectives

- Increase the knowledge, capacities and abilities of the SinoTharwa professionals.
- Develop leaders in all levels of the organization.
- Prepare the SinoTharwa professionals for the continuous technological and organizational changes that the market demands.

Short Term Objectives

- Building a more efficient, effective and highly motivated team, which enhances SinoTharwa competitive position and improves employee morale.
- Creating a pool of readily available and adequate replacements for personnel who may leave or move up in SinoTharwa.

HSE Training:

- In house HSE Training: SinoTharwa has a direct contract with the best HSE instructors who provide all kinds of HSE training internally in SinoTharwa Training center that contains all the training facilities & high technology equipments that allows the trainees to get the most benefit of the training they attend.
- External HSE Training: SinoTharwa deals with the best HSE training providers in Egypt who submit a certificate that is required by the operators companies or by the governmental HSE authorities.

Technical Training:

IWCF Training Course:

- SinoTharwa establishes a school for teaching the IWCF course in SinoTharwa training center, this course is provided for drilling key positions & it is renewed every two years the thing that make this school is essential & continuous operation in the drilling industry.

Drilling Training Course:

- These courses are concentrated in the technicality of the drilling industry & provided by the best instructors in the drilling field & with participations also from the key positions in the process of education.

Soft Skills Training Course:

- SinoTharwa was growing rapidly, within the previous five years; it managed to compete with the biggest drilling companies in Egypt, with this huge growth, SinoTharwa had to hire & promote many people within a very short time the thing that creates cultural differences. However, as per SinoTharwa mission; "developing our employees is one of our missions, also training implements good environment with good communication" it is seeking to invest in creating the change needed, Creating a cultural bond and common direction through spreading awareness & common understanding on SinoTharwa values & Focusing on Changing behaviors and attitudes.

Example of soft skills training provided during 2010:

- Maintaining a Positive Attitude in the Workplace
- Who moved my cheese
- It's all about me
- Emotional Intelligence

2010 TRAINING RECORDS:

HSE Training Courses	Training Hours Achieved
HSE Management System	848
Lifting Operation	2176
Accident Investigation – Start mid June	152
Risk Assessment - Start mid July	528
Working at height - Start Sept.	3360
Electrical Safety - Start Oct.	208
Environmental protection – Start Dec.	3376
Defensive Driving	1152
HSE Leadership	108

Operations Training Courses	Training Hours Achieved
Rig Math	4544
Basic Drilling Technology – start July	3048
IWCF	2926

Engineering Training Courses	Training Hours Achieved
Refrigeration Course	420
Exxon Mobile	240

Soft Skills Training Course	Training Hours Achieved
Maintaining a Positive Attitude in the Workplace	160
who moved my cheese	414
It's all about me	616
Emotional intelligence	336

Public Relation Department

Image Builder

Conference & Exhibition:

We are expanding our business and opening new markets in the nearby countries; also we are communicating and interacting with Oil & Gas sector through participating in the following conferences and exhibitions in strong, creative & competitive booths which reflects our image & achievements.

- MPC 2010) the 11th Mediterranean petroleum Conference & Exhibition on Feb. 2010 at Tripoli, Libya.
- MOC 2010 - on May 18th at Alexandria
- Al Gomhouria 3rd Oil conference & exhibition under the slogan «The Oil between Reality & Hope». On October 2010 at Nata Co. Cairo.

Meetings & VIP Visits:

- SinoTharwa organized & handled all the senior level meetings such as general assembly & extraordinary meetings, as well as the VIP visits.

General Assembly Meeting

- Company 4th Assembly Meeting that was held on Mar. 7th 2010
- **Extra Ordinary General Assembly Meeting** that was held on April 22nd April 2010.
- In Consequence of Jack-Up>s marketing campaign; Public Relation has developed marketing Flayers to be distributed in different events to announce our new Jack-up.
- Prepare or edit organizational publications for internal and external audiences, (Movies, website, newsletters, Petronews & company catalogues.... etc).
- SinoTharwa has published new advertisement in:
 - The Oil & Gas year Magazine.
 - The Arab Petroleum Magazine
- As we believe that social activities aimed to encourage employee's team spirit internally & leads to good relationships; we always Share employees' social occasions, such as condolences, marriages, engagements, new baby born, get well soon, welcoming & farewell parties and birthdays, moreover coordinate with travel agencies for vacation and seasonal offers for promoting employees' goodwill.
- SINOPEC CORP. / SINOPEC STAR VISIT:
- SinoTharwa has arranged top VIPs visit from Sinopec corp. / Sinopec star during the period Sep.3rd 2010 to Sep.7th 2010.

Partners of Success:

- SinoTharwa has celebrated by 5 years of success & mutual cooperation with our official carrier Egyptair, on the occasion of SinoTharwa / Egyptair protocol renewal ceremony that was held on July 2010.

General Services Department

Mover & Shaker

COMPANY'S CAR FLEET:

- SinoTharwa Owns 58 cars in different locations in Egypt the system to follow-up periodic maintenance was developed & enhanced in 2010 for all company cars with great interest to keep them in a perfect condition.
- Agreement with authorized car maintenance centers to make the cars periodic maintenance and any kind of other repairs to ensure high quality of maintenance for the company cars & also including this services to be provided on the Rig locations, the thing that reflect on our credit cost & also save a lot of time & effort.
- Contracts with the best transportation companies in Egypt to provide SinoTharwa employees with safety & comfortable during their trips to the company locations.
- Policies & Procedures were established in 2010 in order to keep a smooth Business trips & daily work orders for all Sinotharwa employees.
- Providing Defensive Driving course for drivers & all Co. car users during 2010.

WORK PERMITS:

- Compliance to Egyptian Labor Law & following the direction of replacing expats by well trained local employees, During 2010 SinoTharwa eliminate the expat manpower & issued 28 work permits for Expat employees

HEAD OFFICE & GUEST HOUSE:

- Maintenance & continuous follow up have been taken place for company head office building, guest house & Badr yard to facilitate the accommodation & to ensure the comfort for SinoTharwa employees.
- The General Services department successfully saved 40% From the Rig's fleet maintenance due to a mutual agreement which has been taken Place between SinoTharwa & vehicle's agents that state to make the maintenance on site instead of doing it at the agent.

The background of the slide features a dark green gradient with a pattern of semi-transparent, overlapping green squares of various sizes. Some squares have a small white diamond in their center. The overall effect is a modern, digital, and abstract look.

QHSE Department

Always, Having some better to do.



We Are On The Right Way

THROUGH 2010 Sinotharwa operations were carried out by a way that guaranteed the continuous improvement of its QHSE records. This Continuous improvement relied on both top management as well as workforce efforts introduced for keeping the operation's free of any impacts could have its negative effect on People, environment, Assets, Customers and Reputation.

Stepping Forward

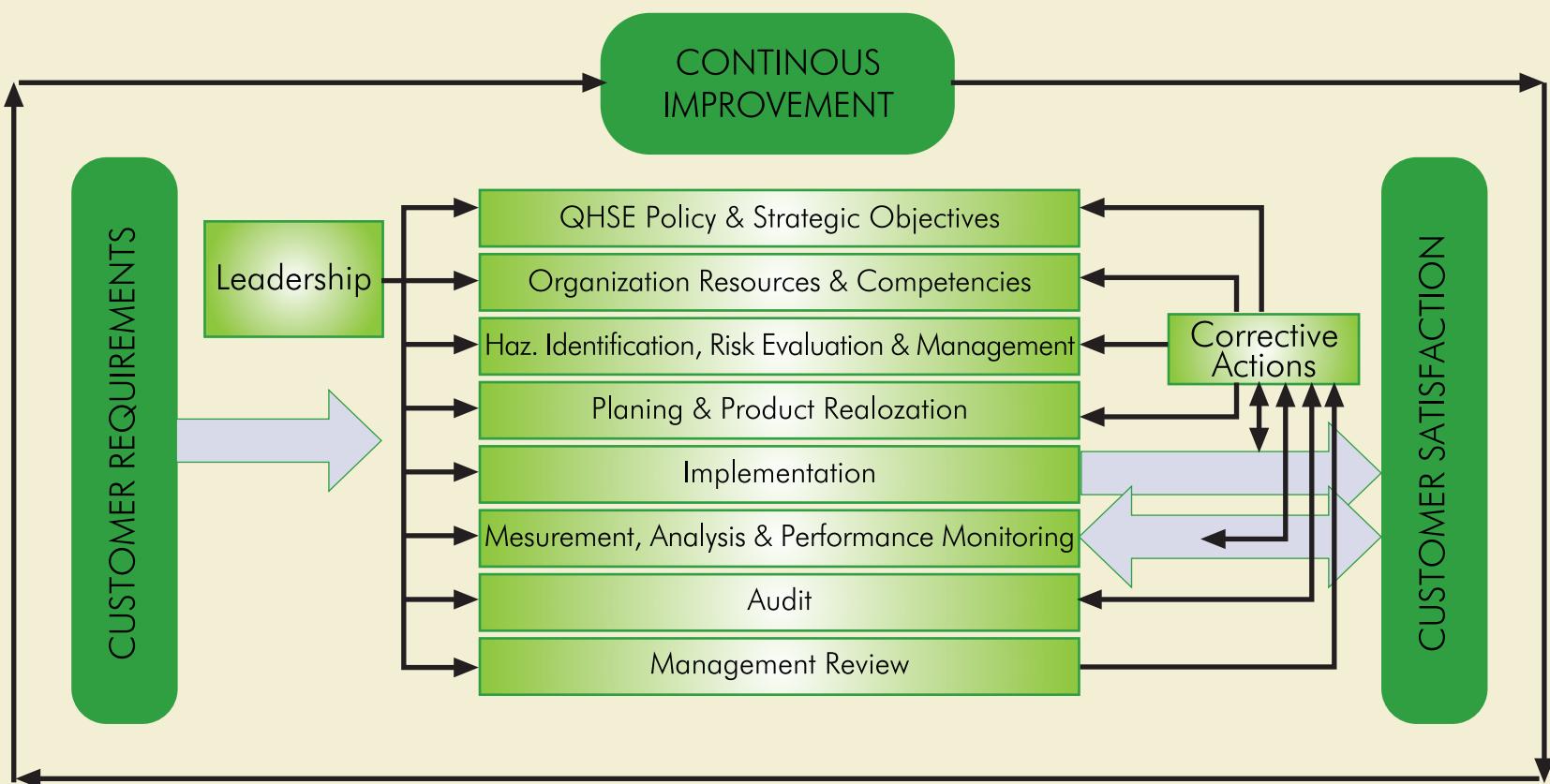
Nothing better than having our company stepping forward several steps at the end of term, which if weighted with regard to the quality, occupational health, safety and environmental performance it can be considered as an important accomplishment, Sinotharwa QHSE-MS which was stiffed before by having the health, safety & environment Management system awarded by OHSAS 18001 certificate during 2008 and succeeded to extend the certificate validation and nothing stopped our willing to get the Company awarded by ISO 9001 certificate during 2010 which considered to be one of the QHSE department Major Targets in order to have a successful QHSE-MS department and consequently in order to keep the company competing in the drilling contractors' market.

Also establishing an offshore structured hazard identification program through implementing BAHARI-1 HSE case phase A and B, which revolves around how Sinotharwa managed the aspects of:

- QHSE-MS to be applied on BAHARI-1
- Emergency response, evacuation and escape
- MODU specs and supportive documents
- BAHARI-1 QHSE-MS performance monitoring

QHSE Management System

THROUGH 2010 Sinotharwa operations were carried out by a way that guaranteed the continuous improvement of its QHSE records. This Continuous improvement relied on both top management as well as workforce efforts introduced for keeping the operation's free of any impacts could have its negative effect on People, environment, Assets, Customers and Reputation.

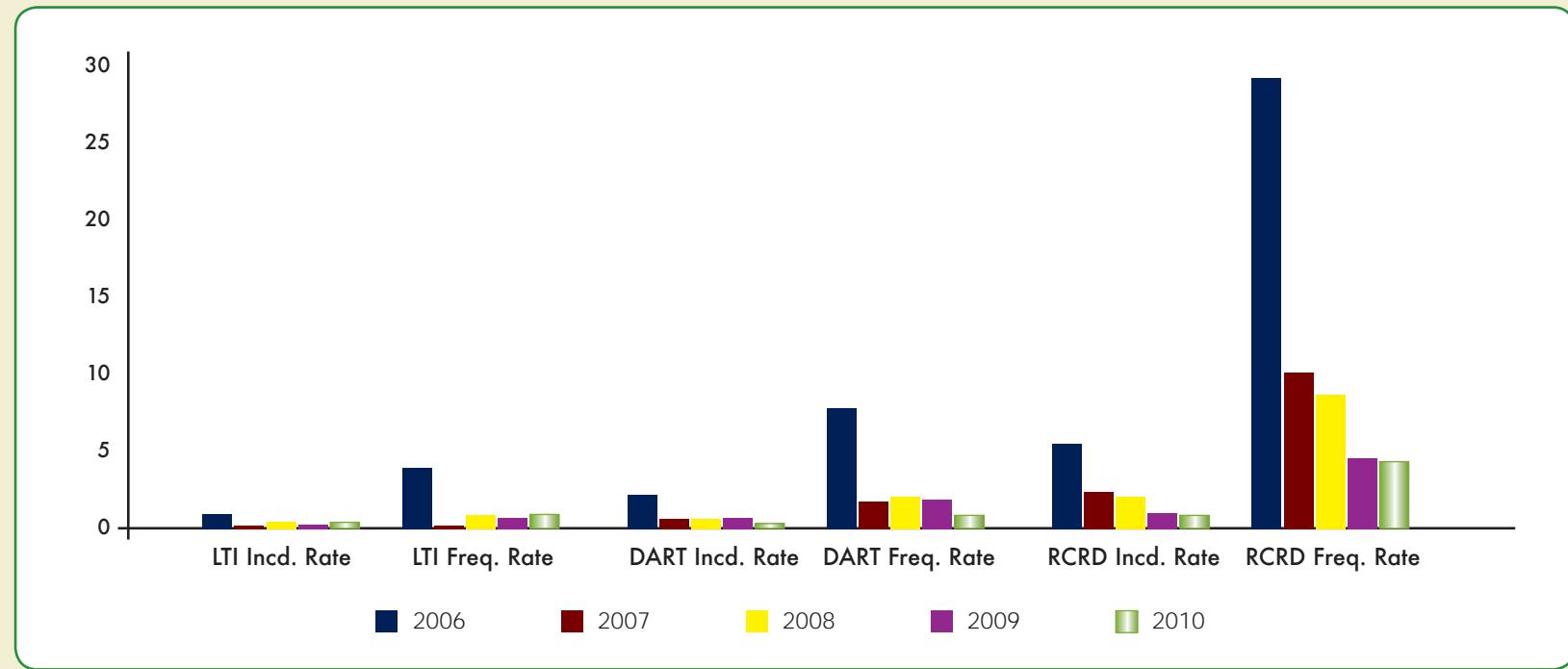


ISO 9001:2008 Certificate



Work Injury Statistics: "Facts Mean Figures"

- LTI INCD Rate = $(LTIs + FTLs) * 200,000 / \text{Total man hours.}$
- LTI FREQ Rate = $(LTIs + FTLs) * 1,000,000 / \text{Total man hours.}$
- DART INCD Rate = $(RWCs + LTIs + FTLs) * 200,000 / \text{Total man hours.}$
- DART FREQ Rate = $(RWCs + LTIs + FTLs) * 1,000,000 / \text{Total man hours.}$
- RCRD INCD Rate = $(MTOs + RWCs + LTIs + FTLs) * 200,000 / \text{Total man hours.}$
- RCRD FREQ Rate = $(MTOs + RWCs + LTIs + FTLs) * 1,000,000 / \text{Total man hours.}$



Environmental Protection: "Hitting Zero Discharge Target"

Sinotharwa drilling company succeeded in hitting the zero discharge target concerning the environmental pollution within the 16 rigs scope of operations and this will be extended to BAHARI-1 scope of operations through establishing a comprehensive and tight environmental protection procedures and work instructions in line with the offshore pollution emergency plan SOPEP which will be approved through the class society and in accordance to the Egyptian environmental law requirements before commencement.

Motor Vehicle Accident Rates:

During 2009 and after applying the clear comprehensive safe driving and road transport procedures in addition to conducting a theoretical & practical defensive driving training to the company delegates as well as issuing company driving licenses the 2010 motor vehicles accidents rates were found going downward as a result of the right implementation of such procedure also installing the in vehicle monitoring system "IVMS" to the company and rental vehicles was one of the contributing factors lead to getting the motor vehicle accident rates during 2010 been reduced by approximately 30% compared with 2009 as only 8 vehicles accidents recorded in 2010 with no human impact or recorded injuries.

Events:

2010 Safety Critical Equipment Campaign

This campaign was conducted in South Alamein and Abo-rudies fields with the participation of Sinotharwa Top management as well as he clients' management Under the slogan of "WATCH THE HOOK AND SAVE THE BLOCK", this campaign covered the aspects of a rig safety critical equipment which include well control equipment, life saving equipment, Block control devices...etc

- C**alibration and maintenance.
- A**specting operation needs.
- U**sing operation guidelines.
- T**raining for all concerned.
- I**dentifying defects.
- O**bserving defects overcoming.
- N**ever overriding.

