

**SinoTharwa
Annual Report 2012**



شركة سينو ثروا للحفر
SinoTharwa Drilling Co.

**FUTURE
IS NOT
WHAT
IT USED
TO BE**

Managing Director's statement:

Dear Colleagues working for SinoTharwa in all locations, on the end of 2012 and the beginning of the new year occasion, May God grant us the desired success for our company and the shareholders ' benefit and for our precious country specially during this hard time that requires everyone's efforts.

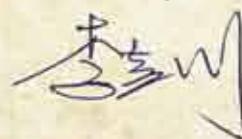
We would like to seize this opportunity to thank you all for your outstanding efforts exerted over the past year to achieve the company targets out of which preserving our employees' lives, safety, maintain the company's properties and equipment which consequently result in conserving the environment with the highest standard level that are considered the most vital targets of our company.

We are honored to declare that SinoTharwa has acquired ***the International Arch of Europe for Quality and Excellence Award*** in addition to ***ISO 14001*** responding to SGS environmental auditing requirements, those certificates and appreciation are the produce of employees serious works that have been accurately planned by all company departments accompanied by adequate implementation that exceeded the international standard whereas rigs performance has been increased up to 98 % complying with QHSE safety standards which had a great impact reflected on the results stated in detail in this report.

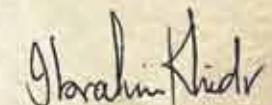
We would like to seize this opportunity to sincerely express my deep gratitude for your exertions and we promise to pursue our efforts for realizing 2013 further achievements together giving first priority to maintain our employees' safety in all company sites and achieve excellent performance reflected on SinoTharwa features.

At last, we always aspire for SinoTharwa an ongoing success wishing to realize the first step of 2013 – 2017 five year plan.

Li Zhigang
General manager & MD



Ibrahim Khedr
Chairman & MD



SINOTHRWA ACHIEVEMENTS, CERTIFICATIONS & AWARDS

In Frankfurt and at the 30th of April 2012 Sinotharwa drilling company was awarded by ARCH OF EUROPE FOR QUALITY AND TECHNOLOGY IN GOLD CATEGORY AWARD which was presented by BUSINESS INITIATIVE DIRECTIONS, This was as recognition for:

The immeasurable contribution of Sinotharwa drilling company to the business world for high standing and professionalism demonstrated by prestigious performance and commitment to QC 100 i.e. Total quality management model

FRANKFURT 2012



Certificate

SinoTharwa Drilling Company

For immeasurable contribution to the business world,
for high standing and professionalism
demonstrated by prestigious performance,
Business Initiative Directions presents its
special recognition award.

ARCH OF EUROPE
FOR QUALITY AND TECHNOLOGY
IN GOLD CATEGORY

Frankfurt, April 30, 2012



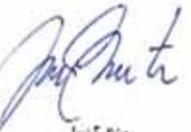

José E. Pérez
President



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HUMAN RESOURCES & DEVELOPMENT

Manufacturing of Human Skills

Training & Development

Start Right

2012 Training & Development Objectives:

In SinoTharwa Training is define as a continuous learning process in which all SinoTharwa staff should acquire knowledge, enhance professional skills and improve attitudes and behaviors to excel well on the job.

The objectives of SinoTharwa Training Department is to identify the required training needs of our staff and fill the gap with a host of training methods for the welfare of the organization and employees on a whole.

In 2012 our core aim is to train our staff to be more effective and efficient in the present role and responsibilities by fulfilling the short term training needs along with the continuous development to improve the overall personality dimensions of our staff in order to take up any future assignments.

QHSE Training: We provide a QHSE Training Course in order to help establish a safety culture in which all our staff help promote proper safety procedures while on the job, all newly hired employees be properly trained and embrace the importance of workplace safety.

Course Name	Actual Training Hours	Planned Training Hours
Advanced Rig Math	636	1152
Defensive Driving	714	408
Electrical Safety	1464	612
Emergency Response	1668	1224
Hazed	2892	1152
Lifting Operation	2084	1224
Working at Height	1332	1224
Nebosh	432	-
Environmental challenges and the technology of fire protection	32	-
Total Safety Training Hours	11,254	6,996

Operation Training Hours:

Sino Tharwa Provided and recognized international technical courses in order to facilitate the day to day operational decision making & build a skilled, well-trained and professional workforce & help employees increase their level of performance on their present assignment

Course Name	Actual Training Hours	Planned Training Hours
Basic Drilling Technology	1176	600
Basic Well Control School	918	600
Casing, Cementing & Plug Setting	1680	600
Drill String Care & Stuck Pipe	648	600
Hydraulic School	1584	600
IWCF	2220	600
Ton Mile	864	600
Top & Down Hole Drilling Problem	540	600
Basic Mud Logging	360	-
Total Operations Training Hours	9,990	4,800

Engineering Training:

Sino Tharwa Provided engineering training courses to enhance the capabilities of all engineering staff & gain the critical skills needed to improve the engineering process quality.

Course Name	Actual Training Hours	Planned Training Hours
Adv Hyd. System	798	720
Basic hyd. Courses	756	720
Basic SCR and VFD Drive System	456	360
Electrical Fundamental	432	360
Painting	216	120
Siemens	2970	600
Work Shop Training "Badr Yard"	1020	600
Collapses in industrial plant and equipment	21	-
Design of steel structure	30	-
Moduspec "NL3584.4 Rig Inspection Workshop"	32	-
Total Engineering Training Hours	6,731	3,480

Soft Skills, Language & Functional Training:

We are strong believers in our staff and we consider them as a backbone of our company and their unlimited capacity to drive change towards a better future. Our aim is to create the special spirit dedicated to generate, manage and transfer knowledge in order to provide individual and corporate growth for all parties involved, from that prospective we conducted a high quality level of soft skills, languages & functional training programs.

Course Name	Actual Training Hours	Planned Training Hours
English Language - Rig Staff.	12,888	7000
English Language - Cairo Office.	1,652	960
Anger Management.	576	360
Integrated Management.	368	360
Fundamental Security Techniques.	184	117
Hygiene "Campus & Radio".	588	360
Ergonomics Training Course.	92	-
Red Hat System.	80	-
Brain Storming.	64	-
Good Practices recommended for accurate and safe contracts signed with contractors.	12	-
Oracle Database training course.	40	-
Contracts Drafting Seminar.	45	-
Soft Skills –Rig Staff.	5,628	-
An effective strategy to get rid of idle stock in petroleum org.& avoid accrued this in the future.	12	-
Lync 2010.	40	-
Total Soft Skills Training Hours	22,269	9,157

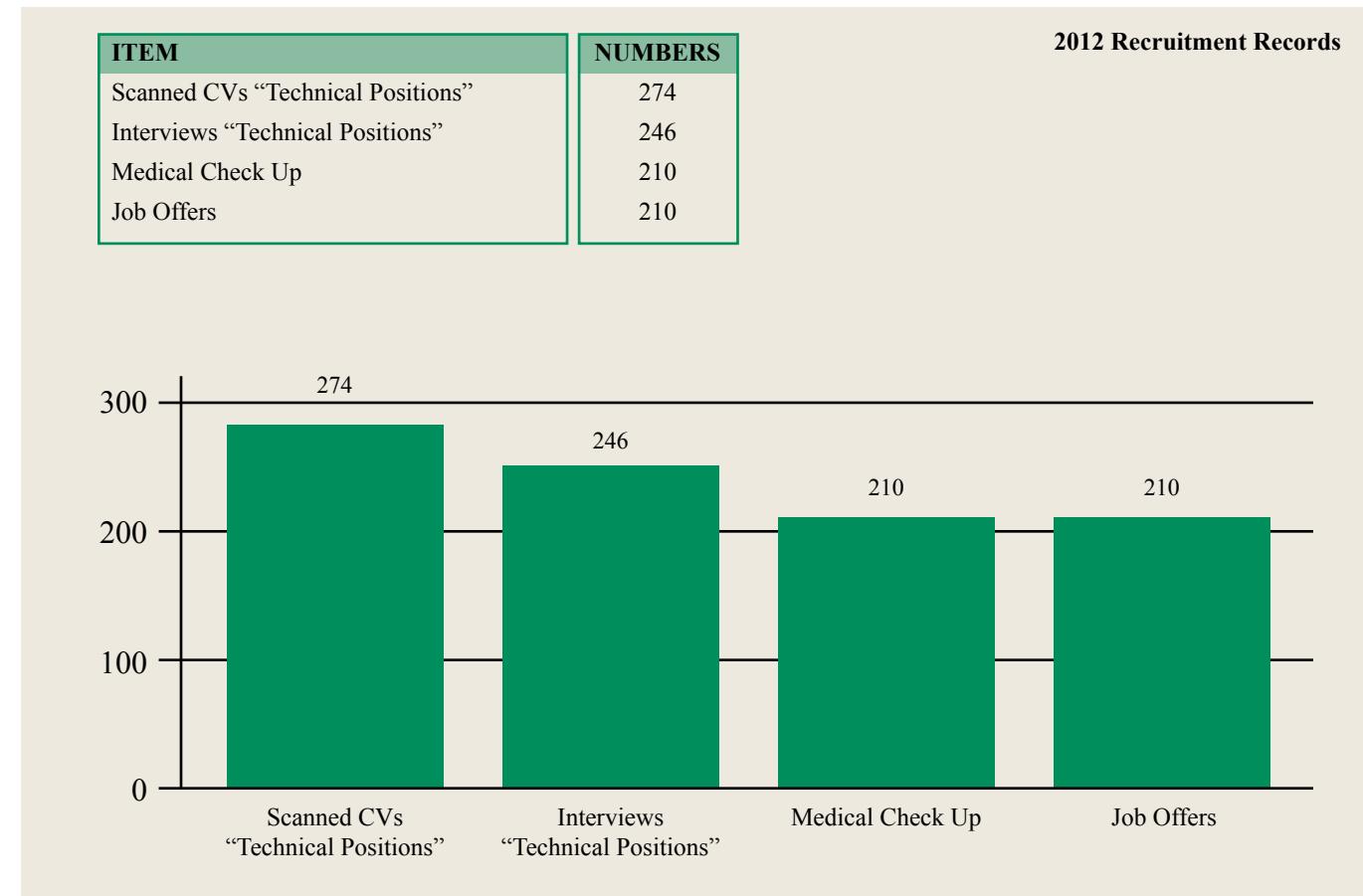


The Actual Training Hours had exceed the planned hours due to the conduction of HSE, Soft Skills & English Language on the Rig Site & Engineering courses on Badr Yard "OJT".

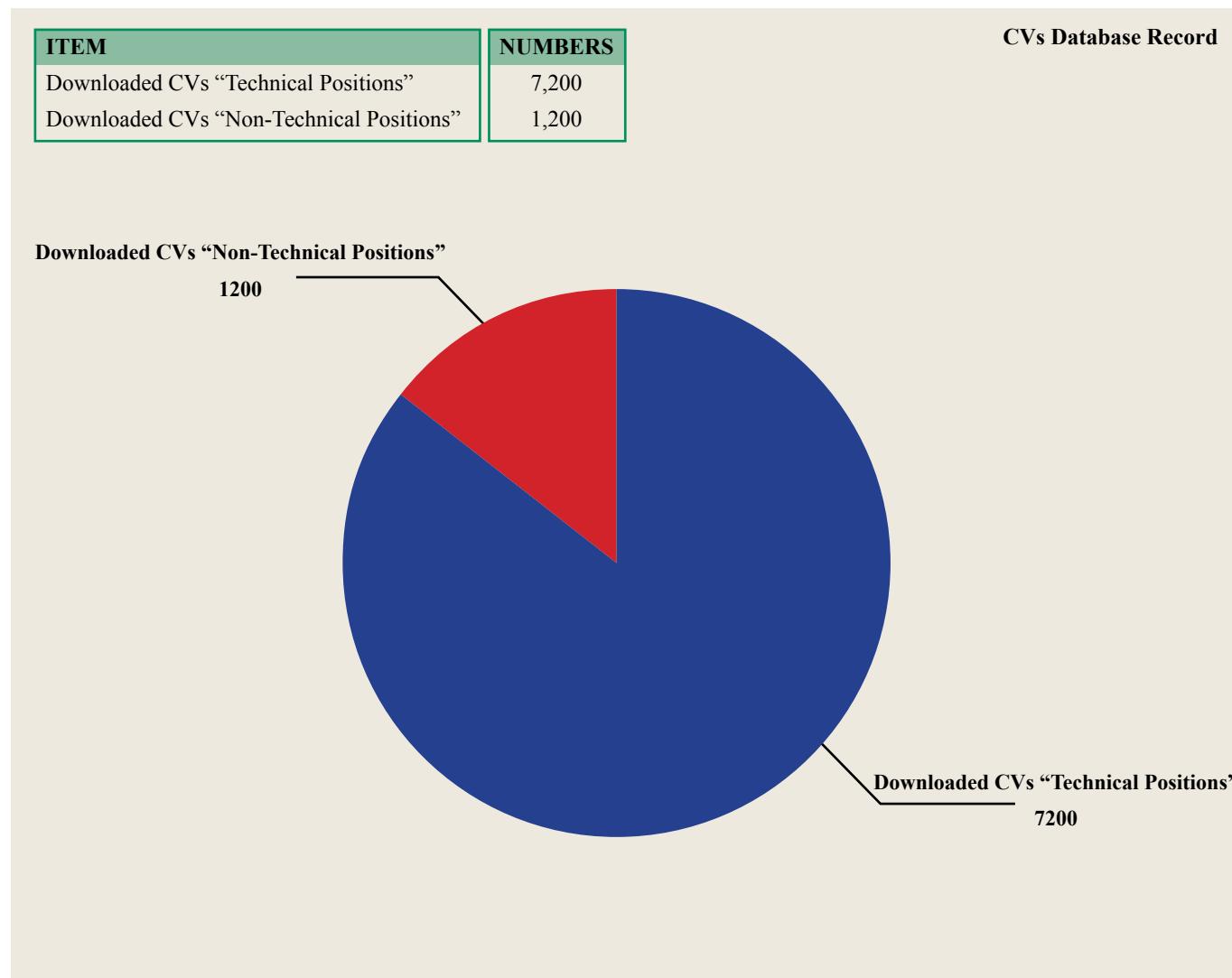
Recruitment Division

Build Opportunities

We are always looking for the Qualified, enthusiastic and committed staff as we believe that our staff is the cornerstone of our growth strategy, We know that employing and managing diverse people gives us a more rounded and balanced organization and makes us more adaptable to new situations.



An agreement had taken place with a multinational Recruitment Provider in order to create our own Database with a most qualified candidates for both technical & non-technical positions.



Personnel Division:

Counter Endless

The personnel division complies with the entire governmental and legal requirements via labor and social insurance offices.

Overview on activities of 2012:

Monitor and analyze the scores of 2012 performance appraisal for all staff.

1. Maintain the salary structure for rigs staff in order to develop Sinotharwa ability to compete and lead the drilling market in Egypt.
2. Establishing company job description for all job titles of rig site.
3. Establishing new salary structure for new function business “Mud Logging”.
4. Finalizing medical exemption related to social insurance authority will be saved monthly EGP 153,238.90; it means that annual saving amount will be EGP 1,838,866.80.