5000 Km Safely Drive Campaign:

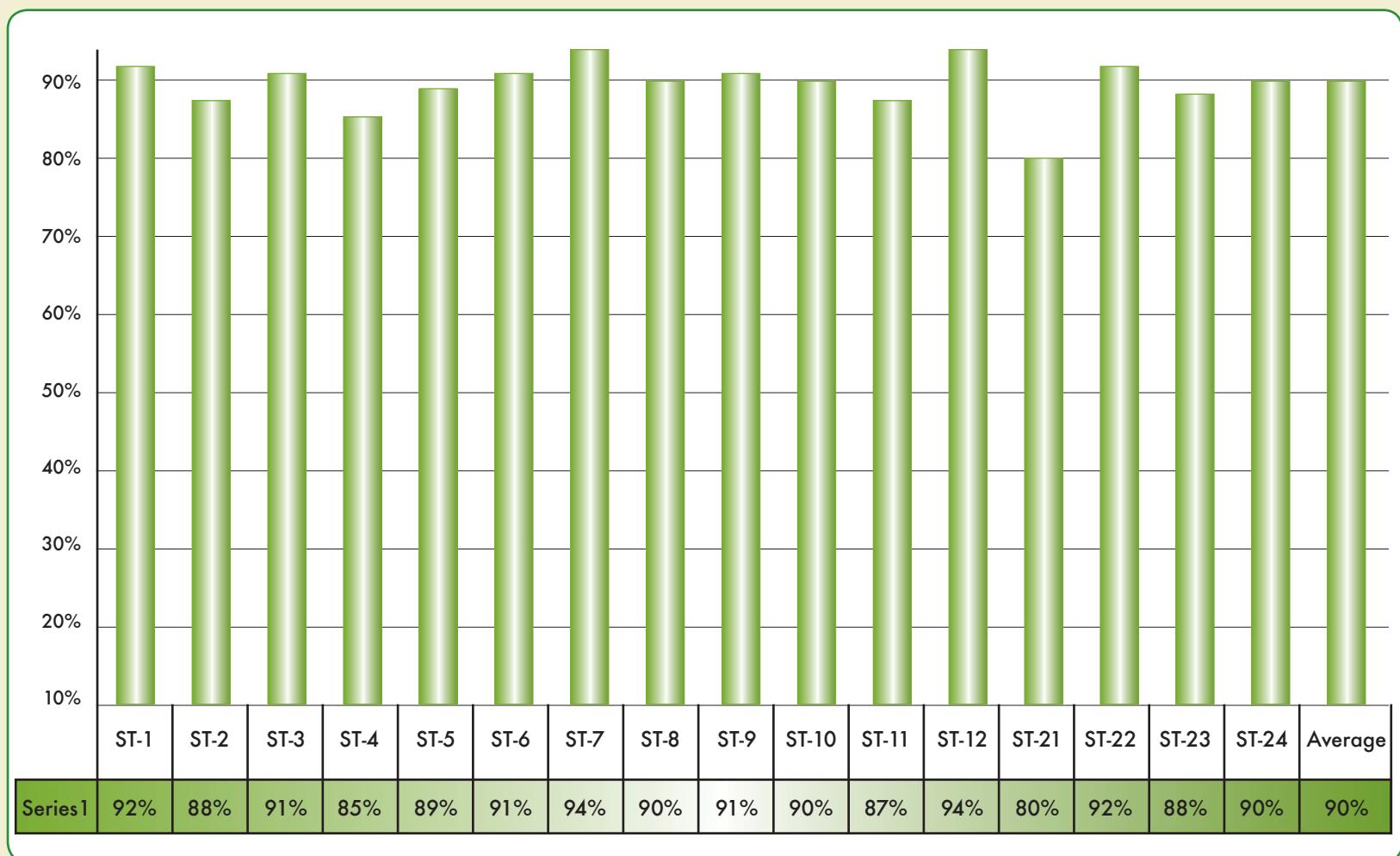
Also on September 2010 and as a way to enhance the right implementation of the safe driving and road transport procedures and also as a result of our believe that always there is a chance to promote the workforce culture HSE department conducted this safety campaign under the slogan of "5000 KM WITHOUT SINGLE RECORDABLE VIOLATION" with a newly established vision, we can say that sinotharwa did something unique and was the pioneer in implementing such awareness campaign by the way it was handled which was by...

Driving 5000 km distance through a round trip starting by cairo and covering the company 16 locations then ending by cairo within 8 days without one recordale violation to be recorded by the ivms device

- B**enefits of journey plan.
- E**xpect the worst.
- A**ssess road and driving conditions.
- L**ife is your choice.
- E**nsure the vehicle is well maintained.
- R**ecognize the hazard and others' mistakes.
- T**o be a competent.

2010 Average QHSE Performance:

With the very strict QHSE targets planned to be achieved during 2010 complying with the company trend toward the target of Zero harm, plus having a better standard of customer satisfaction our rigs succeeded to achieve a general QHSE performance average of 90 %.



Achievements



ST-1 Achieved 4 years without LTI on November 30th 2010



ST-2 Achieved 4 years without LTI on August 23rd 2010



ST-3 Achieved 1 year without LTI on August 15th 2010



ST-4 Achieved 3 years without LTI on August 24th 2010



ST-6 Achieved 2 years without LTI on April 2nd 2010



ST-7 Achieved 2 years without LTI on June 11th 2010



ST-8 Achieved 2 years without LTI on May 1st 2010



ST-10 Achieved 2 years without LTI on June 25th 2010



ST-12 Achieved 1 year without LTI on January 2nd 2010



ST-21 Achieved 3 years without LTI on January 8th 2010



ST-22 Achieved 3 years without LTI on November 2nd 2010



ST-23 Achieved 2 years without LTI on March 19th 2010

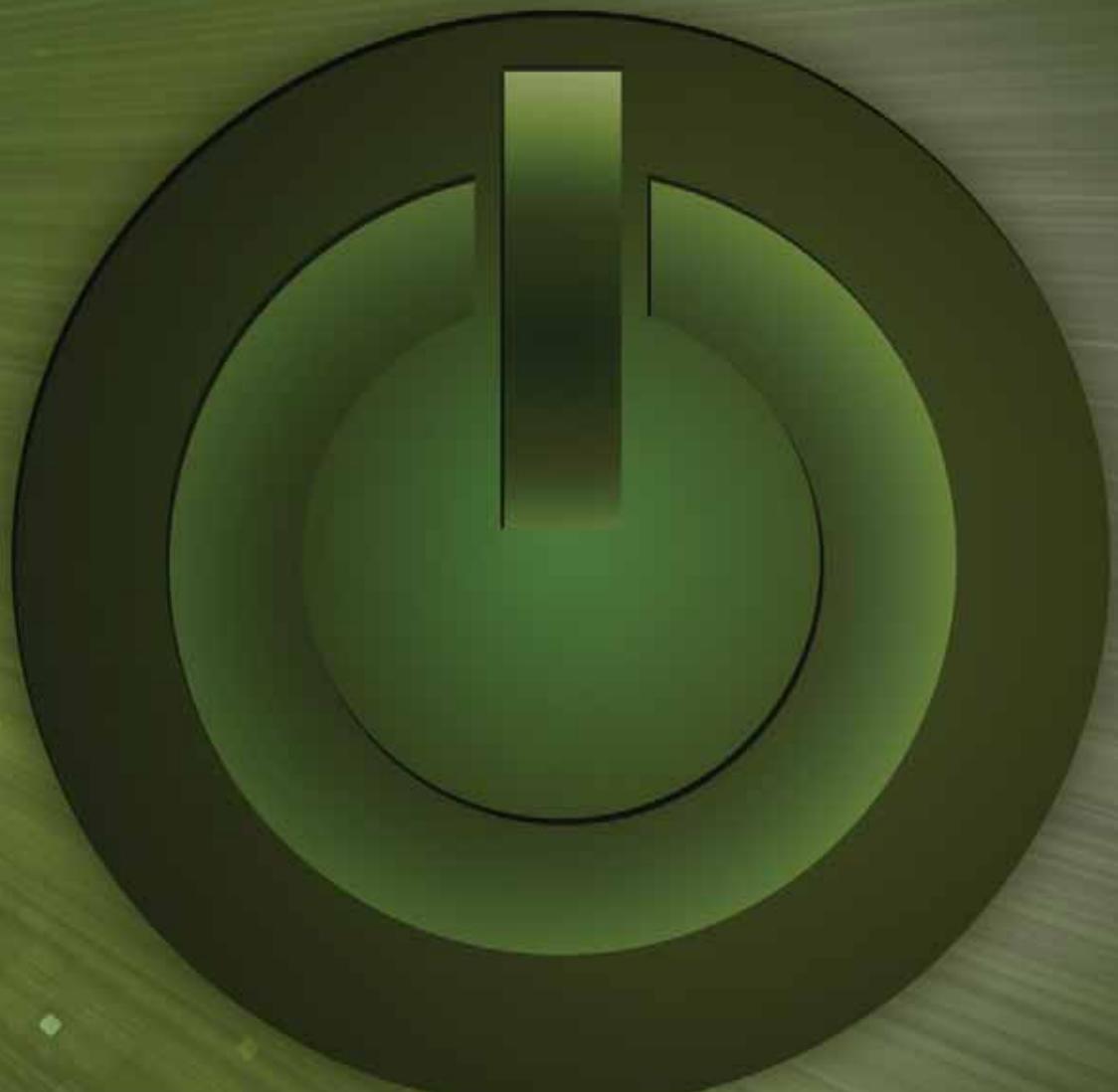


ST-24 Achieved 2 years without LTI on August 5th 2010

OPERATIONS

Department

Making Wells Everywhere



Our Values



HSE is a top priority at all levels of Sinotharwa Drilling and our most important core value. Our goal is clear: No accidents or situations with potential for or damage to the environment. Every day we focus on preventing risky situations, placing great emphasis on the health of our employees as well as our work environment. We work with a basis in correct use of energy, as well as a focus on the environment around us. According to Sinotharwa shared values, each employee also has an individual responsibility for HSE. In our corporate culture we also emphasize nearness, clear leadership and good communication between all parties.



Sinotharwa Drilling aims to be a predictable partner. We will build trust by showing sound management of our own activities. We have a proactive relationship with our clients—we want them to be confident of what to expect from us. We welcome constructive comments from our clients. Integrity is very important to us. We wish to be compliant and yet take charge. We want our clients to at all times have a realistic idea of what we can achieve.



We are professional and can get the job done. Sinotharwa Drilling is an organization characterized by visible, articulate and knowledgeable leaders at all levels. Our short decision making paths enable quick reaction. Our leaders practice the 'walk-the-talk' principle, showing awareness of their own leadership style as they know our employees and make an effort to prioritize their time and work tasks in an efficient way.



**Open and
direct
dialogue**

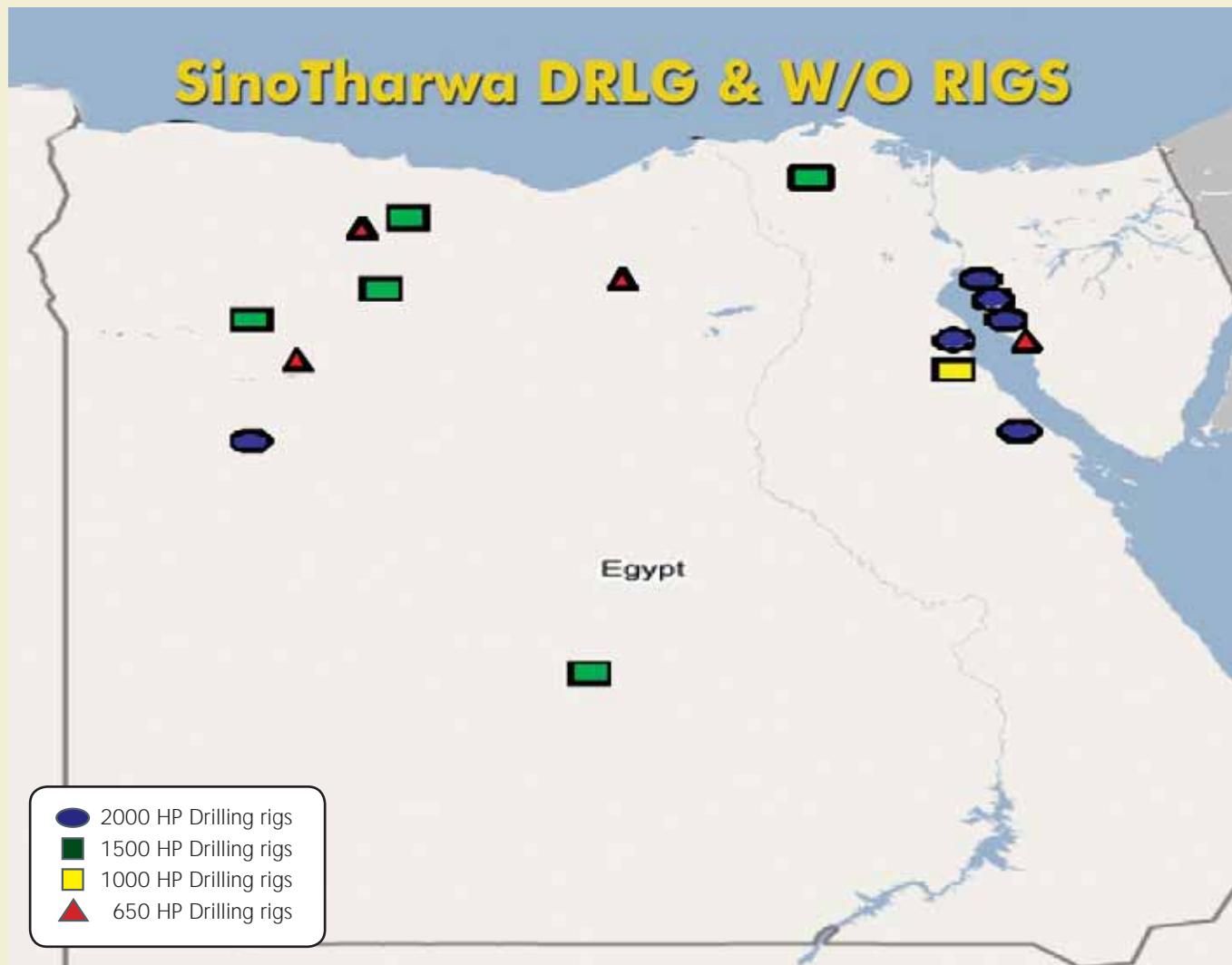
Good, open communication is the basis for all our activity. Once a decision has been made, we respect it. Sinotharwa Drilling practices an open door philosophy. We distinguish between personal and professional matters, and are concerned with tolerance in all our dialogues. We voice our concerns, whilst encouraging praise and constructive criticism. We believe that these shared values will create a safe work environment, which in turn will provide a basis for everyone to do their very best.



**People and
teams**

Everything we achieve is the result of teamwork. At Sinotharwa Drilling we focus on developing our personnel throughout the organization. We build each other up. We build teams with our personal and professional qualifications in mind. There is a clear relationship between access to information and the level of individual participation. We encourage professional and personal development. We respect each other, our time and our work.