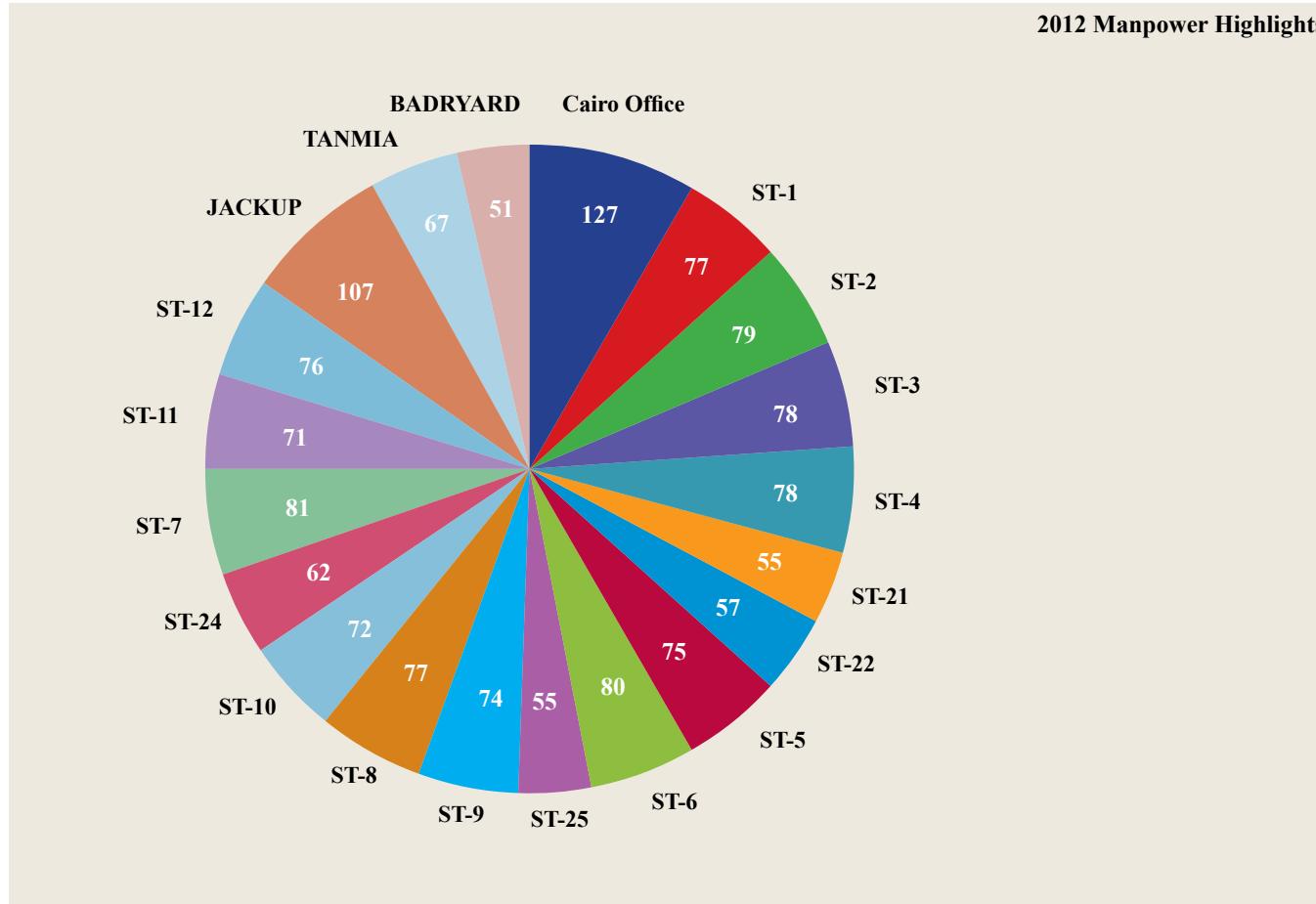
New policies during 2012:

For applying new procedures and policies to Facility Company targets and objectives have been specified through company strategies for improving the skills & abilities of all employees.

1. Establishing and modification new bonus policy in order to keep our talent staff and attract a good caliber in drilling labor market.
2. Establishing new rig of the year policy in order to improve company utilities of all rigs.

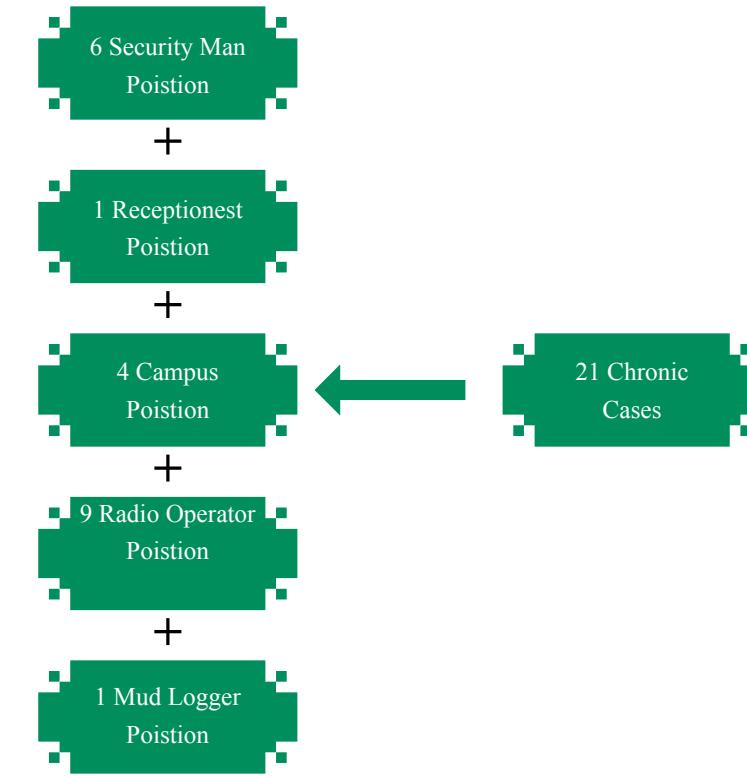
2012 Manpower Highlights:

- Total Direct Manpower ... 1499
- Total in Direct Manpower ... 636
- Turnover % during 2012 ...1.73%



Career Shift for Medical Chronic Cases:

According to company medical policy which ensures to transfer any employee suffered by chronic sickness to other location in case of his qualification and experiences suitable with the new position in order to keep our talent existing employees, accordingly the management company decided to shift the career of 21 employees during 2012 and transferred to other administration positions as follow:



Medical Division:

Health Promotions

Medical New Insurance Company serving Staff

After survey and negotiations with insurance companies, we have succeeded to enhance the medical services for our rigs staff to fill our requirements and enlarge the network.

Exceeding Family Medications Ceiling:

The company has been contributed in all chronic cases concerning family members and exceeded their medical ceiling by 10% from the actual total medical actual cost during 2012.

Medical Network:

Expanding and improving Sinotharwa medical network by adding new 8 medical supplies as follow:

1. 3 Private Clinics.
2. A Dental Center.
3. 2 Pharmacies.
4. A hospital.

New medical procedures & Tasks:

For keeping our company performance on quality standard level, the rigs physicians will be responsible for the following

Tasks:

- **Hygiene scoring system:** keep Hygiene level on suitable standard level through monthly basis report.
- **Drugs inventory system:** Reviewing on quarterly basis the drugs inventory for each rig in order to be available the requirement drugs on time.
- **Medical accidents reporting system:** for handling any accident at any company locations through informing the concerned authorize departments in order to take quick action.
- **Medical equipment standard:** Through any missing or broken equipment should be reported immediately and requested by company material requisition procedures.

New Procedures:

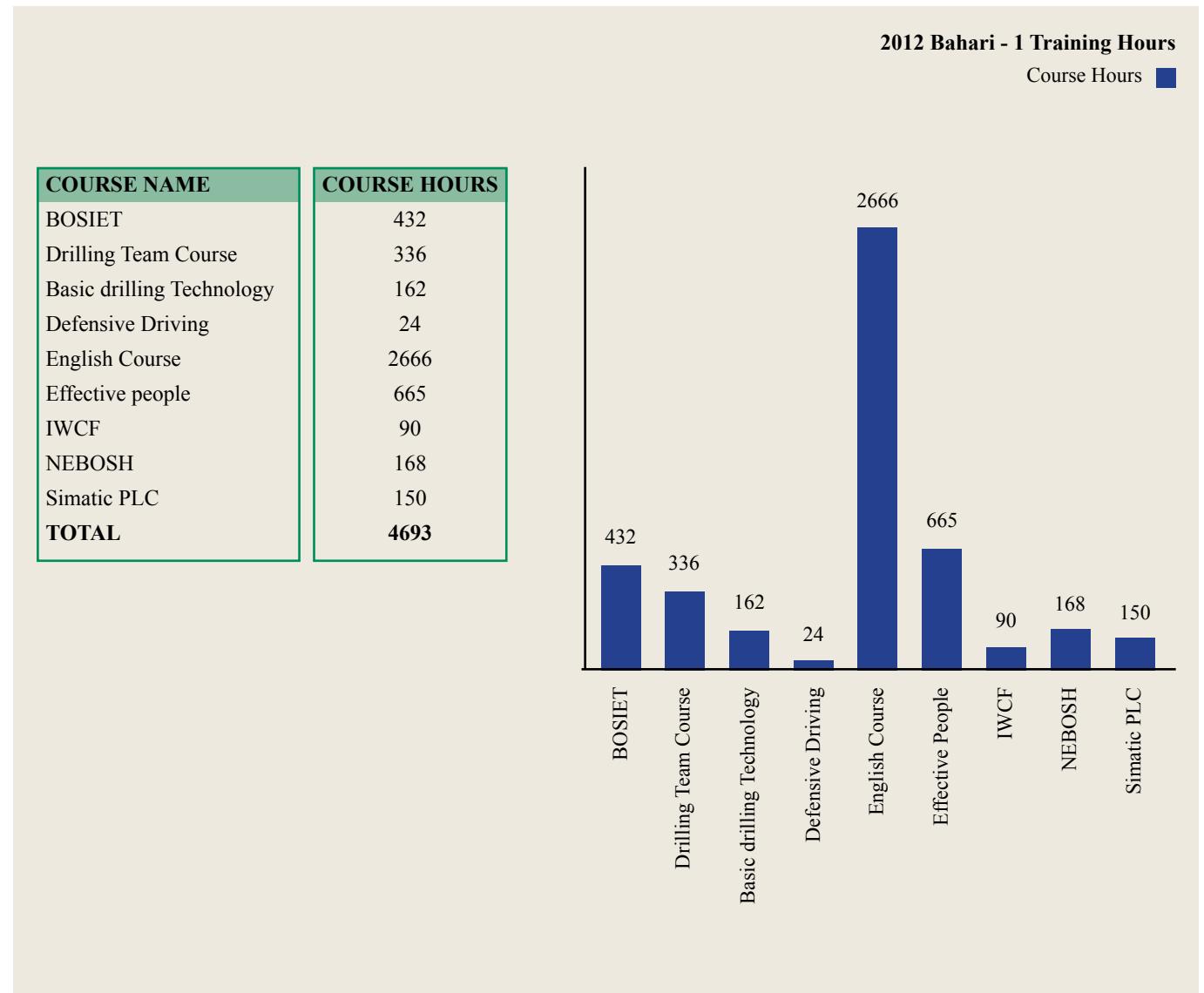
- Sick leaves and chronic cases procedures: Set new sick leave and chronic cases procedure for controlling any abuse cases and in the same time facility any obstacles to face any employee has been suffered by specific chronic sickness.

Offshore Captain Jack Up -Bahari 1:

The year 2012 has noticed one of the biggest achievements of SinoTharwa, March – 2012 SinoTharwa celebrated Bahari-1 opening event and raising the flag.

Jack up 2012 Training hours:

SinoTharwa always provides its ongoing and specialized training which includes different varieties training sets for Bahari-1 crew, in order to keep maintaining the same efficiency of the employees to keep working with high technicalities.



Recruitment:

Choosing employees to join our family members of Bahari-1, go through a very selective process, SinoTharwa settled 2 contracts with two of the very famous worldwide recruitment agencies to have a wide selection for our employees with high qualifications that matches our standards.

Medical

Bahari-1 staff is all medically covered; SinoTharwa has finalized an international medical insurance with “Bupa” for all expats on the rig while all national employees are being covered with a medical insurance, as for their families are covered through SinoTharwa according to the ceiling and policy.

General Services:

Company's Car Fleet:

Sinotharwa owns 37 cars in different locations all over Egypt; periodic maintenance follow up system was developed & enhanced for all company cars with great interest to keep them in perfect condition in accordance to the HSE Standard.

New contracts with the new best transportation companies in Egypt to provide Sinotharwa employees with safety & comfortable during their trips to the company locations.

Providing DEFENSIVE driving Course for drivers & all Co. Car users during 2012

More effective & efficient agreements with authorized car maintenance centers to make the cars periodic maintenance and any kind of other repairs to insure the highest 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 much time & efforts .

Successfully saved more than 40 % from the maintenance of the Rigs fleet comparing with actual planned cost due to the mutual agreements which took place between SinoTharwa & Vehicles' agents that state the maintenance performance on the rig site instead of doing it at the agent.

Work Permits:

Issued 26 work permits for the expat employees.

Company head office, Badr Yard & Guest house

Maintenance & follow – up for the company head office building, Guest house & Badr Yard to facilitate the accommodation, trainings & any other business issues to insure the high standard level of services & comfort to SinoTharwa Staff and also facilitate their work flow.

Public Relation Department

Celebrate the Business

Build Communication:

- We succeed to issue the 1st issuance of SinoTharwa Magazine in June 2012 reflecting a new prospective matching with ours standard &, it will be issued semiannual.

Manage Travel Administration:

- The public Relation department organize all the documents & reservation of the crew change for the Chinese expatriate staff & Jack Up expatriate staff starting from their country home residence to the Rig site & vice versa.

Protocols:

- EgyptAir Contract renewed for the 7th year with the permanent success & mutual cooperation.. in consequence & result of strengthen our relationship with our “Partners of Success” .
- The issuance of a new master card is under processing as a facility credit note in order to save cost facilitate the payment.

Connecting Team Network

Exhibitions

Expanding our business and interacting in new markets is our target, though. We took part in the oil & Gas Sectors through participating in a two main Exhibitions during 2012 in oil & gas, creative and competitive booths reflected our image, achievements & aims.