Sinotarwa fleet distribution:



Sinotharwa Rigs fleet

1- Land Drilling Rigs:

Rig	Manufacturer	Year of Built	HP	Max.Drilling Depth, ft	Top drive	Operator	Status
ST-1	Bomco, China	2002	2000	20,000	Available	Petrobel	Active
ST-2	Bomco, China	2001	1500	16,000	Without	Ground Star	Active
ST-3	Bomco, China	2006	2000	20,000	Available	Petrobel	Active
ST-4	Bomco, China	2007	2000	20,000	Available	GPC	Active
ST-5	Bomco, China	2007	1500	16,000	Available	Khalda	Active
ST-6	Bomco, China	2007	1500	16,000	Available	Khalda	Active
ST-7	Bomco, China	2008	1000	12,000	Without	Petrodara	Active
ST-8	EPHH	2008	1500	16,000	Available	Agiba	Active
ST-9	EPHH	2007	2000	20,000	Available	Petro Amir	Active
ST-10	EPHH	2008	1500	16,000	Available	Dana Gas	Active
ST-11	Bomco, China	2008	2000	20,000	Available	Nafto Gas	Active
ST-12	Bomco, China	2008	2000	20,000	Available	Petrobel	Active

Sinotharwa Rigs fleet

2- Land Work over Rigs:

Rig	Manufacturer	Year of Built	HP	Max.Work over Depth, ft	Operator	Status
ST-21	SJ Petroleum , China	2006	650	12,000	Agiba	Active
ST-22	SJ Petroleum , China	2007	650	12,000	Qarun	Active
ST-23	SJ Petroleum , China	2007	650	12,000	Petrobel	Active
ST-24	SJ Petroleum , China	2008	650	12,000	Bapetco	Active

3- Offshore Drilling Rigs:

Rig	Type	Builder	Year of Built	HP	Max.Drilling Depth, ft	Max.water Depth, ft	Status
ST Bahari-1	Jack up 2000-E6	DALIAN Ship building offshore Co .LTD, China	2011	3200	30,000	400	Not Contracted

Sinotharwa vs drilling companies in Egypt:

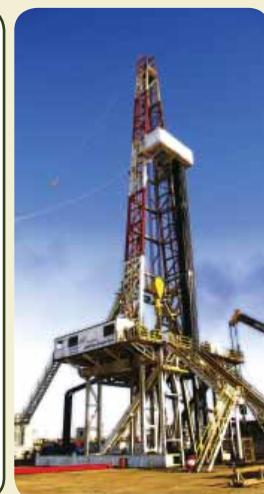
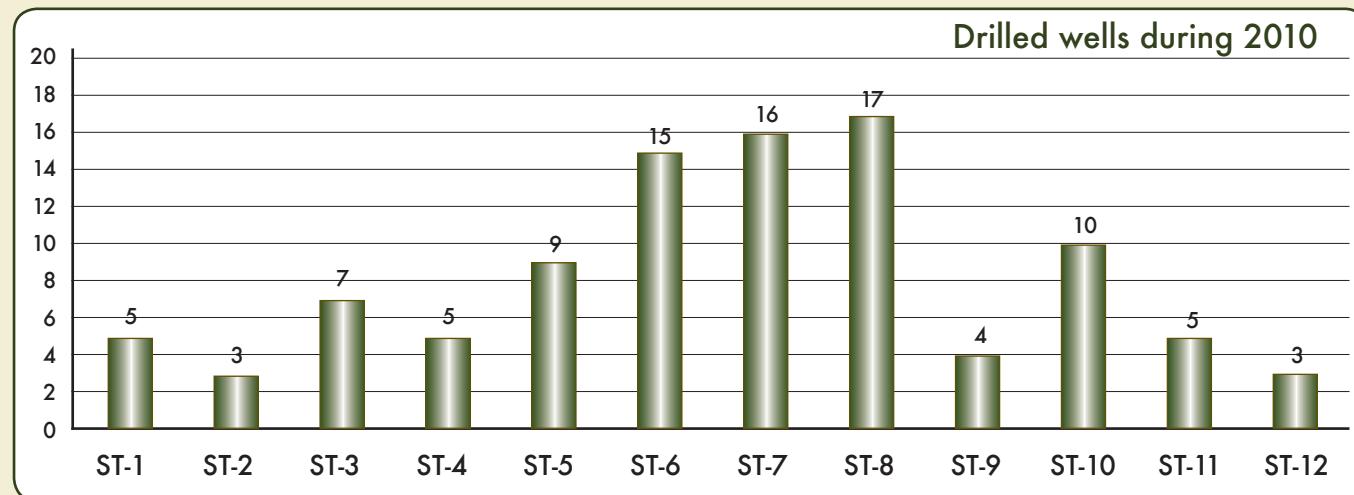
Rig	EDC	ST	ECDC	PDI	SBDC	Dasco	Gharib	Crosco	Pyramid	others	Total
Drilling	32	12	4	4	4	0	1	2	2	1	62
Work over	22	4	3	1	1	6	3	0	0	1	41

Business Strategy

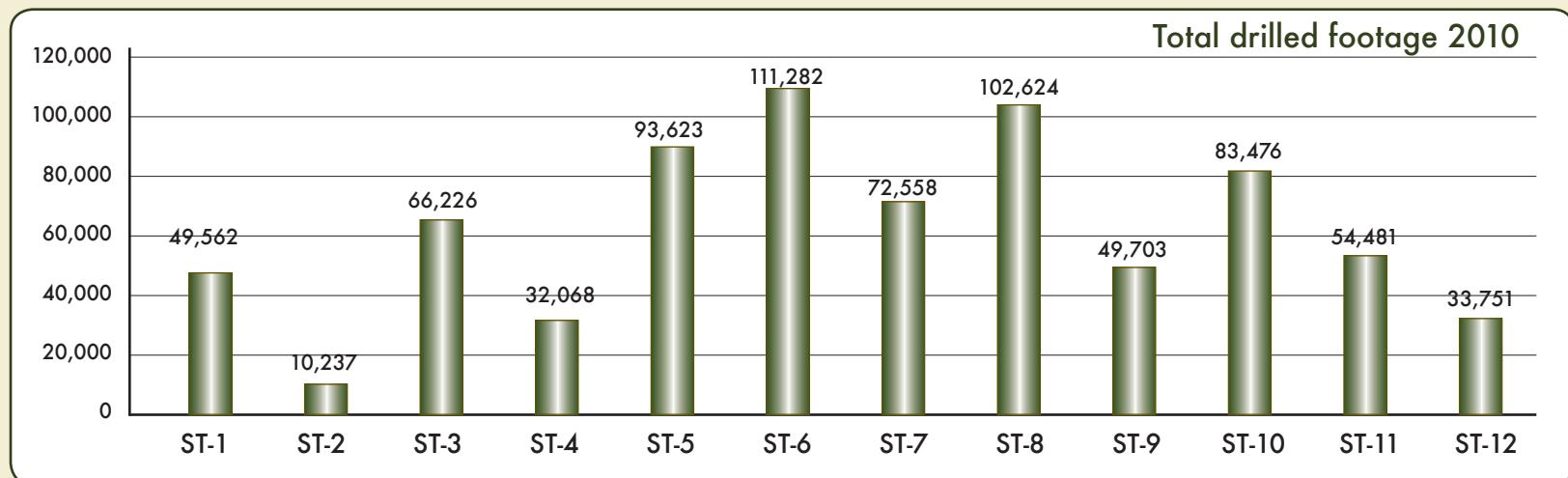
2010 Strategic Measurements

In 2010 the following actions, among others, were the direct result of implementing our strategy:-

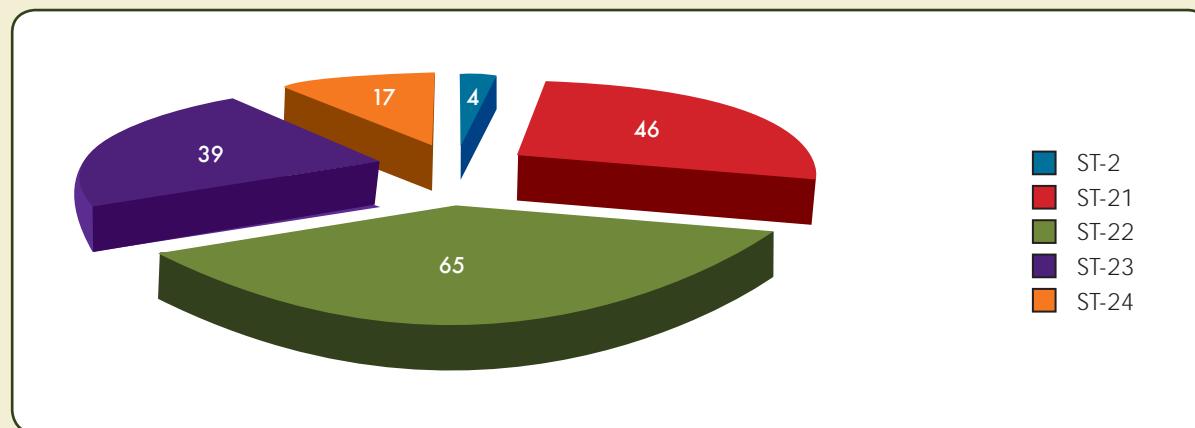
1. Average rigs utility increased from 99.19 % in 2009 to be 99.294 % in 2010.
2. Mechanical down time decreased from 1.88 % in 2009 to be 1.46 % in 2010.
3. Total working (operating) days increased 5017 days in 2009 to be 5580 days in 2010.
4. Total drilled wells during 2010 = 99 wells.



5-Total drilled footage during 2010= 759,593 ft.



6-Total work over wells during 2010= 171wells.



7- provide training in a wide range of drill rig operations and procedures

8- We are completely ready to receive ST Bahari-1 jack up drilling rig, interviewed crew, ordering material and equipment.

Our long-standing business strategy is the active expansion of our onshore& offshore rig fleet through acquisitions, upgrades and modifications, and the deployment of drilling assets in important geological areas. We have also actively expanded our onshore & offshore drilling rigs in recent years through the construction of new rigs. In 2011, we will continue our expansion strategy as indicated by the following developments and activities:

a- We completed construction on the ST Bahari-1, F&G JU-2000E6 enhanced premium independent leg cantilevered jack up, Sinotharwa will added to its fleet by 2011, which began operations in the Second quarter of 2011.

b- We planned to convert rig ST-2 from Mechanical rig to Electrical rig (driven by VFD system), the rig will be upgraded and supplied by Top drive, all project requirements are ordered and will be start by the end of first quarter 2011.



2010 Rigs utilities:

Rig	Work periods, days	Rig utility		Repair time %	Rig move time %	No. of rig moves	Average move day/ move
		Excluding move time	Including move time				
ST-1	365	97.20	95.70	2.80	1.50	4	6.45
ST-2	165	99.92	91.32	0.08	8.60	8	6.76
ST-3	365	99.63	99.29	0.37	0.34	7	5.53
ST-4	365	99.90	98.38	0.10	1.52	4	7.49
ST-5	365	98.57	98.07	1.43	0.50	7	5.33
ST-6	365	99.97	98.65	0.03	1.32	15	5.31
ST-7	365	99.70	98.53	0.30	1.17	16	4.56
ST-8	365	97.56	96.10	2.44	1.46	16	5.71
ST-9	365	98.85	98.20	1.15	0.65	4	6.74
ST-10	353	98.98	95.69	1.02	3.29	10	6.71
ST-11	365	99.63	97.30	0.37	2.33	5	7.05
ST-12	317	99.89	98.75	0.11	1.14	3	9
ST-21	365	99.50	93.70	0.50	5.80	46	1.60
ST-22	365	99.99	97.03	0.01	2.96	64	0.99
ST-23	365	99.91	99.67	0.09	0.24	39	0.74
ST-24	365	99.51	89.62	0.49	9.89	15	3.08

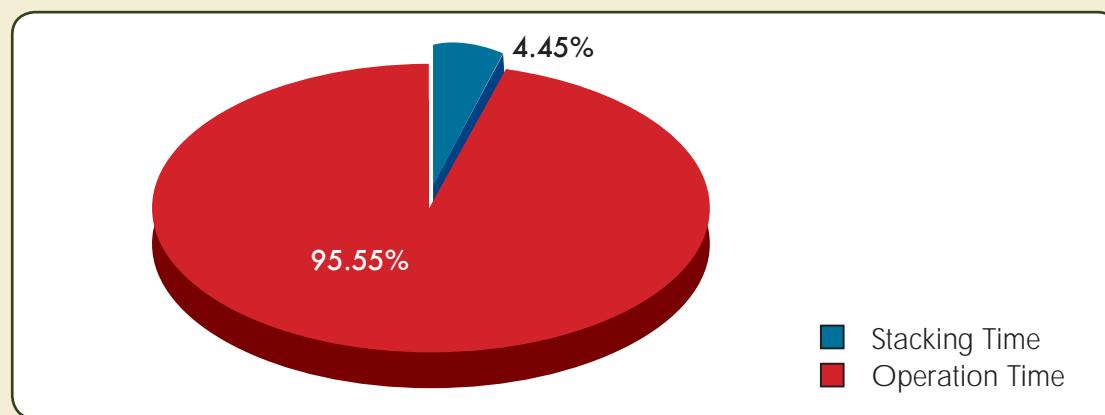
Notes on 2010 rigs utilities table:

Total stacking period = 260 days (ST-2 = 200 days, ST-10 = 12 days, ST-12 = 48 days).

Operating time = 5580 days.

Total Time = 5840 days.

Total stacking period / Total Time = 4.45 %.



Notes on 2010 rigs utilities table:

Total working hours	Total repair time, hrs	Payable (stand by rate),hrs	Repair time with zero rate, hrs
133,920	1,963	998	965
98.56%	1.44%	0.73%	0.71%

Repair time analysis during 2010:

Rig	Top drive	Draw-works	Mud pump	Well control eq.	Rig tongs	Solid control eq.	Weight indicator	Engines & SCR	Wait on materials	NPT	Others	Total
ST-1	199.5		12	1.5	0.5	7		56		27	9	312.5
ST-2		9.5	3	5	6			6.5		6	11	47
ST-3	54	3	19	8.5		1.5					4	90
ST-4	14.5	30.5	8.5		1					1	7.5	63
ST-5	81	11.5	56.5	34.5	5			64.5		21.5	36	310.5
ST-6	5.5	1	8.5				1.5			7	3.5	27
ST-7			1					1		30	12.5	44.5
ST-8	140		27	6	2.5	0.5		0.5		3.5	104.5	284.5
ST-9	42	20	84	13	1						1	161
ST-10	103.5		11.5	4.5	1	0.5			258*		7	386
ST-11	19	9	14	5	2.5	3		4		26.5	11.5	94.5
ST-12	31.25	13.75	9	14.5	4					2	29	103.5
ST-21		20.5		4.5	1			5		23.5	17	71.5
ST-22			31	3	18.5	1	33	7		4	1.5	99
ST-23		18.5	2	2	2			2.5			2	29
ST-24			19.5	55		5.5			488.5**		17.5	586
Total	90.25	37.25	306.5	157	45	19	34.5	147	746.5	152	274.5	2709.5

*258 hrs wait on dead line anchor from China

**488.5 hrs wait on shear ram from China

Actions taken to realize the above achievements:

1. Follow up maintenance schedule to minimize rig repair.
2. Visit and auditing all rigs to improve maintenance and close gaps.
3. Optimizing cost by transfer material and spare parts from rig to another and minimize orders.
4. Rig superintendent attend his assigned rigs move to Improve move time.
5. Cover all rig needs (material and spare parts).
6. Technical training for key personnel on job and training center (Stuck pipe prevention, drill string design and advanced drilling practice).
7. IWCF for all key personnel on all rigs, train and recertified expired ones.
8. Basic drilling technology courses for floor and derrick men on all rigs.
9. Follow up & close third party auditing items, tracking system, started with critical and major items.
10. Interviewing and hiring crew for ST Bahari-1 jack up drilling rig.
11. Ordering all required equipment & spare parts for ST Bahari-1 jack up drilling rig.
12. ST-2 inspected by Moduspec, close critical and major items before starting Operation & acceptance with Ground Star Company, also we are working to upgrade rig to be Electrical instead of mechanical.
13. Centralized all ware houses at each rig to only one main ware house at Badr yard.

ENGINEERING

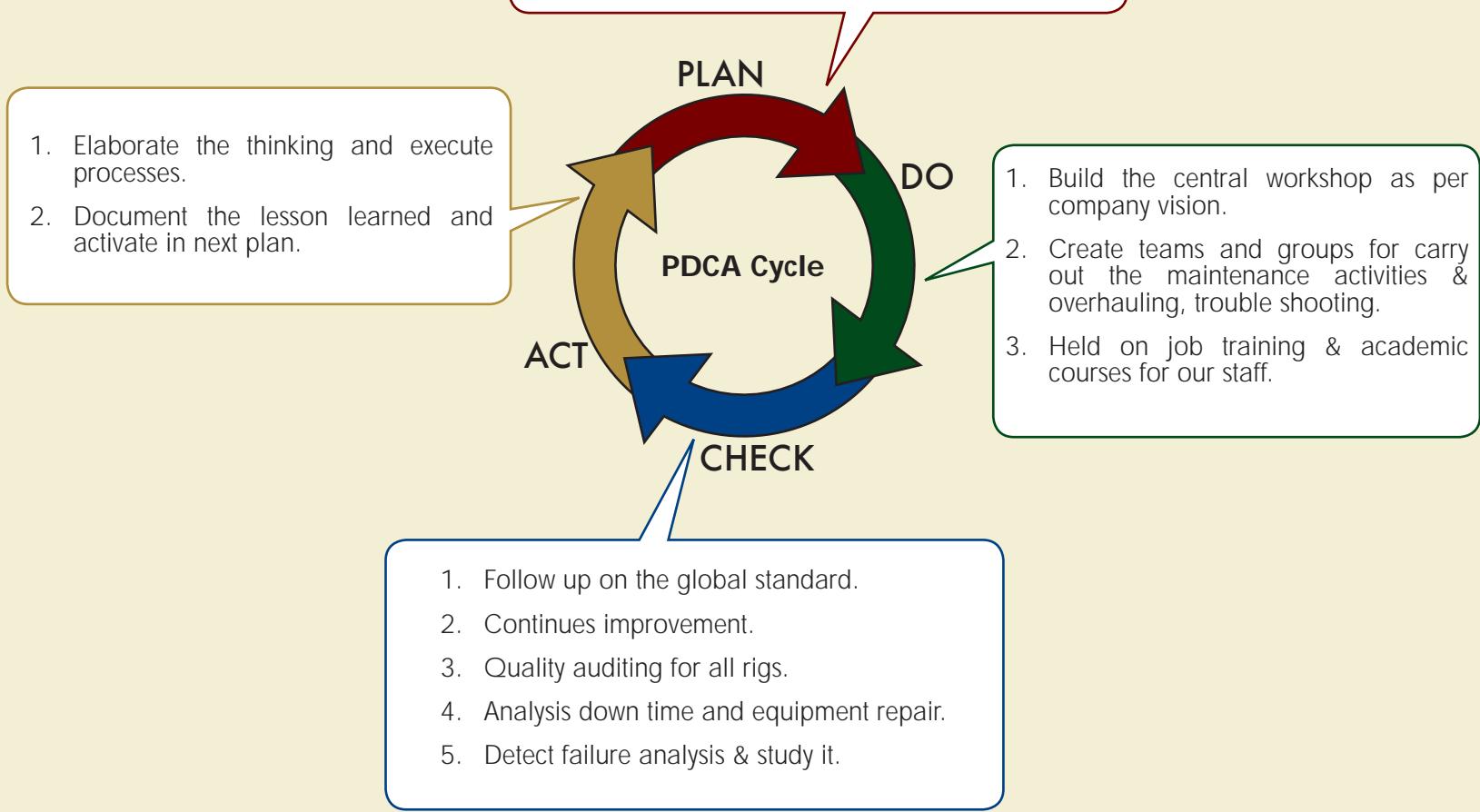
Department

Step Ahead



Engineering Philosophy

1. Schedule equipment overhauling.
2. Improve rig performance and utility to minimize rig shut down time.
3. Define company requirements & scope of work of all activities.
4. Improve the maintenance crew skills.
5. Balance the competing demands of scope, time, cost, quality, resources and risk