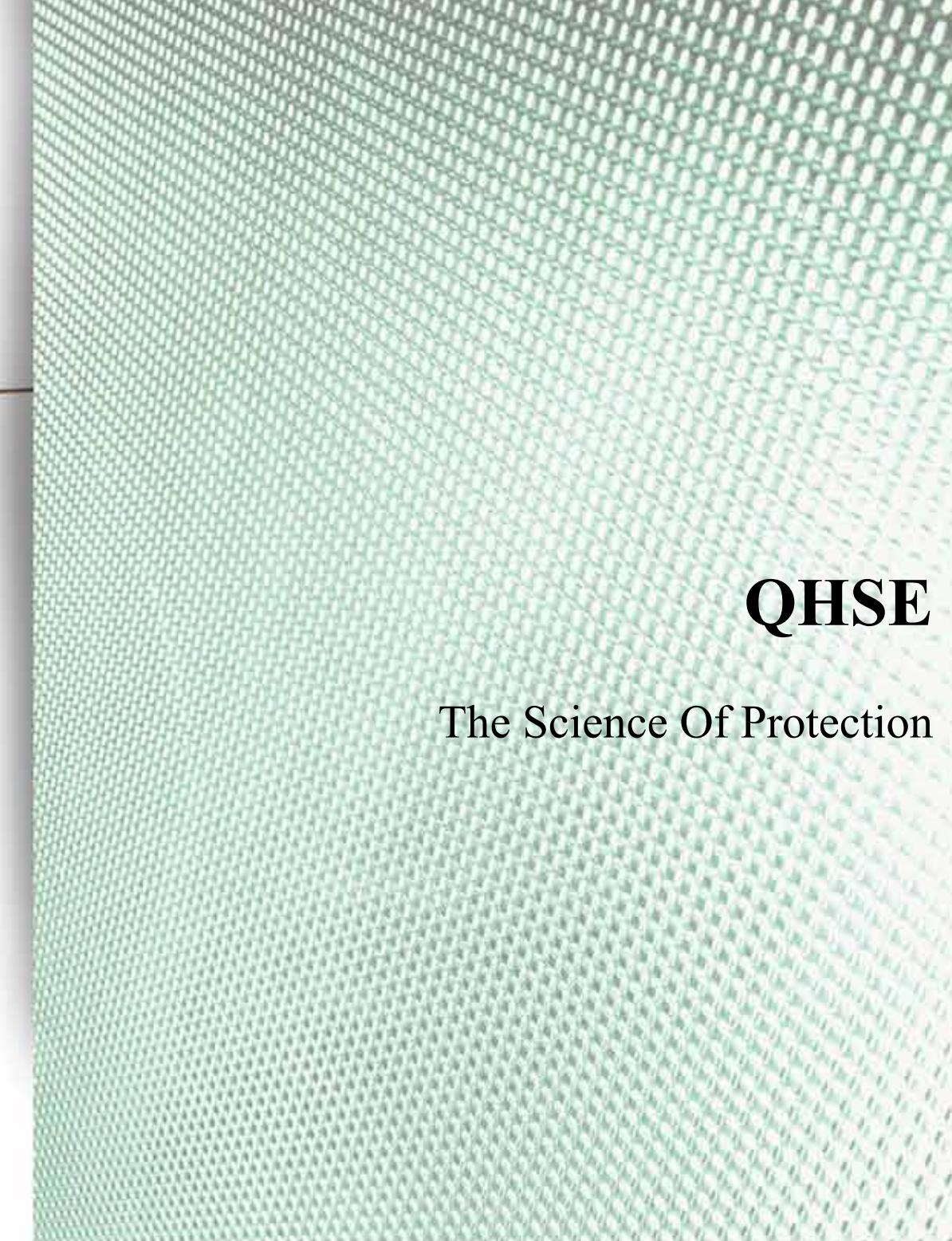
Events:

Celebrate the opening ceremony of the first Offshore Rig “Bahari 1”

Meetings:

Organize sinotharwa 6th assembly meeting & board meeting during 2012.

Celebrate the opening ceremony of the first Offshore Rig “Bahari 1”



1. QUALITY, HEALTH, SAFETY & ENVIRONMENT MANAGEMENT SYSTEM

To get awarded by the OHSAS 18001 in 2008, ISO 9001 in 2010 and then ISO 14001 certification in 2012 only means a real continuous improvement in implementing and enhancing Sinotharwa drilling company's QHSE management system a year after another to meet the industry worldwide requirements through maintaining an effective certified integrated management system.

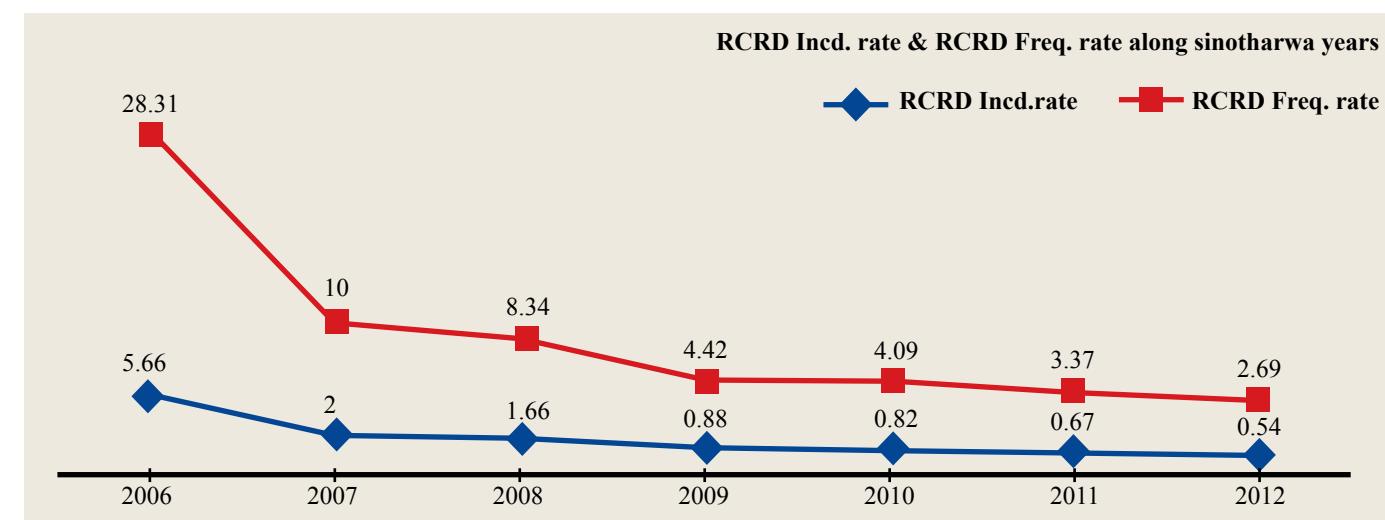
By the end of December 2012 the company was awarded ISO 14001:2004 certification regarding the environmental management system with zero non-conformities score which reflects the company full commitment towards environmental protection as well as zero discharge target.