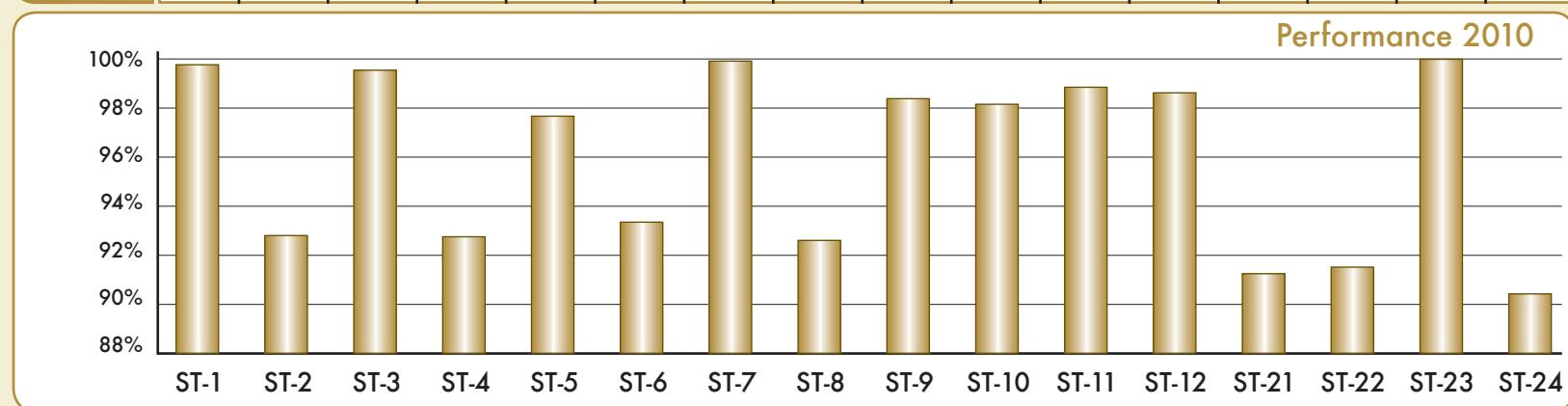


Maintenance

I-Preventive maintenance:

Our engineering core is to maintain the rigs and keep it running with maximum efficiency so our rigs performance is as follows:

	ST-1	ST-2	ST-3	ST-4	ST-5	ST-6	ST-7	ST-8	ST-9	ST-10	ST-11	ST-12	ST-21	ST-22	ST-23	ST-24
Total jobs Required	2080	1569	2182	2064	2132	1923	2104	2438	2097	2322	2230	1900	825	1045	957	617
Jobs done	2078	1458	2173	1919	2089	1797	2103	2259	2069	2279	2205	1874	754	959	957	558
Performance	99.90	92.93	99.59	92.97	97.98	93.45	99.95	92.66	98.66	98.15	98.88	98.63	91.39	91.77	100	90.44



	2010	2009
Jobs required	28,495	26,810
Outstanding	954	1206
Done	27,531	25,604
Performance	96%	94%

II-Predictive Maintenance:

It is condition-based maintenance, attempts to evaluate the condition of equipment by performing periodic equipment condition monitoring. The ultimate goal of PdM is to perform maintenance at a scheduled point before the equipment loses performance within a threshold. And it appears in our department in:

1. Oil sample analysis: indicates presence of a number of different materials to determine sources of wear, find dirt and other contamination.
2. Bearing measurements: indicates the condition of bearing and when to overhaul.
3. Megger test for electrical motors.



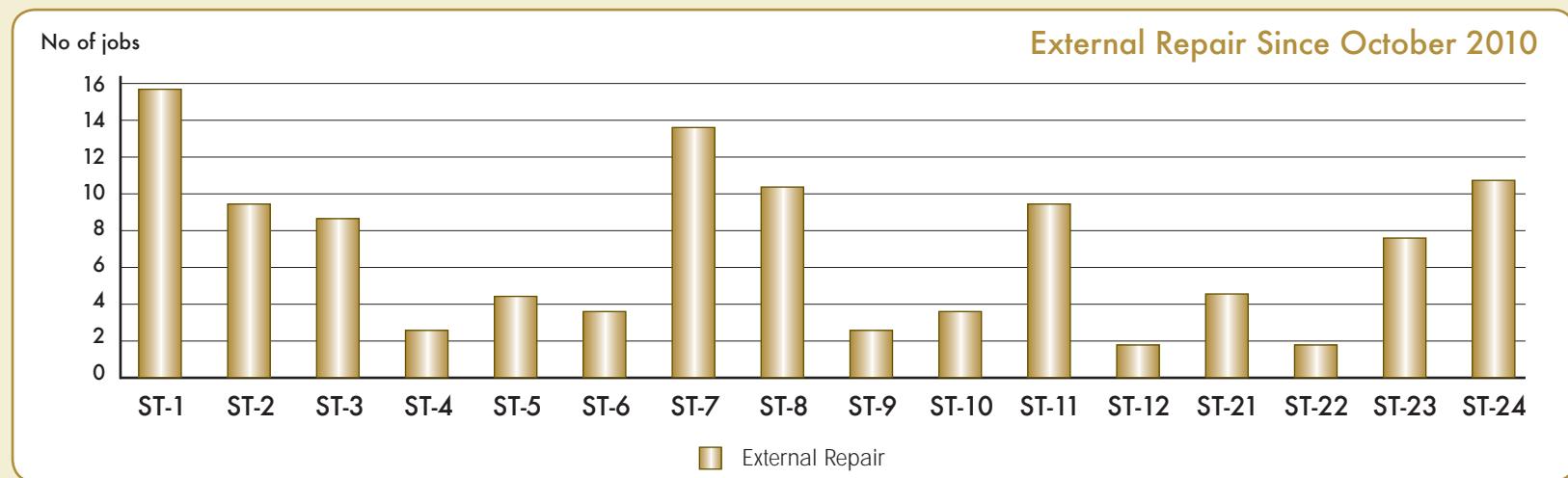
III-Corrective maintenance

It is divided into 2 sections:

1. External Repair

For a sudden failure of any of equipment, external repair is held for fabrication or repair.

The numbers in the figure shown represents the minor, major and critical items.



2. Overhauling.

The Overhauling plan 2011 is based on total running hours for engines and its condition, will be as follows:

A- complete overhauling for 30 diesel engines as bellow:

1. 10 ea- 3512 Caterpillar Diesel Engine with 1655 hp.
2. 18 ea- 3406 Caterpillar Diesel Engine with 433 hp.
3. 3 ea- C15 Caterpillar Diesel Engine with 433 hp.

B- Overhauling for 2 mud pump F-1600.

C- Sand blasting and painting for ST#3 & ST#10 substructures.

These overhauls were done in Badr yard (year 2010)

Top Drive



Top Drives of ST#1, st#5
Model: TDS11-SA
Horse Power: 800HP.

Drawwork



Draw work of ST#2
Model: JC-50D
Capacity: 1500 HP.

Other equipment

- * Auxiliary Brake ST#1, 5, 11
- * Air Hoist 1, 3, 7, 21
- * Air Compressor ST#5, 12

Mud Pump



Mud Pump of ST#1
Model: F-1600
Power: 1600 HP.

Cat 3512



Engines
3ea-CAT Engine 3512
Engine:1655HP
2ea- CAT Engine 3406
Engine: 433HP.

Calibration

Calibration is divided for 3 main items as follows:

- 1- **Gauges calibration is done twice per year.**

According to schedule, all rigs were done in 2010.



- 2- **H2S and flammable gases are done every 6 -months.**

The following rigs were done in 2010:

ST-1, ST-3, ST-4, ST-6, ST-7, ST-8, ST-10, ST-12 and, ST-24.



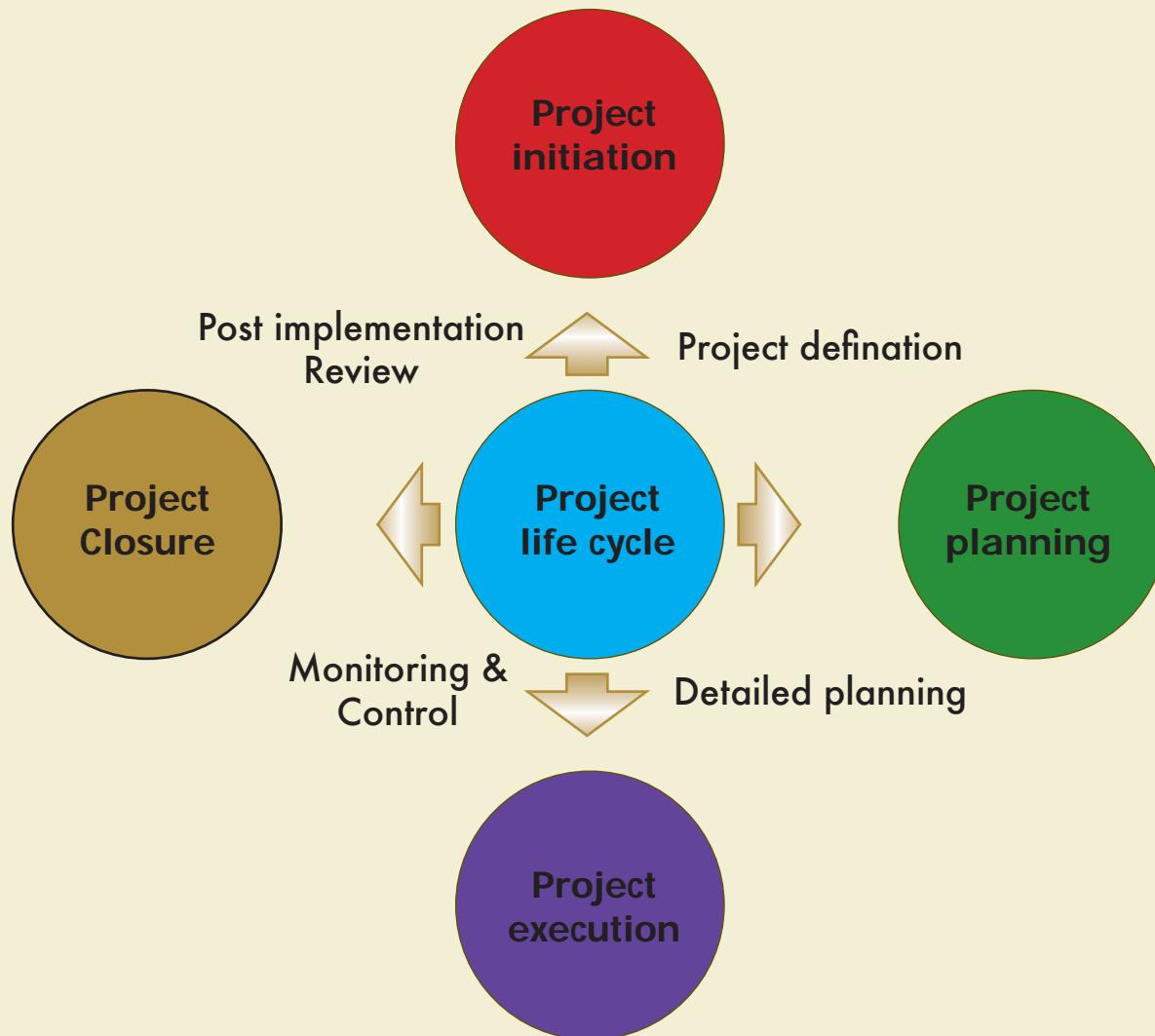
- 3- **CO2 system is done yearly.**

All rigs were certified for CO2 fire fight system



Projects Division

The projects division main core is to assist the company to plan and achieve its visions according to the life cycle shown:



Projects Achieved

Project#1

BADR YARD

Three levels with total area 60,000 m² including gardens of 6,000 m² serving all SinoTharwa's sectors storing, maintaining rigs equipment as well as training center.

Our aim was to take a step ahead towards perfection and we achieved it.

What we were seeking for was to create our own kingdom and stop dealing with outsources like warehouses or workshops.

While taking the decision of starting the project, we decided to build up this yard as best as we can so you will find the following:

700 m² general purposes building

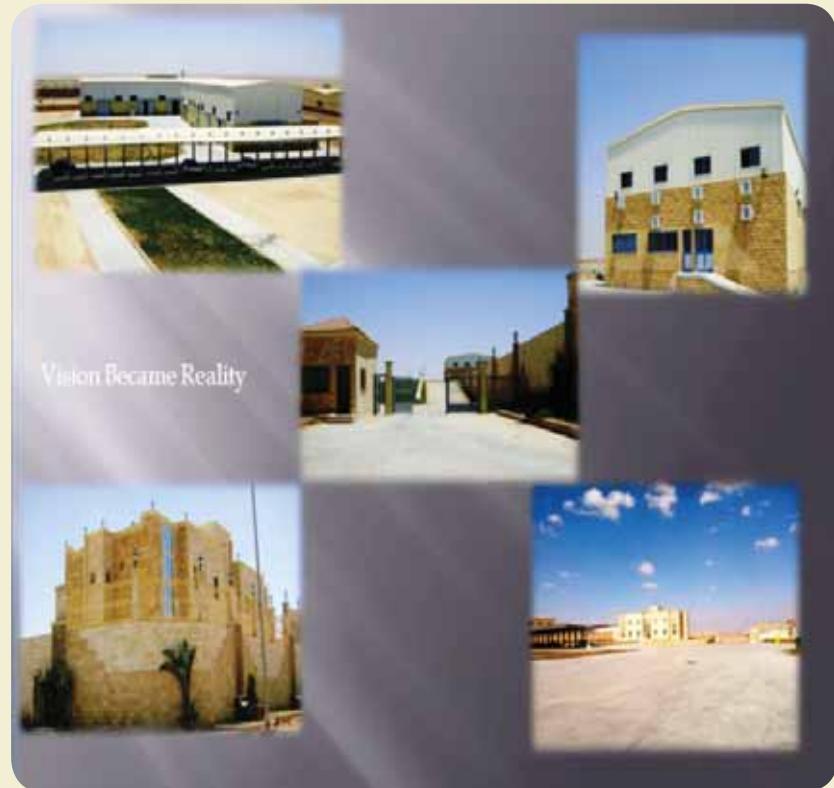
1200 m² workshop

750 m² warehouse

Developed IT and communication system

Developed fire fighting and fire alarm system

Surveillance cameras



Project status: closed

Projects Achieved

Project#2

JACK UP BAHRAI 1

To continue our competing journey in the field of drilling was to start up building JU2000E-6 the modernist jack up in the Middle East and North Africa.

Max operating depth 122 m (400 ft).

Max drilling depth 9150 m (30000 ft).

Overall capacity 8000 kW.

Operation temperature -20° C to 50°C.

Cantilever longitudinal movement 22.86m (75 ft).

Drill floor transverse movement 4.57 m (15 ft).

Variable load at drilling condition 3766 ton.

Variable load at survival condition 2995 ton.



Project status: the rig will be delivered by the first quarter Of 2011.

Projects Planned

1-SinoTharwa ST# 2 conversion from mechanical rig to electrical one.



IT & TELECOMMUNICATION DEPARTMENT

Department

Inspiration Technology



The Objective:

IT & Telecommunication is a service provider department that serves more than 200 employees in 19 different locations (Head Office, Rig Sites, Warehouses and Badr Yard). The department is not only a significant part of the company's strategy, but also a major driver for best practices.

The main objective of the IT & Telecommunications department is to provide total solutions including hardware and software information systems and technologies that enable other department to accomplish their respective objectives through:

- Ensuring stable, reliable, secure network operations in a user friendly environment while have positive impact on user's productivity and day to day business operations.
- Providing fully integrated and reliable services which impact on user's productivity and day to day business operations.
- Providing a fully integrated and seamless end-to-end ERP suite for running the business that offers a solution that incorporates the entire company.

The Challenge:

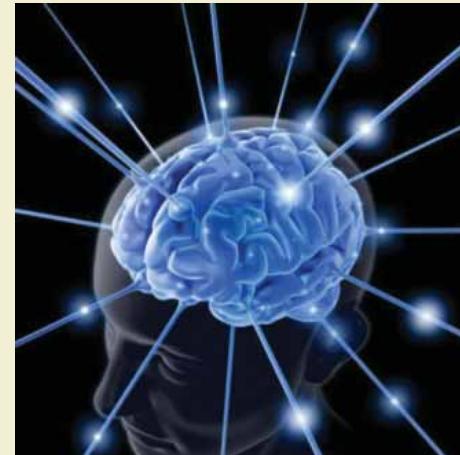
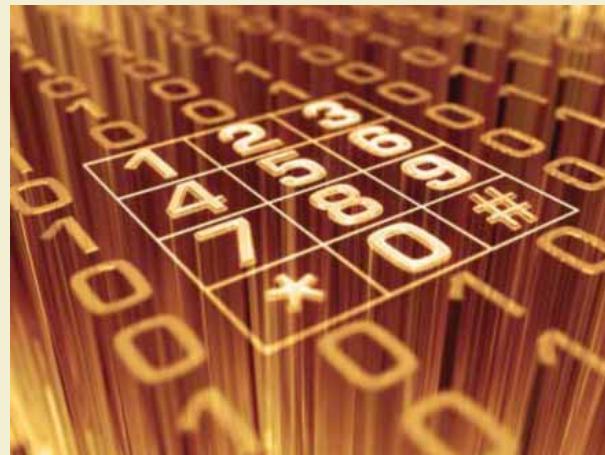
A centralized IT & Telecommunication department with a distributed environment, in addition to having only 2 small teams, one for Telecommunications ,Systems and Networking and the other for ERP Implementation & Support.