2. 2012 WORK INJURY STATISTICS

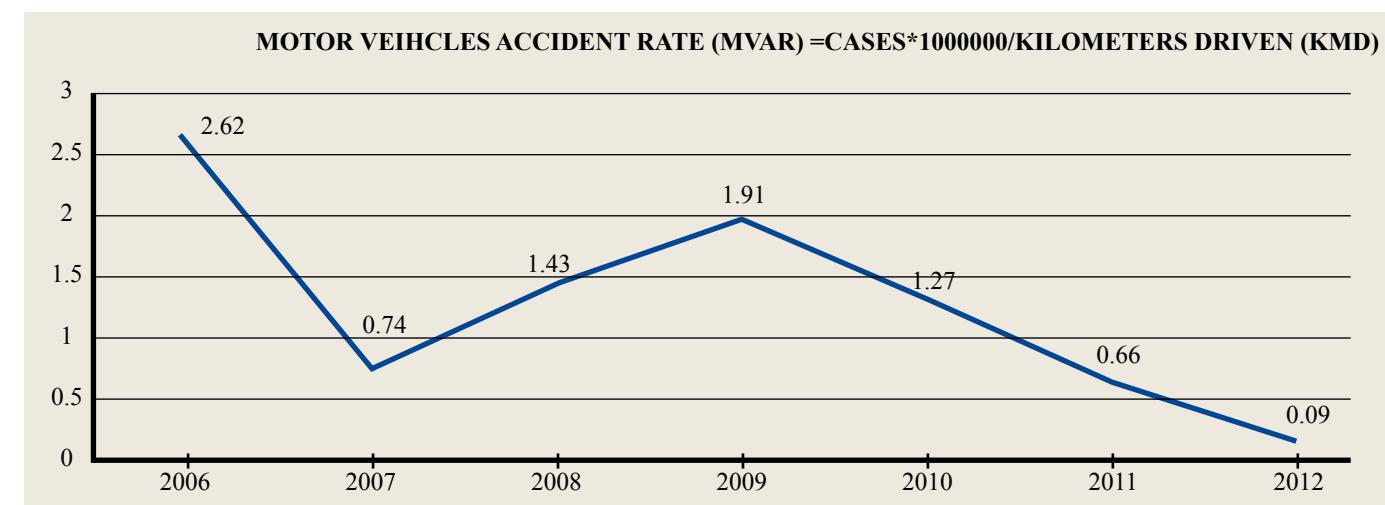
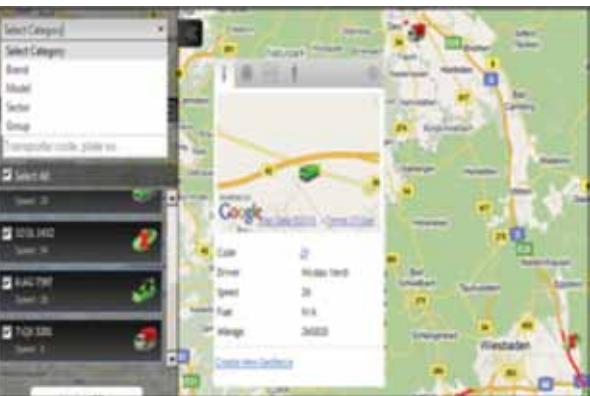
From 3.37 to 2.98 ... those digits could appear as just numbers but for us it's an indicator about the company orientation as 3.37 was the company recorded (RCRD) frequency rate for the year 2011 while 2.98 is the rate of 2012 with more than 10% decrease in the accidents' rate and this indicates real improvement of the company employees & contractors level of awareness in identifying and controlling the work places hazards and risks and also indicates a real stepping forward toward one of the company's main targets which is "no harm" to people, assets and environment.

	LTI Incd. rate	LTI Freq. rate	DART Incd. Rate	DART Freq. rate	RCRD Incd. Rate	RCRD Incd. Rate
2006	0.7	3.53	1.65	8.25	5.66	5.66
2007	0	0	0.26	1.33	2	2
2008	0.05	0.26	0.32	1.61	1.66	1.66
2009	0.03	0.18	0.29	1.47	0.88	0.88
2010	0.09	0.44	0.15	0.73	0.82	0.82
2011	0.07	0.34	0.13	0.67	0.67	0.67
2012	0.13	0.63	0.13	0.63	0.54	0.54



3. MOTOR VEHICLE ACCIDENT RATE

Continuous tracking and sharp monitoring on the company's road transport operations led to massive reduction in the motor vehicle accidents rates (MVAR), actually this outstanding progress was accomplished by both of raising drivers competencies through effective safe driving training process for all company drivers in line with using new in vehicles' monitoring system which is "GPS live tracking system" in addition to "VDO monitoring devices" where detailed comprehensive data used to be extracted periodically as a kind of continuous monitoring and control to any driving violations might occur.



4. SAFETY AWARENESS CAMPAIGNS.

For achieving free accident work place and under the sponsorship of the company top management, safety awareness campaigns became one of the department core methods to deliver QHSE related messages to all workforce through using different aids for communicating industry related awareness topics covering most of the world wide QHSE concerns and challenges

4.1. Well control and environmental protection “1st quarter”

Root and direct causes Deep water horizon disaster was found mandatory to be communicated to rig site crews; it was clear that this specific disaster was a model breach to the industry standards and well controls global procedures. Under the slogan of “full readiness is non-stop” this campaign was conducted illustrating the disaster causes and outcomes in addition to controls should be in place.

4.2. Dropped objects safety awareness “2nd quarter”

Considering drops objects one of the industry’s common hazards, this awareness campaign was dedicated for increasing awareness of rig sites’ employees about drops objects hazards and how to set appropriate risk controls by achieving 100 % compliance with drops securing program



4.3. Permit to work and power isolation

Although permit to work system considered to be very common by all the company employees but it was found mandatory to conduct this awareness campaign under the slogan of “a lock & key, keep you accident free” as a refresher for such vital operational control system

4.4. SAFELY DRIVE

Nowadays fatalities related to road accident came on top of the list of reasons of accidental deaths from there the importance of conduction of this awareness campaign came up under the slogan of “Drive safely for the sake of all” showing how to drive a vehicle safely and how to deal with road hazards drivers might face during a journey including highlighting important driving techniques like speed control, safe following distance, hydroplaning prevention ...etc

5. CELEBRATING WORLD ENVIRONMENTAL DAYS:

Health and safety are not our only concerns, a clean environment came on top, the company decided to positively share the world in celebrating two important events caring for the planet:

The 1st was in the occasion of the world water day under the slogan of “the world is thirsty because we are hungry” On March the 22nd.



The 2nd was in the occasion of the world environmental day under the slogan of “green economy: Does it include you?” On June the 5th