These situation posses' serious challenges to support IT infrastructure both effectively and efficiently and to fulfill high expectations while facing tight budgets.



Telecommunication, Systems & Networking

Endless Connectivity



Mission:

Responsible for providing users within Head Office and Remote sites with the communication methods like phones, Mobiles, Public Address and VSAT systems to insure that they can communicate with each other 24/7.

Also responsible for providing the company infrastructure with the latest technologies and keep it up and running 24/7.

Also responsible for keeping Hardware, Software and Services up-to-date and meet the most efficient levels of security and availability for the network.

2010's Achievements:

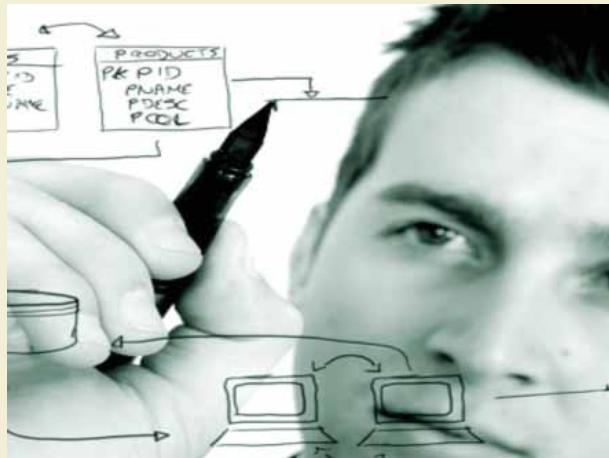
- Upgrading Antivirus Server to the latest version.
- Upgrade infrastructure Router to enhance the performance and to meet the expansions in our network.
- Expanding the storage area with latest technologist equipment with high volume storage, to cover all the company data store needs with lowest cost.
- Doubles the internet bandwidth to serve both Head office and Badr Yard users.
- Replacing SinoTharwa Firewall with high capacity one to serve both Head office and Badr Yard users.

Implementation/Installations:

- Legal Licenses for VHF Radios has been done from National Telecommunication Regulatory Authority (NTRA) to serve our Rigs.
- Preparing IT Book to include all important information about SinoTharwa Infrastructure.
- Implement Badr yard infrastructure to cover all yard area with latest network technologies and equipment to insure the high performance.
- Link Head Office with Badr Yard through PreWiMAX technology.
- Securing Badr yard with well distributed surveillance system.
- Implement Access control system in SinoTharwa Head office to monitor and control the accessibility of the building areas.

Enterprise Resource Planning

Pushing Limits



Mission:

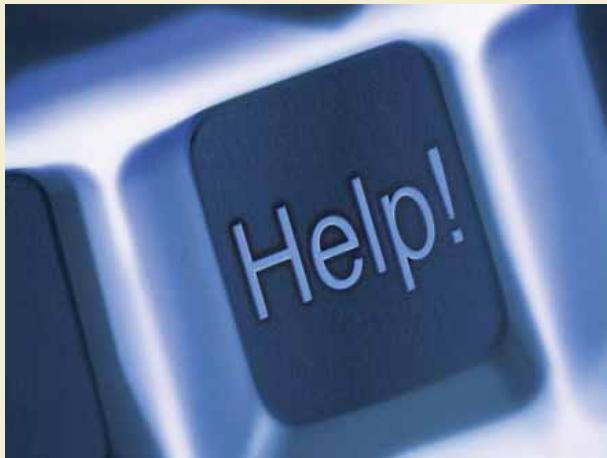
Responsible for automating business processes through implementing applications and/or functionalities and providing timely and effective functional assistance to end-users of ERP Applications.

2010's Achievements:

- Automated Requisitioning Process.
- Automated Budgeting Process.
- Automated Procure-to-pay business cycle.
- Supported in Min-Max Inventory Project.
- Established How-To Library.
- Planned for, Supported and followed up Data Refine initiatives in different business areas.
- Provided (Key Performance Indicators) KPIs Reports for different business area.
- Conducted training programs for all Head Office employees and Top Management.
- Conducted refreshment sessions for specific departments.

Technical Support

IT Never Stops!!



Mission:

Responsible for providing timely and efficient technical support to end-users within the Head Office and Rig sites.

2010's Achievements:

- Used HelpDesk Application as main point of support
- Total number of Tickets done during 2010 is 4063 Ticket including Service desk, Emails and phone call support.
- Keep SinoTharwa Web site (www.sinotharwa.com.eg) updated on weekly basis.
- Enhancing and enriching solutions' knowledge base.



FINANCE

Department



2010 Financial Highlights

Total Capital Investment	>>>>	526 Million
Net Fixed Assets	>>>>	179.5 Million
Accumulated Depreciation	>>>>	61.1 Million
Projects Under Construction	>>>>	259.5 Million
Inventory	>>>>	24.3 Million
Receivables	>>>>	18.1 Million
Debtors	>>>>	6.6 Million
Revenue	>>>>	75.5 Million
Operating Expenses W/O Depreciation	>>>>	36.8 Million
Over Head Expenses W/O Financial Payment	>>>>	6 Million
Financial Payment	>>>>	7.7 Million
Fixed Assets Depreciation	>>>>	21.3 Million
Net Profit	>>>>	3.6 Million
Return on Investment	>>>>	0.75 %
Return on Equity	>>>>	3.4 %

Auditor's report



MOSTAFA SHAWKI & CO

INDEPENDENT AUDITOR'S REPORT

To the Quota Holders of Sino Tharwa Drilling Company
"A Limited Liability Company Private Free Zone"

Report on the Financial Statements

We have audited the accompanying financial statements of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone"**, which comprise the balance sheet as of December 31, 2010, and the related statements of income, changes in Quota holders' equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards. And in light of Egyptian governing laws. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

153 MOHAMED FARID STREET, BANK MISH TOWER, P.O. BOX 2093, CAIRO 11318, EGYPT
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E-mail: mshawki@mshawki.com - www.mshawki.com



SinoTharwa Drilling Company
“Limited Liability Company Private Free Zone”
 Balance Sheet as of 31 December 2010
 (Amounts Expressed in US Dollar)

	Note	31/12/2010	31/12/2009
Long Term Assets			
Fixed assets	3-2f	179,476,156	192,303,574
Projects under construction	4-2g	259,512,669	222,543,144
Total Long Term Assets		438,988,825	414,846,718
Current Assets			
Inventory	5-2h	24,358,356	14,913,584
Accounts receivables	6	18,112,721	17,993,084
Debtors and other debit balances	7	6,608,602	1,169,768
Cash and cash equivalent	8	11,763,784	4,776,720
Total Current Assets		60,843,463	38,853,156
Current Liabilities			
Bank Overdrafts	9	36,069,691	18,325,804
Loans annuities due within a year	15	41,195,910	19,089,612
Creditors and other credit balances	10	11,052,367	11,082,687
Transaction with Related Parties	11-1	2,097,996	4,458,478
Provisions	12	20,761	155,659
Total Current Liabilities		90,436,725	53,112,240
Working capital		(29,593,262)	(14,259,084)
Total Investments – Financed as Follows:		409,395,563	400,587,634
Quota Holders Equity:			
Capital	13	80,000,000	80,000,000
Legal reserve	14	2,632,496	2,027,952
Retained earnings		19,640,424	15,413,698
Net Profit for the year		3,592,070	6,045,439
Total Quota Holders Equity		105,864,990	103,487,089
Long Term Liabilities			
Long term loans	15	293,296,917	297,100,545
Long term loan from related parties	11-2	10,233,656	--
Total Long Term Liabilities		303,530,573	297,100,545
Total Investment and Long Term assets		409,395,563	400,587,634

SinoTharwa Drilling Company
“Limited Liability Company Private Free Zone”

Income Statement For The Year Ended 31, December, 2010
 (Amounts Expressed in US Dollar)

Description	Attach	Note	31/12/2010	31/12/2009
Operating revenue	(1)		75,453,818	83,182,751
Deduct:				
Operating expenses	(2)		57,629,188	56,667,688
Gross Profit			17,824,630	26,515,063
Add:				
Net Capital Gain (Loss)			355,666	(279,360)
Credit Interest			114,248	9,506
Provisions no longer required	(12)		149,603	--
Deduct:				
General & administrative expenses			6,337,680	5,674,278
Financing expenses			7,686,631	8,414,029
Board of directors > allowances			184,618	100,434
Provisions made during the year	(12)		14,705	15,659
Decline in account receivable			628,443	5,995,370
Net Profit for the year			3,592,070	6,045,439

The accompanying notes are integrated part of these financial statements

SinoTharwa Drilling Company

"Limited Liability Company Private Free Zone"

Cash Flow Statement For The Year Ended 31, December, 2010
(Amounts Expressed in US Dollar)

	Note	31/12/2010	31/12/2009
Cash Flow from Operating Activities:			
Net profit for the year		3,592,070	6,045,439
Adjustments			
Fixed assets depreciation		21,316,320	21,440,064
Provisions made during the year		14,705	15,659
Decline in account receivable		176,877	5,895,370
Provisions no longer required		(149,605)	--
Capital(gain) Loss		(355,666)	279,360
Operating Profit before changes in working capital		24,594,701	33,675,892
Working Capital Changes			
(Increase) in inventory		(9,444,772)	(1,964,182)
(Increase) in accounts receivable		(296,513)	(3,135,604)
(Increase) Decrease in debtors and other debit accounts		(5,438,834)	609,784
(Decrease) Increase in creditors and other credit accounts		(30,320)	27,107
(Decrease) in Transaction with Related Parties		(2,360,482)	(11,418,047)
Net Cash Flow from operating activities		7,023,780	17,794,950
Cash Flow from Investing activities			
Proceed from sale of fixed assets		772,735	442,785
(Payments) for purchase of fixed assets		(8,905,970)	(2,756,912)
(Payments) for projects under construction		(36,969,525)	(123,688,817)
Net Cash Flow (used) for Investment Activities		(45,102,760)	(126,002,944)
Cash Flow from Financing Activities			
(Payment) from long term loan		(3,803,628)	73,068,170
Proceed from long term loan from related parties		10,233,656	--
Proceed from (Payment) of Installment for long term loan		22,106,298	(20,295,857)
Paid profit dividends		(1,214,169)	(1,763,746)
Proceed from capital increase		--	40,000,000
Net Cash Flow from Financing Activities		27,322,157	91,008,567
Net decrease in cash and cash equivalent		(10,756,823)	(17,199,427)
Cash and cash equivalent beginning balance		(13,549,084)	3,650,343
Cash and cash equivalent ending balance		(24,305,907)	(13,549,084)
Cash and Cash equivalent represent :			
Cash and cash equivalent	(8)	11,763,784	4,776,720
Bank overdrafts	(9)	(36,069,691)	(18,325,804)
		(24,305,907)	(13,549,084)

The accompanying notes are integrated part of these financial statements.

SinoTharwa Drilling Company
“Limited Liability Company Private Free Zone”

Changing in Quota Holders Equity Statement For The Year Ended 31, December, 2010
 (Amounts Expressed in US Dollar)

Description	Capital	Legal Reserve	Retained	Net Profit	Total
Quota holders equity as at 1 January, 2009	40,000,000	511,736	3,531,504	15,162,156	59,205,396
Capital Raise	40,000,000	---	---	---	40,000,000
Dividends of profit 2008	---	---	(1,763,746)	---	(1,763,746)
Transferred to legal reserve & Retained Earning	---	1,516,216	13,645,940	(15,162,156)	---
Net profit for the year	---	---	---	6,045,439	6,045,439
Quota holders equity as at 31 December 2009	80,000,000	2,027,952	15,413,698	6,045,439	103,487,089
Quota holders equity as at 1 January, 2010	80,000,000	2,027,952	15,413,698	6,045,439	103,487,089
Dividends of profit 2009	---	---	(1,214,169)	---	(1,214,169)
Transferred to legal reserve & Retained Earning	---	604,544	5,440,895	(6,045,439)	---
Net profit for the year	---	---	---	3,592,070	3,592,070
Quota holders equity as at 31 December 2010	80,000,000	2,632,496	19,640,424	3,592,070	105,864,990

The accompanying notes are integrated part of these financial statements.

SinoTharwa Drilling Company

“Limited Liability Company Private Free Zone”

Notes to financial statements As of December 31st, 2010
(Amounts Expressed in US Dollar)

1. The Company:

Sino Tharwa Drilling Company “Limited Liability Company Private Free Zone” was established in the Arab Republic of Egypt on 29th August 2005 based on the free zone system according to Investment Incentives and Guarantees Law No. 8 for the Year 1997 and taking into consideration Law No. 95 for the year 1992. The company was registered in the Commercial Register on 29th August 2005 with commercial registration No. 12235.

The purpose of the company is to drill and maintain oil wells and perform other related activities, establish workshops for the maintenance of drilling, production, serving equipment, transportation, renting the equipment to serve the drilling of wells, exclusively working with drilling and exploration companies, which enjoy an exemption from customs duties, and companies working outside Egypt.

2. Significant Accounting Policies:

A summary of the significant accounting policies, all of which have been applied consistently throughout the period, is as follows:

a. Accounting Basis:

The accounts were prepared in accordance with the Egyptian Accounting Standards and in compliance with relevant Egyptian laws and regulations.

b. Measurement Basis:

The financial statements were prepared using the historical cost convention method. The financial assets and liabilities were evaluated using the fair value convention.

c. Functional and Reporting Currency:

The financial statements were prepared in U.S dollar which is the functional and reporting currency.

d. Use of Estimate:

The preparation of the financial statements in conformity with Egyptian Accounting Standards requires the use of estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Although, these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

- Estimates and related assumptions are reviewed on a regular basis.
- In case of any change in estimates relating to the current period, it is recognized therein. If it relates to this year and future years, it is recognized in both

e. Foreign Currency Transactions:

The company maintains its accounts in US Dollars. All transactions denominated in any other currencies are translated to US Dollar using the exchange rates published by EGPC, in the first day of each month in which the expenses is recorded.

At the period end the company reevaluates monetary assets and liabilities. Translation differences are included in the statement of Income.

f. Fixed Assets:

1. Initial Recognition:

- Fixed assets are stated at historical cost and presented in the Balance Sheet net of accumulated depreciation and impairment loss.
- Fixed assets value includes all direct cost for acquiring the asset. Assets that are internally produced, the cost includes material costs, direct labor cost and other overhead cost necessary to make the asset ready for use in its intended place and purpose. It also includes costs of removing the asset and the rearrangement of the asset's location.
- The special component is accounted as independent item of the fixed assets that differs in their useful life

2. Subsequent Cost:

The fixed assets book value includes the cost of replacing part or a component of those assets, when future economic benefits of this cost are expected and could be reliably measured. Other costs are recognized in the income statement as incurred.

3. Depreciation:

Fixed assets are stated at historical cost and are depreciated using the straight line depreciation method based on their estimated useful lives using the following annual rates:

Asset	Depreciation Rate
Rigs and Drilling Equipment	8 - 6.25 %
Drill String	33%
Buildings and Constructions	5-10-15%
Transportation	10-20%
Furniture and Office Supplies	10%
Computers	33%

The company commences depreciation from the month immediately preceding the date the assets are utilized and operational.

g. Projects Under Construction:

Projects under construction are recognized at cost according to the initial recognition. Cost includes all expenditures necessary for bringing the asset to a working condition and for its intended purpose. Projects under construction are transferred to fixed assets, when rendering ready for use for its intended purpose.

h. Inventory:

Materials inventories are priced at cost or net realizable value whichever is the lower. Cost includes the purchase acquisition costs and the incidentals until delivered to the company's warehouse.

Cost is determined according to Weighted Average Cost method.

Inventory In-Transit is priced using the purchase cost and all incidentals up to December 31st 2010.

i. Cash and Cash Equivalents:

For the purpose of preparing the statement of cash flows, the company considers all cash, bank current accounts, demand deposits and bank overdrafts that are part of the company's cash management system to be cash and cash equivalent.

j. Impairment

1. Financial assets:

- The financial asset is considered to be which may if there is subjective evidence showing that there is one or more event negatively affect the estimated future cash flow to be generated by that asset.
- Impairment loss on financial asset is measured at amortized cost which is calculated at the net of the book value and the fair value of the estimated cash flow as discounted using the effective interest rate.
- Impairment loss on financial assets available for sale is calculated with reference to the current fair value.
- Impairment loss is measured independently for each asset. The value of other financial assets is estimated for each groups that common credit risk characteristics.
- All impairment losses are stated in the Statement of Income. The accumulated losses related to the financial asset available for sales which are previously included in the quota holders' equity is transferred to the Statement of Income.
- The impairment loss is shown in the Statement of Income if it is objectively related to an event after recognizing it. The financial assets available for sale, which is considered as an equity tool is recognized directly in the quota holders' equity.

2. Non-financial assets:

- The carrying amounts of the company's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.
- Goodwill and the intangible assets with a non determinable life or that is not available for use, the recoverable amount is estimated at each balance sheet date.
- An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.
- The unit generating the cash flow is represented in the smallest group of the assets that generate cash inflow. Impairment losses are recognized in the income statement.
- The recoverable amount of the assets or its cash-generating unit represents its value in use or its fair value after deducting selling cost, whichever is higher. To realize the current value, the estimated cash flow is discounted using the discount rate before tax that reflects the current market evaluation of the time money value and risks related to the asset.

- Impairment loss related to the goodwill is not reversed. For other assets, the impairment loss recognized in the previous period is reviewed on the balance sheet date to be determining if there is any indication of loss decrease. In such case, impairment loss is reversed to the extent that the book values of the asset does not exceed its realizable value after depreciation had the impairment not occurred.

k. Accounts Receivable:

Customers balance is shown at expected net realizable value. Accounts are written off, when it is estimated that they would not be collected. Doubtful accounts are assessed based on a comprehensive review of all balances on the financial statements date.

l. Suppliers – Current Account :

Suppliers and other credit balances are stated at cost.

m. Dividends:

Dividends are recorded as a liability during the period dividends are declared.

n. Expenses:

1. Rent expense

Paid rent is recognized in the income statement on a pro-rate temporaries. Incentives for rent collection are recognized in the income statement as part of the rent expenses.

o. Provisions:

Provisions for liabilities are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation and the liability can be reliably estimated. Provisions are estimated by deducting the future cash inflow with the rate before tax which reflects the current market evaluation of the money value and risks related to the liability (when necessary).

p. Revenue Recognition:

Revenues are measured using the fair value of the amount due based on the agreements. Revenue is recognized when economic future benefit is expected and reliably measured.

q. Employees' Pension System:

The Company contributes to the governmental social insurance system for the benefit of its employees in accordance with the Social Insurance Law No. 79 for 1975, as amended. Such contributions are charged as an expense in the income statement as incurred.

3. Fixed Assets:

Fixed assets amounted to US \$179,476,156 as of December 31st, 2010 and comprised the following:

Description	Land	Rigs & Drilling Equip	Drill String	Building	Transp. Units	Furniture	Computer	Total
Assets Cost as of January 1st 2010	1,949,573	192,439,992	22,207,344	12,828,562	1,559,488	842,885	1,308,339	233,136,183
Additions during the year	149,253	1,910,694	1,686,042	4,870,383	--	25,777	263,821	8,905,970
Disposal during the year	--	(30,380)	(1,205,820)	--	(153,618)	(3,175)	(1,427)	(1,394,420)
Asset Costs as of Dec. 31st 2010	2,098,826	194,320,306	22,687,566	17,698,945	1,405,870	865,487	1,570,733	240,647,733
Accumulated Depreciation as of 1, Jan , 2010	--	(25,485,389)	(11,943,842)	(2,113,804)	(697,258)	(126,733)	(465,583)	(40,832,609)
Period Depreciation	--	(13,613,174)	(5,830,686)	(1,121,241)	(287,989)	(136,960)	(326,270)	(21,316,320)
Accumulated Depreciation as of disposal	--	5,244	858,589	--	111,297	1,587	635	977,352
Accumulated Depreciation as of Dec. 31st 2010	--	(39,093,319)	(16,915,939)	(3,235,045)	(873,950)	(262,106)	(791,218)	(61,171,577)
Net Assets as of Dec. 31st 2010	2,098,826	155,226,987	5,771,627	14,463,900	531,920	603,381	779,515	179,476,156
Net Assets as of Dec. 31st 2009	1,949,573	166,954,603	10,263,502	10,714,758	862,230	716,152	842,756	192,303,574

- Rigs as of December 31, 2010 amounted to 16 (sixteen) rigs.
- The value of fully depreciated fixed asset and still in use as of December 31, 2010 amounted to US \$ 5,292,366.
- The company fully paid all installments under the value of land piece number (A), of 47 Acres , Badr City, which has been purchased pursuant to an Allocation Decree issued by Authority of Badr City. The company is in the process of registering the land in the name of the company .

4. Projects Under Construction:

Projects under construction reached an amount of US\$ 259,512,669 on December 31st, 2010 consist of:

Description	31/12/2010	31/12/2009
Jack Up (Bahary 1)	258,053,761	210,209,466
Drill String and other drilling Equipment	--	8,303,652
Down Payment for drill string and tools	1,164,992	1,601,846
Project of developing Drill String No (ST2)	237,271	--
Badr Building Project	56,645	2,428,180
	259,512,669	222,543,144

- The Jack Up (Bahary 1) represents payments made under the purchase of a 2000 horse power jack up. These payments include an amount of US \$ 20,343,328 representing its share of interest on related loan.
- Capital commitment as of December 31st 2010 amounted to US\$ 49,200,019 representing remaining balance of Jack-Up Rig and purchasing drill string ,upgrade project St No(2).

5. Projects Under Construction:

The balance of inventory on December 31st, 2010 amounted to US\$ 24,358,356 comprised the following:

Description	31/12/2010	31/12/2009
Materials and spare parts	22,748,263	14,260,280
Inventory in Transit	1,610,093	653,304
	24,358,356	14,913,584

6. Account Receivables:

Accounts Receivables balances as of December 31st, 2010 amounted to US\$ 18,112,721 is represented as follows:

Description	31/12/2010	31/12/2009
Balayiem Petroleum Company – Petrobel	2,879,437	3,632,496
North Baharia Petroleum Company – Norpetco	3,365	319,020
Agiba Petroleum Company	1,292,758	508,305
Khalda Petroleum Company	911,262	582,903
Petrodara Petroleum Company	2,099,471	990,816
Wastani Petroleum Company	300,000	309,812
VEGAS Petroleum Company	171,865	1,480,857
El Hamra Oil Company	6,312,034	8,015,394
West Bakr Petroleum Company	98,886	--
Qarun Petroleum Company	788,442	1,903,424
Badr El Din Petroleum Company- Bapetco	377,990	1,281,069
Nafto Gas	2,443,710	1,407,216
East Ziet Petroleum Company	1,256,018	--
Borg Elarb petroleum company	293,658	776,010
Cepsa	485	715,243
General Petroleum Company	645,997	458,939
Sinopec	880,719	897,376
Dana Gas	2,023,359	273,016
Petro Amir Company	1,125,538	--
Other Customers	379,974	436,558
	24,284,968	23,988,454
Impairment in accounts receivable	(6,172,247)	(5,995,370)
	18,112,721	17,993,084

7. Debtors and Other Debit Balances:

Debtors and other debit balances amounted to US\$ 6,608,602 on December 31st 2010 as follows:

Description	31/12/2010	31/12/2009
Prepaid Expenses	347,314	6,301
Advances	--	19,769
Deposits with others	55,966	55,966
Accrued revenue	5,768,894	396,865
Advances paid to suppliers	248,273	333,537
Other debit balances	188,155	357,330
Total	6,608,602	1,169,768

8. Cash and cash equivalent:

Cash and cash equivalent amounted to US\$ 11,763,784 On December 31st 2010 consist of:

Description	31/12/2010	31/12/2009
Current accounts	3,955,422	2,007,070
Time deposits	7,549,362	1,157,426
Letter of guarantees cover	259,000	136,101
Checks at safe	--	1,476,123
Total	11,763,784	4,776,720

9. Bank Overdrafts :

Bank Overdrafts balance amounted to US\$ 36,069,691 on December 31st 2010 and consists of:

Description	31/12/2010	31/12/2009
Credit Agricole Egypt	14,909,026	15,000,384
Alex Bank	13,309,630	--
National Bank Of Egypt	--	3,325,420
National Development Bank	7,851,035	--
Total	36,069,691	18,325,804

- Credit limit from Credit Agricole Bank amounted to US \$ 15,000,000 pursuant to the agreement dated June 4th, 2009. This bears interest of 1.5% above LIBOR.
- Credit limit from Bank of Alexandria amounted to US \$ 15,000,000 pursuant to the agreement dated March 2nd, 2010. This bears interest of 1.25% above LIBOR.
- Credit limit from the National Bank amounted to US \$ 10,000,000 pursuant to the agreement dated April 20th, 2010. This bears interest of 1.25% above LIBOR.

10. Creditors and Other Credit Balances:

Creditors and other credit balances amounted to US\$ 11,052,367 on December 31st, 2010, comprised the following:

Description	31/12/2010	31/12/2009
Suppliers	8,321,439	8,145,956
Accrued expenses	2,551,267	2,534,038
Tax Authority – withholding tax	177,098	86,055
Warranty guarantee deducted (Suppliers)	--	6,183
National Institution for Social Insurance	--	1,587
Other Credit Balances	2,563	8,868
Income Tax	--	300,000
Total	11,052,367	11,082,687

11. Transactions with Related Parties:

Below is a description of transactions conducted with related parties during the period:

11-1 Transaction with Related Parties

Name of Related Party	Nature of Relationship	Nature of Transaction	Balance on 1/1/2010	Transaction Value		Balance on December 31st 2010
				Debit	Credit	
Sinopec Star Petroleum Co. China	50% Quota Holder	Purchase of drilling rigs, sustaining rigs, spare parts and technical consultancy.	4,458,478	7,852,301	5,491,819	2,097,996
			4,458,478	7,852,301	5,491,819	2,097,996

11-2. Long term Loan from Related Parties

Name of Related Party	Nature of Relationship	Nature of Transaction	Balance on 1/1/2010	Transaction Value		Balance on December 31st 2010
				Debit	Credit	
Sinopec Century Bright Capital Investment Middle East Limited	Common indirect ownership	Loan bears interest of 2.55% above LIBOR.	---	---	10,233,656	10,233,656
			---	---	10,233,656	10,233,656

12. Provisions:

Provisions balance as at December 31st, 2010 amounted to US \$ 20,761 and represented as follow,

Name of Related Party	Balance on 1/1/2010	Made During the Year	Provisions no longer required	Balance on December 31st 2010
Legal provision.	155,659	14,705	(149,603)	20,761
Total	155,659	14,705	(149,603)	20,761

13. Capital:

Description	Equity	Dollar Value	Contribution Percentage
Sinopec Star Petroleum Co. China	4,000	40,000,000	50%
Tharwa petroleum Co.	2,450	24,500,000	30.62%
E-Gas Co.	1,550	15,500,000	19.38%
	8,000	80,000,000	100%

14. Legal Reserve:

According to the company statutes, the company must deduct 10% of its Net profit to form a legal reserve until it reaches 50% of the paid up capital and whenever it decreases. Deductions are resumed.

No dividends are allowed out of this reserve.

15. Loans annuities due within a year and long term loans:

Loans annuities due within a year and Long term Loans amount as of December 31st, 2010 amount of US\$ 41,195,910 and US\$ 293,296,917 respectively comprised of the following:

Bank Name	Loan Date	Loan End	Grace Period	Loan Financing Purpose	Collateral	Loan amount	Payment Method	2010 Installment Due Short Term	2010 Installment Due Long term	2009 Installment Due Short Term	2009 Installment Due Long Term
NBE	7/6/2006	Dec-2016	One year from loan date	Purchase of land Drilling ST 3	Deposit of revenues arising from the rig	18,000,000	Semi-annual Basis Installment	1,800,000	9,000,000	1,800,000	10,799,770
NBE	1/8/2006	Jul-2017	One year from loan date	Purchase of land Drilling ST 4 & ST 21	Deposit of revenues arising from the rig	18,000,000	Quarterly Basis Installment	1,800,000	10,350,000	1,800,000	11,698,808
NBE	15/11/2007	Nov-2017	One year from loan date	Purchase of land Drilling ST 8 & ST 9 & ST 10	Deposit of revenues arising from the rig	58,500,000	Quarterly Basis Installment	6,500,000	39,000,000	6,500,000	45,500,523
NBE	18/2/2008	Dec-2018	One year from loan date	Purchase of Onshore land Drilling ST 11 & ST 12 & ST 24	Deposit of revenues arising from the rig	50,000,000	Quarterly Basis Installment	5,000,000	35,000,000	5,000,000	41,249,995
NBE	Jul-2008	Dec-2020	Two year from loan date	Purchase of Jack up Offshore Drilling Rig	Deposit of revenues arising from the rig	210,000,000	Quarterly Basis Installment	22,106,298	175,506,648	--	159,422,313
Arab bank	11/12/2006	Sep-2016	One year from loan date	Purchase of Onshore land Drilling ST 5& ST 22.	Deposit of revenues arising from the rig	20,000,000	Quarterly Basis Installment	1,989,612	11,440,269	1,989,612	13,429,899
Arab African Bank	14/6/2007	Jun-2018	15 month from loan date	Purchase of Onshore land Drilling ST 6 & ST 7.	Deposit of revenues arising from the rig	20,000,000	Quarterly Basis Installment	2,000,000	13,000,000	2,000,000	14,999,237
Total						41,195,910	293,296,917	19,089,612	297,100,545		

- * Average interest rate on the above loans during the year is 1.58% above LIBOR.
- * The amount of unused bank credit facilities as of December 31st, 2010 is US\$ 23,449,770.

16. Tax Status:

The company was established according to the private free zone system; hence, it is tax exempted in accordance with the provisions of Article 35 of law (8) of 1997. This article states that companies with free zone systems are not subject to tax laws or duties applicable in Egypt for all their durations. The exemption applies for activities mentioned in the tax card pursuant to the establishment decree issued by the General Investment Authority.

a. Payroll Tax:

The annual salary tax reconciliation for 2009 was prepared and submitted to the Investment Tax Office. Salary tax inspection was completed for 2009 and resulted in no differences.

The company settles 2010 salary tax on a timely basis. It also files the quarterly tax returns on due course.

b. Withholding Tax:

The company applies the withhold tax deduction system in transactions with others and legal institutions which are subject to corporate income tax. The company prepares tax forms according to the Tax Authority's instructions and submits them together with the quarterly deducted amounts on a regularly basis until December 31, 2010.

17. Financial Instrument and Risk Management:

The company's financial instruments are represented as assets and financial commitments. Financial assets include cash at banks, debtors and bank loans. Disclosures to the financial statements include the accounting principles used for recording and measuring the most important financial instruments and all related revenues and expenses.

- The following shows the risks related to the financial instruments and the procedures followed to mitigate the effort of such risks:

17/1 Credit Risk:

Credit risk is represented by the ability of the company debtors to pay back the loan taken from the company and the majority of company debtors represent amounts due on the clients and advances paid suppliers.

17/2 Foreign Currency Risk:

The foreign currency risk results from foreign currency exchange rates fluctuations which could affect payments in currency other than US Dollar. Management assesses such risk and handles it on an accounting basis when there is no means for covering it.

17/3 Liquidity Risk:

The liquidity risk represents certain factors that could affect the pay back of part or total amount of the company's commitment. It is worth mentioning that the company has a negative working capital.

17/4 Market Risk:

Market risk represents future changes in the value of financial instruments as a result of changes in market conditions. The company does not undertake any future hedging contracts.

17/5 Financial Instruments Fair Value:

According to the applied measurements of the company's assets and liabilities balances as per the notes to the financial statements, most assets and liability balances are carries at amounts, which approximate their fair values.