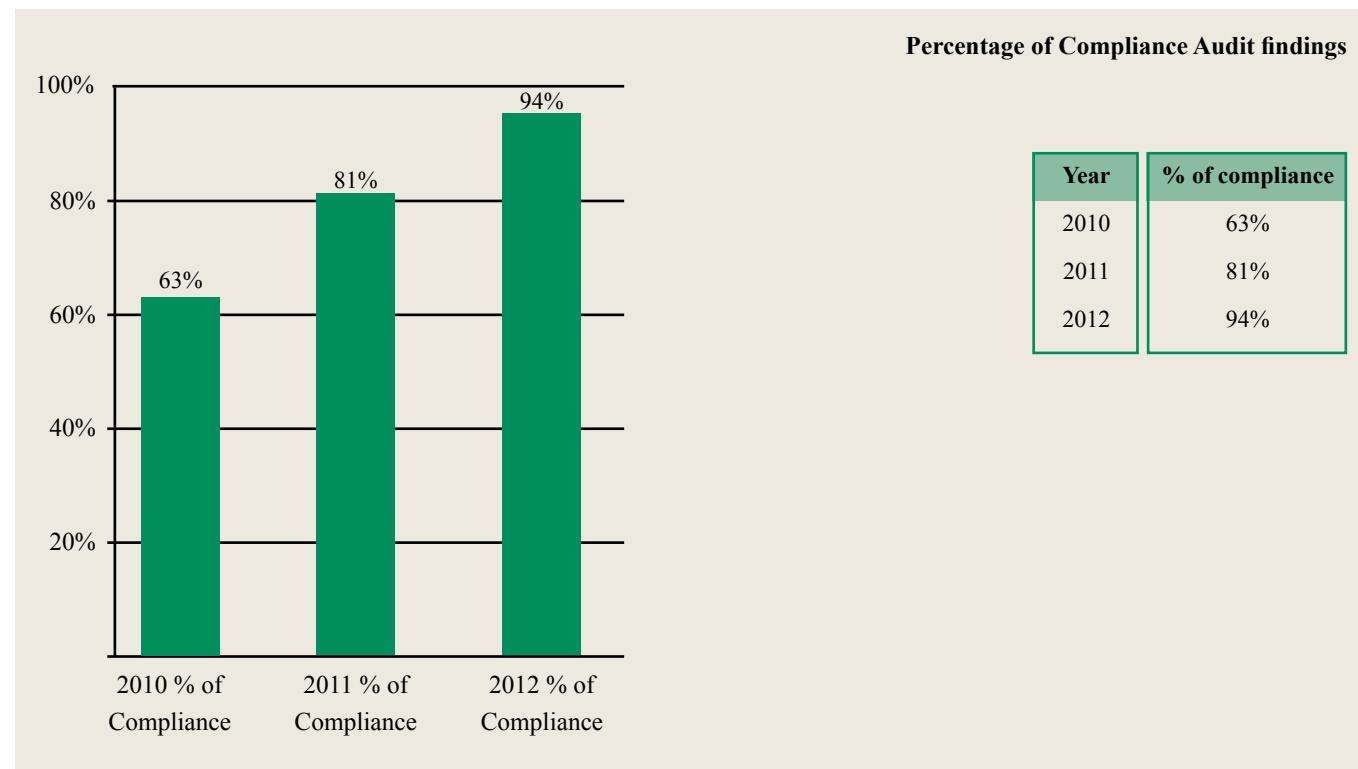
6. SOCIAL ACCOUNTABILITY

Stemming of our responsibility towards the Egyptian society and by focusing on youths whom are the makers of the country’s bright future the company QHSE department in cooperation with faculty of petroleum and mining engineering (Suez canal and Al azhar universities) had conducted academic learning sessions for various grades students highlighting the drilling industry QHSE challenges, practical operational controls in addition of various safe systems of work

7. INTERNAL AUDITING PROCESS:

Quality, health, safety & environmental management system auditing in addition of technical inspections surveys considered to be one of the major proactive measures related to performance monitoring process which significantly provide a clear inputs to appropriate corrective actions & review processes. The planned auditing target was achieved by 98 % as all the company rigs, premises & facilities were subjected to such effective program.

The role of the company auditing team do not stop by recording observations, findings and non-conformities but extends to close monitoring and frequent follow up till 100 % compliance by checking & confirming that all actions in place, below chart shows how much auditing process participates in keeping all areas software & hardware in the right shape through comparison with previous years.



8. CORRECTIVE / PREVENTIVE ACTION TRACKING SYSTEM (CAR/PAR):

This specific system consider to be the beating heart of an effective QHSE system implementation as it received inputs as a result of various programs' application where proactive & reactive measures were practiced. The system precision comes out from accurate diagnosing & analysis then allocating duties & consequently appropriate corrective or preventive actions to be taken within agreed time frames. During 2012 this system succeeded in hunting one of the main QHSE targets which is zero % outstanding corrective/preventive actions for high & medium risks non-conformities.

9. SERVICE PROVIDERS SERVICE PERFORMANCE REVIEW (BPR):

In order to ensure that all parties performing services on behalf of the company including contractors, vendors...etc. are competent enough and capable to handle all demands in effective & professional manner, all were subjected to pre-contracting assessments process which aims to come up with a clear evaluation about the contractor capabilities and degree of commitment to quality, health & safety requirements and to which extend they are able to improve as to cope with the accelerating QHSE demands of drilling industry.

Also it was found mandatory to ensure that all service providers especially those handling transportation, heavy lifts, inspections, Testing & calibrations contractors are fully aware by the company QHSE policies, standards and general requirements that are relevant to the scope of every service been introduced through conducting periodical meetings in the attendance of the company top management which also transfers a clear message of leadership and commitment to all QHSE related issues. These sorts of meetings were found very important in addressing services non-conformities, actions required to prevent re-occurrence and improvement aids as well.

TYPE OF SERVICE	TOTAL NUMBER OF ASSESSMENTS CONDUCTED
Crew change buses	2
Light vehicles	1
Heavy lifts	9
Catering	4
Lifting inspection	5
Recruitment	3
Fright forwarders	6
IT services	2
Machinery W/S	3
Firefighting services	1
Others	8
TOTAL	44

10. CLIENTS' FOCUSING:

Our valuable clients' are partners of our success and since the first days of operations Sinotharwa drilling company decided to compete in the market as a high quality drilling & work over service provider, that's why a special care was introduced to our clients through the effective application of various programs dedicated for clients' communication, complaints' recording, feedbacks analysis as a way to reach complete satisfaction.

During 2012 the 6th customer survey & analysis program was implemented and all the program results were recorded and actions required were addressed. Through paying a special attention our clients' feedbacks we can conclude that we successfully achieved customer satisfaction target.



OPERATIONS

Setting Standard In Drilling

Our Mission

- We will be our customers' trusted partner and their preferred solution provider.
- We will conduct our operations in an incident-free workplace, all the time, everywhere.
- Our people's passion and commitment to overcome challenges will be our trademark.
- We will deliver outstanding value to our customers, our employees, and our shareholders.

Our Business Strategy

Our business strategy is to focus our company on modern up to date drilling units with our main focus on onshore and offshore operations. We believe that we have one of the most modern fleets in the industry and by combining quality assets and experienced and skilled employees we will be able to provide our customers with safe and effective operations, and establish, develop and maintain a position as a preferred provider of drilling services for our customers, that combination will facilitate the procurement of term contracts and premium daily rates.

We have grown our Company significantly since its incorporation in 2005 and have strong ambitions to continue our growth, the combination of term contracts and quality assets will provide us with the opportunity to obtain debt financing for such growth, and allow us to increase the return on our invested equity.

The key elements in our strategy are as follows:

1. Commitment to provide customers with safe and effective operations.
2. Combine high-Tech and advanced drilling units with experienced and skilled employees.
3. Continue to develop our fleet with onshore & offshore rigs.
4. Develop our strong position in the offshore drilling in both deep & shallow waters as well as onshore areas.

Sinotharwa Rigs Fleet

1. Land Drilling Rigs

Rig	Manufacturer	Year of Built	HP	Max.Drilling Depth W/5" DP, ft	Top drive	Operator	Location, Field	Status
ST-1	Lanzhou, China	2002	2000	20,000	Available	Petrobel	Abu rudies	Active
ST-2	Bomco, China	2001	1500	16,000	Available	Khalda	Um-Baraka	Active
ST-3	Bomco, China	2006	2000	20,000	Available	Petrobel	Abu rudies	Active
ST-4	Bomco, China	2007	2000	20,000	Available	GPC	Abu Sennan	Active
ST-5	Bomco, China	2007	1500	16,000	Available	Khalda	Kalabsha	Active
ST-6	Bomco, China	2007	1500	16,000	Available	Khalda	Abu Elgharadig	Active
ST-7	Bomco, China	2008	1000	12,000	Without	Petrodara	Ras Gharib	Active
ST-8	EPHH	2008	1500	16,000	Available	Agiba	Meleihha	Active
ST-9	EPHH	2007	2000	20,000	Available	Petro Amir	Zeit bay	Active
ST-10	EPHH	2008	1500	16,000	Available	Khalda	Abu Elgharadig	Active
ST-11	Bomco, China	2008	2000	20,000	Available	Vegas	El Obaiyed	Active
ST-12	Bomco, China	2008	2000	20,000	Available	Petrobel	Abu rudies	Active
Tanmia-1	EPHH	2011	1500	16,000	Available	Zeitco - El Mansora	Eastern Desert -El Delta	Active