Operating Revenue:

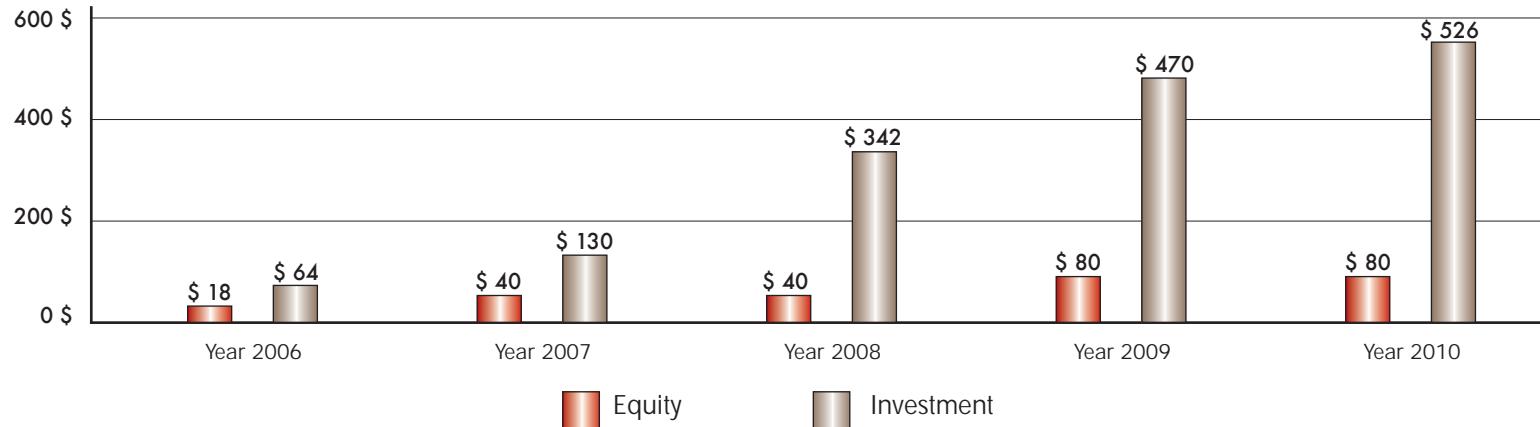
Description	31/12/2010	31/12/2009
Rig No ST 1	5,282,794	6,722,683
Rig No ST 2	1,834,335	3,241,877
Rig No ST 3	5,317,019	6,479,936
Rig No ST 4	5,474,463	6,905,207
Rig No ST 5	6,144,990	6,705,540
Rig No ST 6	6,437,754	7,017,577
Rig No ST 7	5,615,409	5,576,550
Rig No ST 8	5,676,867	4,092,782
Rig No ST 9	6,258,477	7,529,579
Rig No ST 10	5,245,232	3,901,476
Rig No ST 11	7,234,759	7,848,892
Rig No ST 12	5,841,772	8,613,520
Rig No ST 21	2,125,477	1,087,453
Rig No ST 22	2,391,646	2,421,694
Rig No ST 23	2,305,134	2,485,160
Rig No ST 24	2,267,690	2,552,825
Total	75,453,818	83,182,751

* All revenues mentioned above are deposited in the borrower banks to finance the rigs, which generate these revenues as a guarantee for those loans. (Note 15)

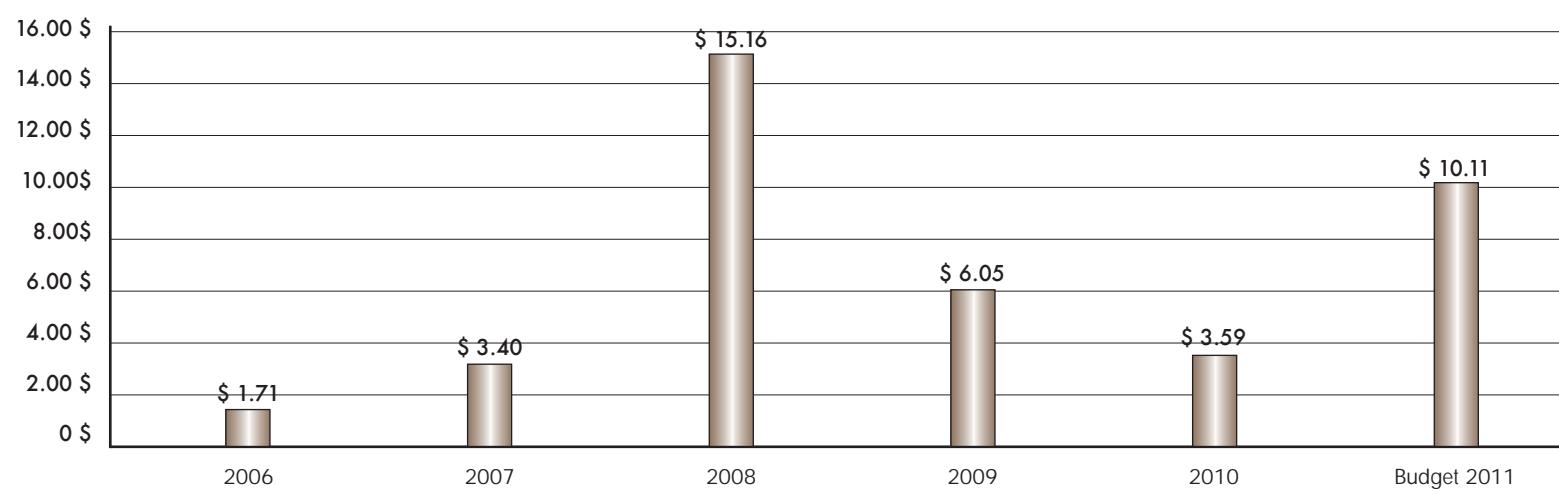
Operating Cost:

Description	31/12/2010	31/12/2009
Rig No ST 1	4,136,547	4,286,812
Rig No ST 2	3,234,830	3,438,684
Rig No ST 3	3,924,577	4,431,616
Rig No ST 4	4,215,000	3,453,074
Rig No ST 5	4,298,729	4,075,927
Rig No ST 6	4,356,206	4,504,581
Rig No ST 7	3,560,084	3,499,149
Rig No ST 8	4,122,696	3,875,163
Rig No ST 9	4,073,671	4,442,686
Rig No ST 10	4,339,533	3,818,336
Rig No ST 11	4,368,958	4,797,046
Rig No ST 12	4,606,327	4,168,324
Rig No ST 21	1,790,644	1,664,886
Rig No ST 22	2,233,712	2,076,957
Rig No ST 23	1,979,028	1,793,016
Rig No ST 24	2,388,646	2,341,431
Total	57,629,188	56,667,688

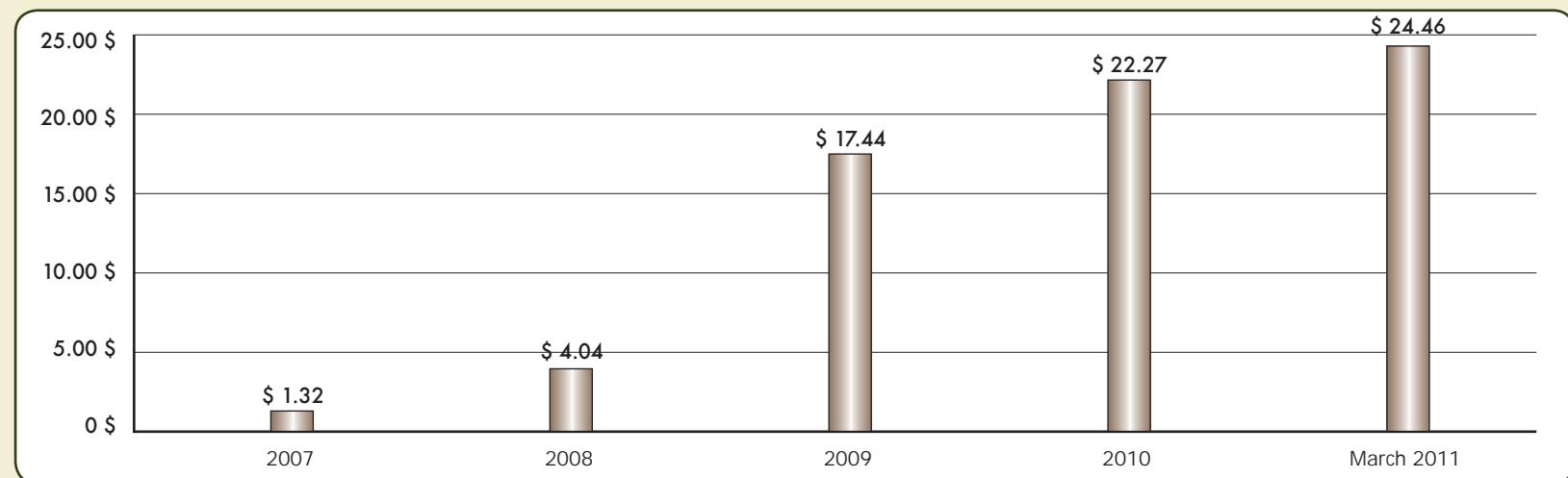
Company's Development - Equity VS Investment



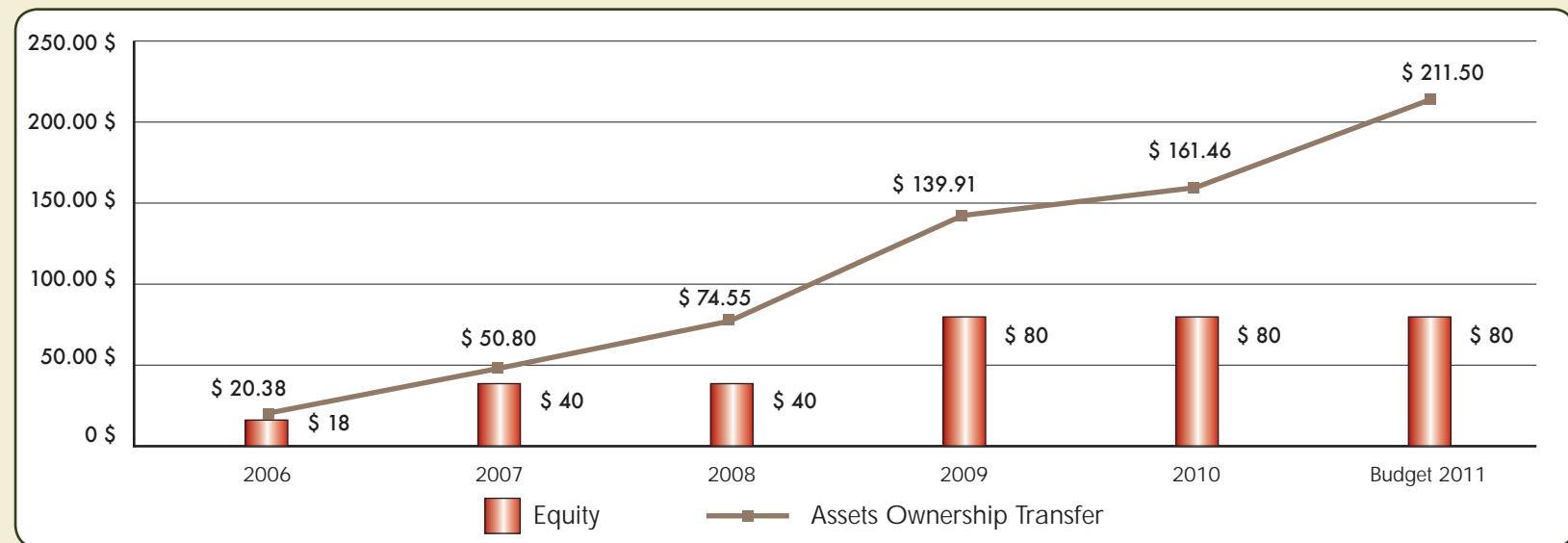
Company Profit



Company's Retained Earnings & Legal Reserve



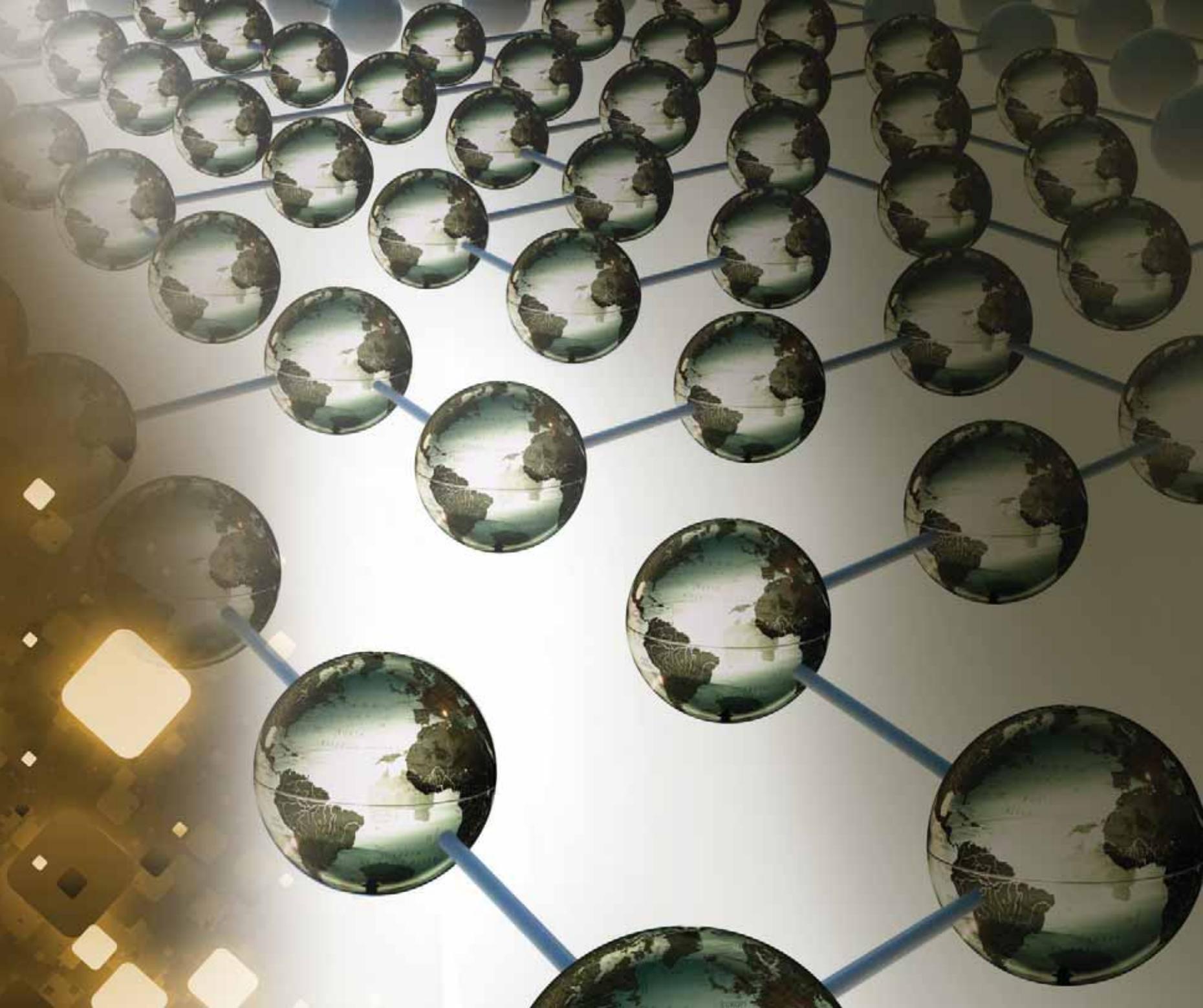
Assets Ownership Transfer



PROCUREMENT

Department

We'll go the extra mile for you



Mission

Supply chain management has a remarkable impact on the success of OUR organization. This staffs are engaged in every facet of the business process – planning, purchasing, logistics, inventory& distribution, and more! In short, these staffs are the “glue” that connects the different parts of the Sino Tharwa. Their performance helps company to perform as it promise, control expenses, boost, and maximize profits.

1. Inventory Management & Planning

Your success is our goal

Inventory Management

Launching Main Warehouse & distribution center

In 2010 there is a critical milestone for the company which launches its main warehouse & distribution center, which reduce supply chain turbulence & smoothen supply process. One of the key objectives of this lunching to improve customer service level by improve efficiency & responsiveness .

Moreover 6000 items transferred from various sites to be reallocated in the main warehouse & distribution center.



Improving manpower competency in sites

In 2010 & still in the coming years we focus on improving supply chain team competency. Training programs have been provided for all material men working in sites as shown in the below table:

- Ware house management
- Introduction for planning & inventory management
- Materials follow up from sites
- Introduction to supply chain management

Number / Month	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Total Hours	144	204	360	144	264	—	204	180	1116
Persons	4	4	4	4	3	—	17	15	19

Planning Achievement

We launched ERP System as of first of 2010 , focusing on improving the demand forecasting level through implement aggregate planning and practices for a better daily business performance support.

Inventory management & planning team had accomplished many projects in 2010 as follow:

1. SinoTharwa Master Item Coding Project :

- “Set coding” project has been executed for more than 16.000 Items during 4 months.

2. SinoTharwa Inventory Management :

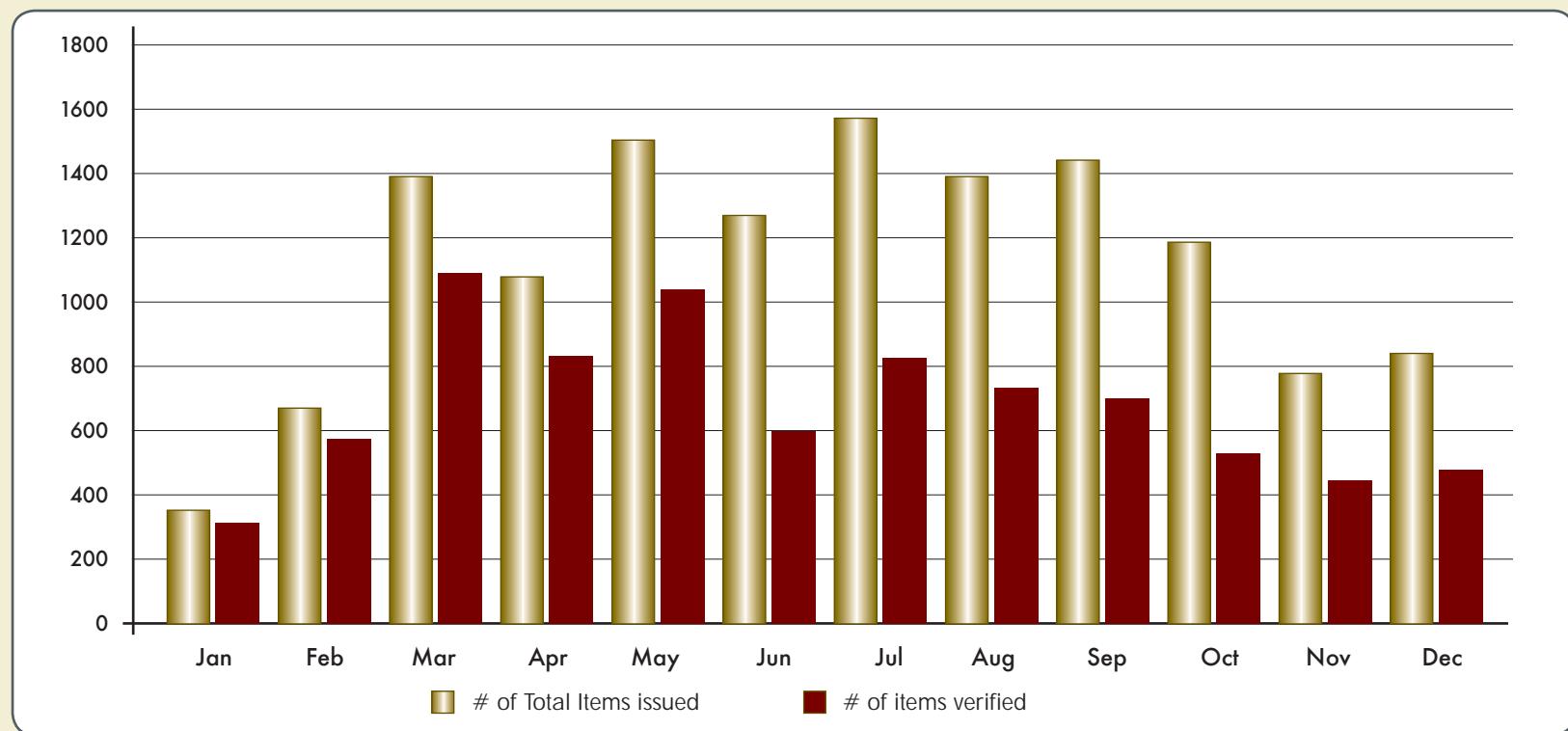
- Project has been planned and executed based on the similarity of process & equipment used, coding project has been Planned & executed to set up system for how to manage inventory to implement an Aggregate Planning approach by using mathematical module.

3. Work over Rig Coding Project :

- Planning Team has planned & executed the project to set 2,800 items code for all SinoTharwa work over rigs as well as catalogues & manuals with drawing and full item description and equipment specification.

4. Planning Report (SinoTharwa Requisitions)

- In 2010 Sino Tharwa market share had been increased due to the economic rebound consequently all our rigs were in use which were positively reflected on the supply demand accordingly the planning team had to exert a lot of effort to cover all rigs demands .



2. Purchasing

Day By Day Progress

Our buyers in 2010 had a lot of pressure due to the operations of all rigs besides preparing for Bahari-1, the company first Jack Up Rig, requirements. Despite of the work load resulted from the 16 rigs in operations, in addition to the New Jack Up requirements; purchasing team had maintained cost optimization concept.



Number of items Sourced	10433
Number of Delivery	8405
Net awarded Value for Purchase Orders	\$9,884,720

3. logistics

Holding The World

As mainly logistics team handle relationship between the company & our clients of contracted petroleum companies

Customs

- Customs have increased activities due to operations increase & expired contracts which required a lot of liquidations executed

Year/ No. Shipments	Foreign	Local	Total
2006	30	14	44
2007	73	8	81
2008	127	46	173
2009	156	123	279
2010	70	162	232



Follow up:

Monitoring with confidence

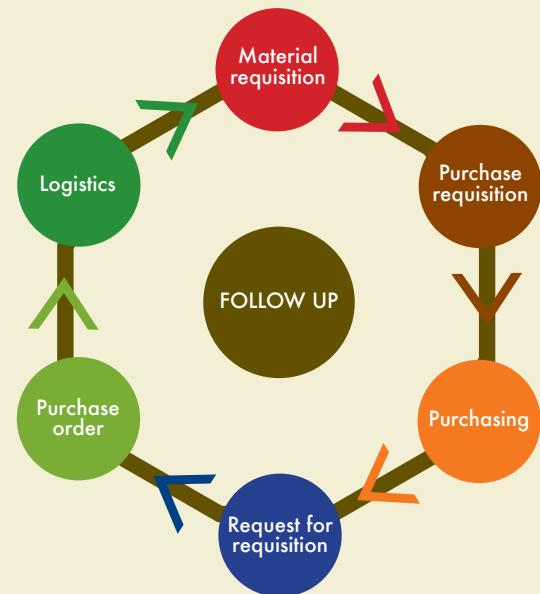
The follow up role is to describe how to express the efficiency and effectiveness of Procurement processes & logistics operations.

- External follow up**
- Key Performance Indicator(KPI)**
- Urgent cases**

External follow up

Follow up procurement process starting from demand, sourcing, awarding & deliver. Share information with all stakeholders internally & externally, to work on develop procurement monitoring, controlling processes.

Total items promised /per Year	10433
Number of items delivered	8405
Number of items backorders with suppliers - Already Due per year	1332



Key Performance Indicator (KPI)

This defines the procurement group reporting criteria by which their performance is measured on weekly basis.

Special orders

As a supply chain design must have special pipeline for special cases, our follow up team is the key responsible for these type of cases from creating the material requisition till receiving material.

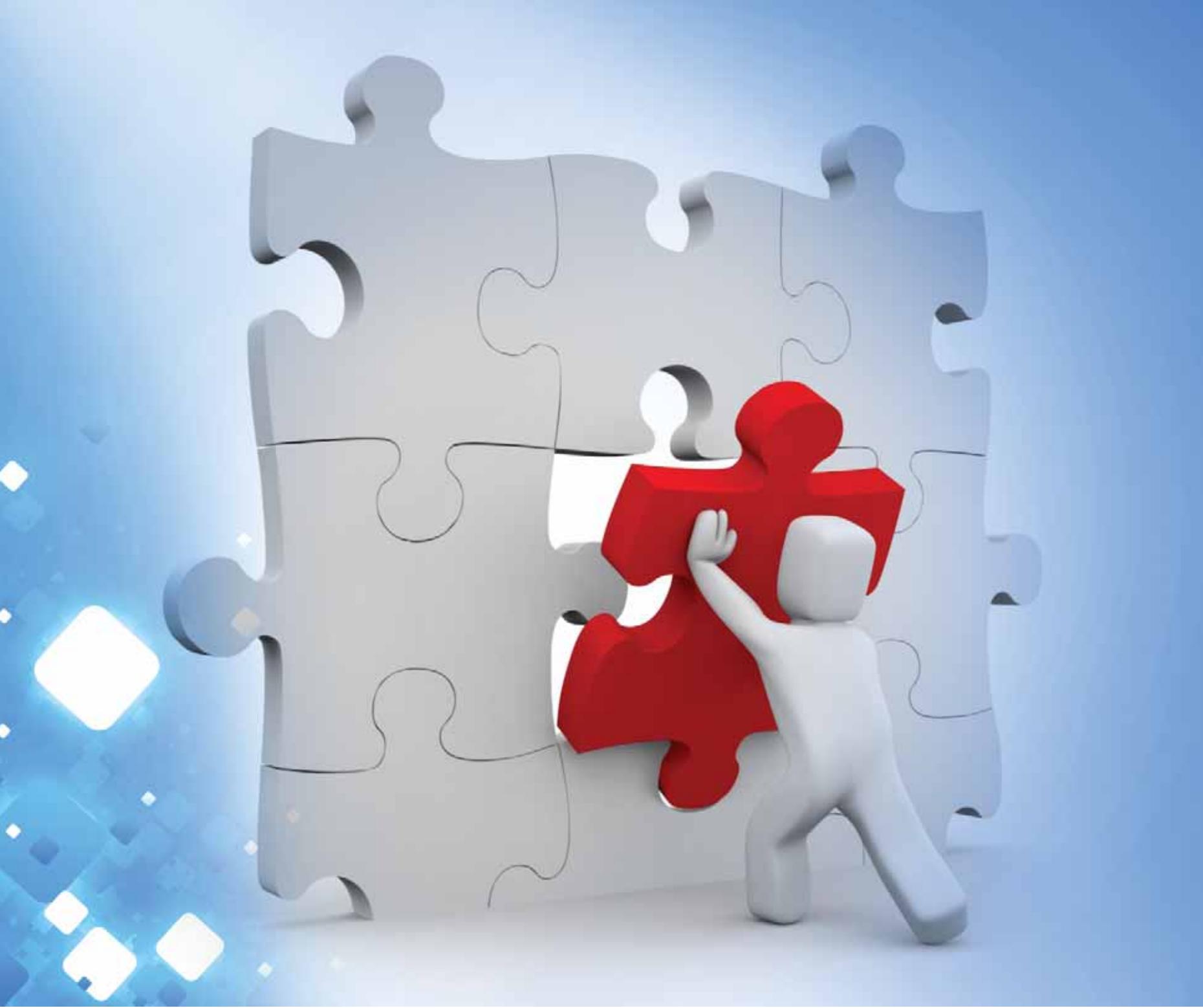
Expediting is the process of attempting to secure a more rapid delivery than promised by a vendor on a purchase order. Or even in some cases securing needs doesn't even had been requested. In 2010 we had received 750 special orders from other departments and rig sites number of closed issues is 750 cases.

The background of the slide features a repeating pattern of overlapping blue squares of varying sizes, creating a sense of depth and motion. The colors range from light blue to dark blue, with some squares having a subtle gradient. Small white dots are scattered throughout the background.

CONTRACTS

Department

No One Size Fits All



Mutual Benefits, Mutual Consent, Mutual Consideration

Securing best-value contracts that simultaneously maximize profits and minimize risks was the main target for the Contracts Department in 2010.

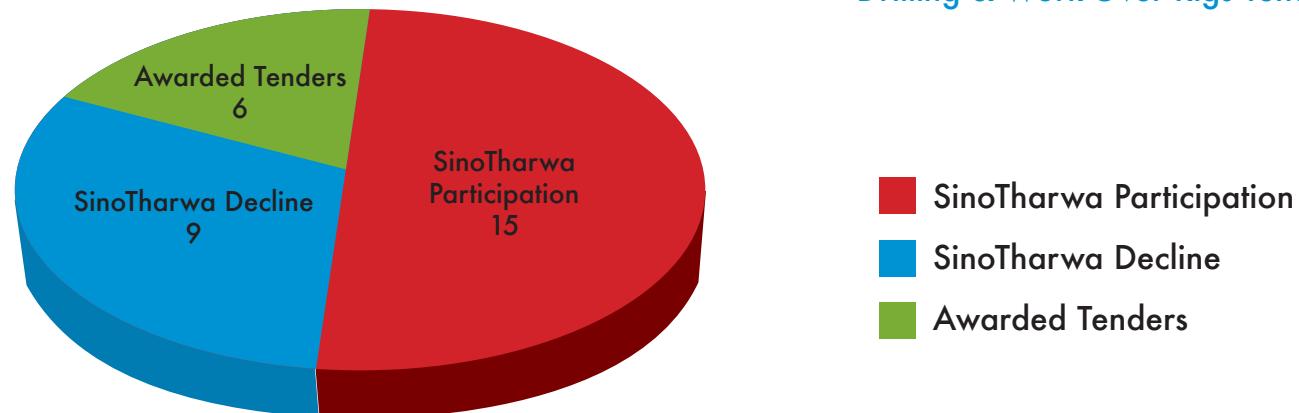
Even though the oil and gas industry starts to revive after the 2009 recession which was clear in the slight increase in rigs demand, the drilling rates have not been much affected as we still direct our efforts to overcome the decline in the market rates.

Our challenge at the beginning of the year was how to compete in submitting the best offers for our rig fleet in order to avoid stacking periods and staying ahead of competition.



Inquiries and Tenders for Drilling & Work-Over Rigs

Our strategy in preparing competitive technical and commercial proposals makes us the successful bidder for six tenders out of twenty four tenders for drilling and work-over rigs that have been issued in 2010 including our decline in submitting bids for nine tenders due to the non availability of the requested rig or work-over as we do succeed in securing full year contracts for our rig fleet.



Drilling Contracts

As the contracts team fully understand that establishing the right structures and relationships between our clients enables us the flexibility for our business especially when the economic conditions remain so volatile, our mission was to maintain our excellent relationship with our clients and achieve greater balance between the market situation and upside opportunities.

Through efficient negotiations and effective contract management which we believe is a crucial function to improve profitability, we succeed in extending all our existing contracts in addition to signing new contracts with the best terms and conditions as well as the best available rates in the market.



Contract Defines the Need, Develops a Mean and Method to Meet the Need

Although our operating rates have been declined in 2009 and 2010 compared to the rates in 2008, we have tried hard through our full visibility into contracts to negotiate the requested discounts and tie it up with gaining some benefits in order to maximize our profits that can be clearly shown in increasing our supplying related services and equipment to Operators at extra costs as well as excluding some services and equipment from the daily operating rates.



Contracts Extension

Rig	Company	Contract Extension
ST-1	Belayim Petroleum Company	One year firm
ST-3	Belayim Petroleum Company	One year firm
ST-4	General Petroleum Company	Two years firm
ST-5	Khalda Petroleum Company	One year firm
ST-6	Qarun Petroleum Company	Six months firm
ST-7	Dara Petroleum Company	One year firm
ST-8	Agiba Petroleum Company	One year firm
ST-9	Vegas oil & Gas Company	Six months firm
ST-10	DanaGas Company	One year firm
ST-11	NaftoGaz Company	One year firm
ST-21	Agiba Petroleum Company	One year firm
ST-22	Qarun Petroleum Company	One year firm
ST-23	Belayim Petroleum company	One year firm
ST-24	Badr El Din Petroleum Company	Two years firm

New Contracts

Rig	Company	New Contract
ST-2	GroundStar Resources Egypt	2 wells Firm + 2 optional
ST-6	Khalda Petroleum Company	6 months firm
ST-9	PetroAmir Company	Six months firm + Six optional
ST-12	Belayim Petroleum Company	One year firm

A Contract Is an Exchange of Promises with Specific Legal Remedies for Breach

Service Tenders

'Cost Optimization' still our objective to overcome the unbalanced market situation, thus we try to achieve services cost saving through soliciting quotations from more than one contractor for aiming to stay ahead of the competition and working on continual improvement.

In 2010, the Contracts Department has issued five tenders, among which the one was issued for upgrading ST-2 from mechanical rig to electrical rig with the intention of complying with the market requirements and rig demand. This tender has been issued to five companies including Egyptian and International companies so as to assure that the scope required is fully fulfilled as per Company's requirements and was awarded with total amount of USD 2,355,500 and the project will be completed and the rig will be ready to start its operation as electrical rig by mid of 2011 at a higher operating rate. This in return will have a remarkable effect on the Company's profit.

Another tender was the one issued for having a network Infrastructure at our yard at Badr city for the purpose of implementing the telecommunication services at the yard and connecting it with the head office and rigs sites. The tender was awarded with total amount of EGP 1,133,161 However, after productive negotiation the bid amount was reduced to be EGP 994,164 so as to save the company's costs as much as possible.

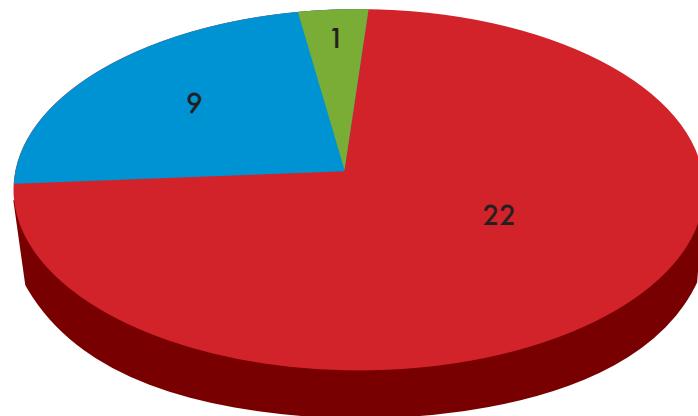
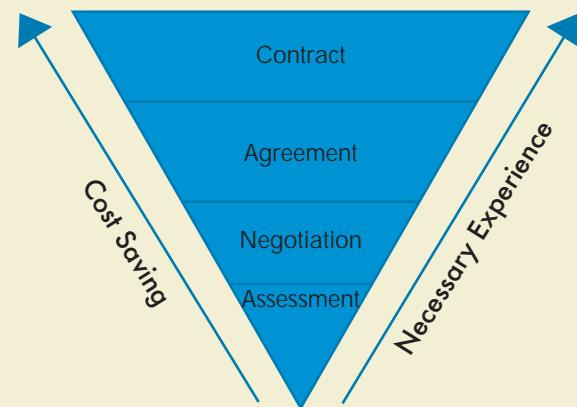


Service Agreements

Satisfaction of each department in the company with the services that are being provided by contractors and service providers is so much related to the contract process starting from requesting the service till signing the contract. For this reason, contracting process must be in the right quantity, quality, price and delivery time.

Since there is a high level of competition in the market among the service providers, selecting a contractor for providing a specific service starts first by soliciting technical and commercial proposals either through tender or quotation request and then comes the most important step; carrying out a technical assessment by the Quality Assurance Department and the user department.

Since the quality is our first priority, the result of this assessment constitutes the base for determining whether to continue in the contract process or to decline. In 2010, twenty two contracts have been signed in order to fulfill all company's needs. At the same time, we succeed to negotiate the terms and conditions of the valid contracts in an attempt to reduce the rates and accordingly optimize the company's costs. Through effective negotiation with service providers we succeed to cut from 10% to 15% from the contracted prices with the same quality of services which comes as a result of our excellent relationship with our providers



Drilling & Work-Over Rigs Tenders

- New Contract
- Contract Amendment
- Contract Termination

The Value of Our Tool Box Lies In Choosing The Right Tool.

Insurance Coverage

The global insurance market has experienced one of the largest levels of catastrophe losses in 2010 ever, as there have been more disasters across the world including notably the earthquake in Chile and Haiti and the deepwater jack-up rig explosion in the Gulf of Mexico which lead to a huge increase in the insurance rates all over the world. Despite of this increase, we succeed to get the best rates in the oil and gas market and keep our coverage rates for our rig fleet in addition to Badr yard reasonable and within our budgeted figures.



GREATER INNOVATION AND CREATIVITY IN THE WAY THAT CONTRACT TERMS ARE DEVELOPED AND MANAGED IS A CORE AREA OF COMPETITIVE ADVANTAGE.....