2. Land Work Over Rigs:

Rig	Manufacturer	Year of Built	HP	Max.Work over Depth W/3.5" DP, ft	Operator	Location, Field	Status
ST-21	SJ Petroleum , China	2006	650	12,000	Agiba	Meleihha	Active
ST-22	SJ Petroleum , China	2007	650	12,000	Qarun	Karama	Active
ST-23	SJ Petroleum , China	2007	650	12,000	Petrobel	Abu Rudies	Active
ST-24	SJ Petroleum , China	2008	650	12,000	Bapetco	Badr-3	Active

3. Offshore Drilling Rigs:

Rig	Builder	Year of Built	HP	Max.Drilling Depth, ft	Max.water Depth, ft	Operator	Location	Status
ST Bahari-1 Jack Up	Dalian Shipping Offshore Co .LTD, China	2010	3200	30,000	400	Zeitco, Amapetco	Gulf of Suez	Active

Fleet Development:

The following table summarizes the development of our active fleet of drilling units, based on the dates when the units began operations:

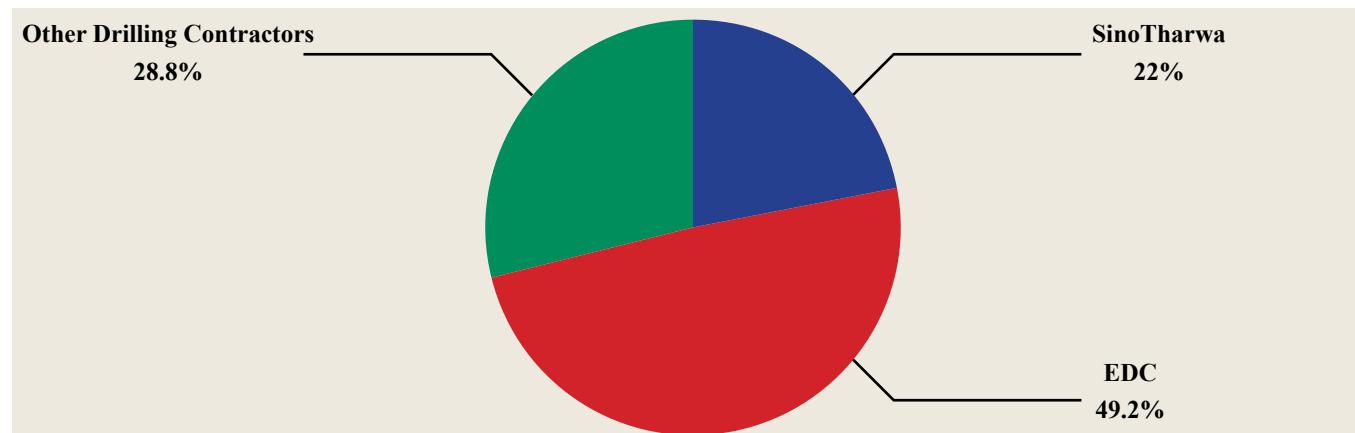
Unit type	Land Rigs				Offshore Rigs	Total
	2000 HP	1500 HP	1000 HP	650 HP		
2005	1	-	-	-	-	1
2006	-	1	-	-	-	1
2007	2	-	-	2	-	4
2008	2	4	1	2	-	9
2009	1	-	-	-	-	1
2010	-	-	-	-	-	-
2011	-	1	-	-	1	2
2012	-	-	-	-	-	-
Total	6	6	1	4	1	18

Factors Affecting our Results of Operations:

The principal factors which have affected our results since 2005 and are expected to affect our future results of operations and financial position include:

1. The number and availability of our drilling units.
2. The daily rates obtainable for our drilling units.
3. The daily operating expenses of our drilling units.
4. Administrative expenses.
5. Loans Interest and other financial items.

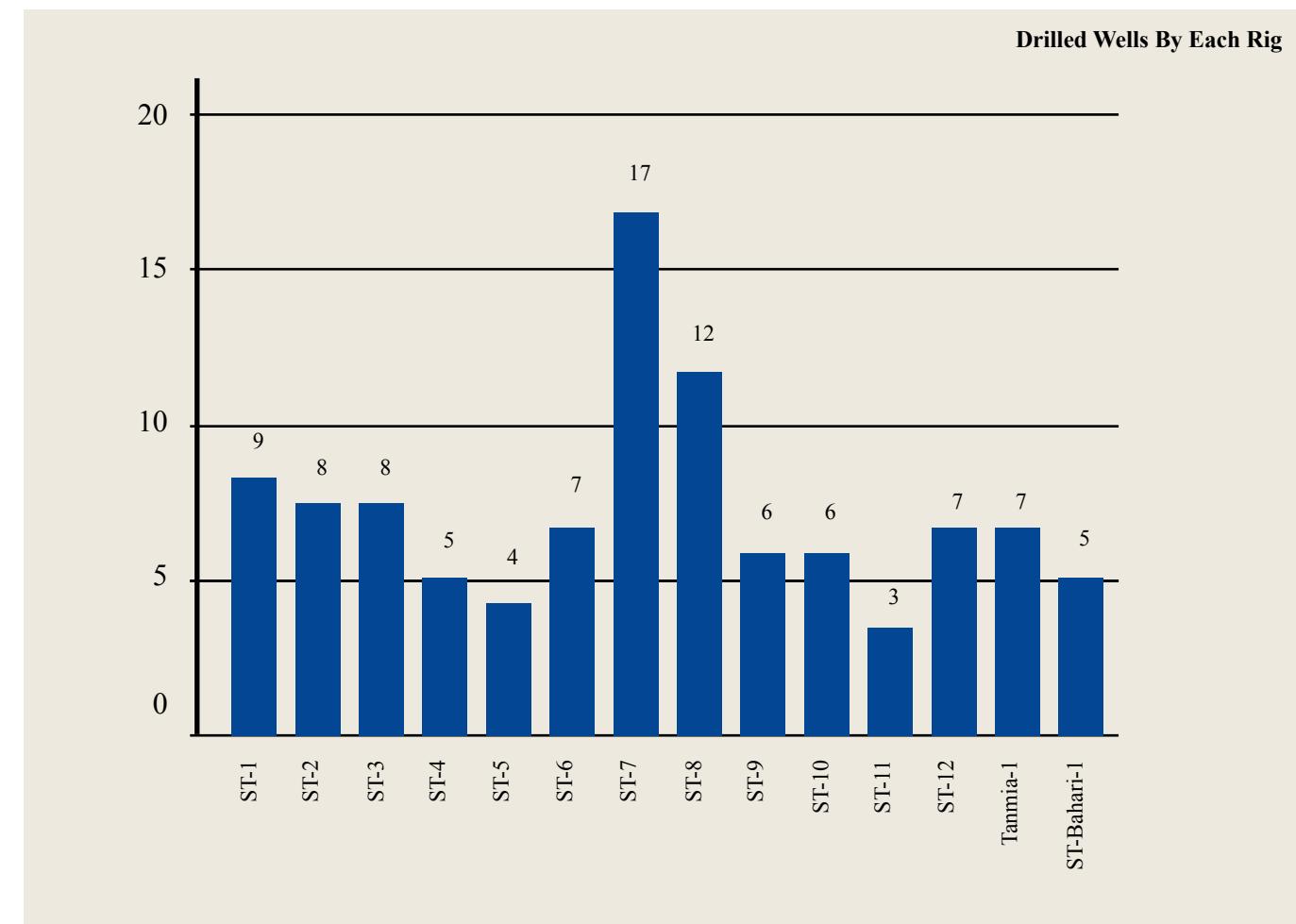
SinoTharwa Drilling Rigs Market Share – By end of 2012:



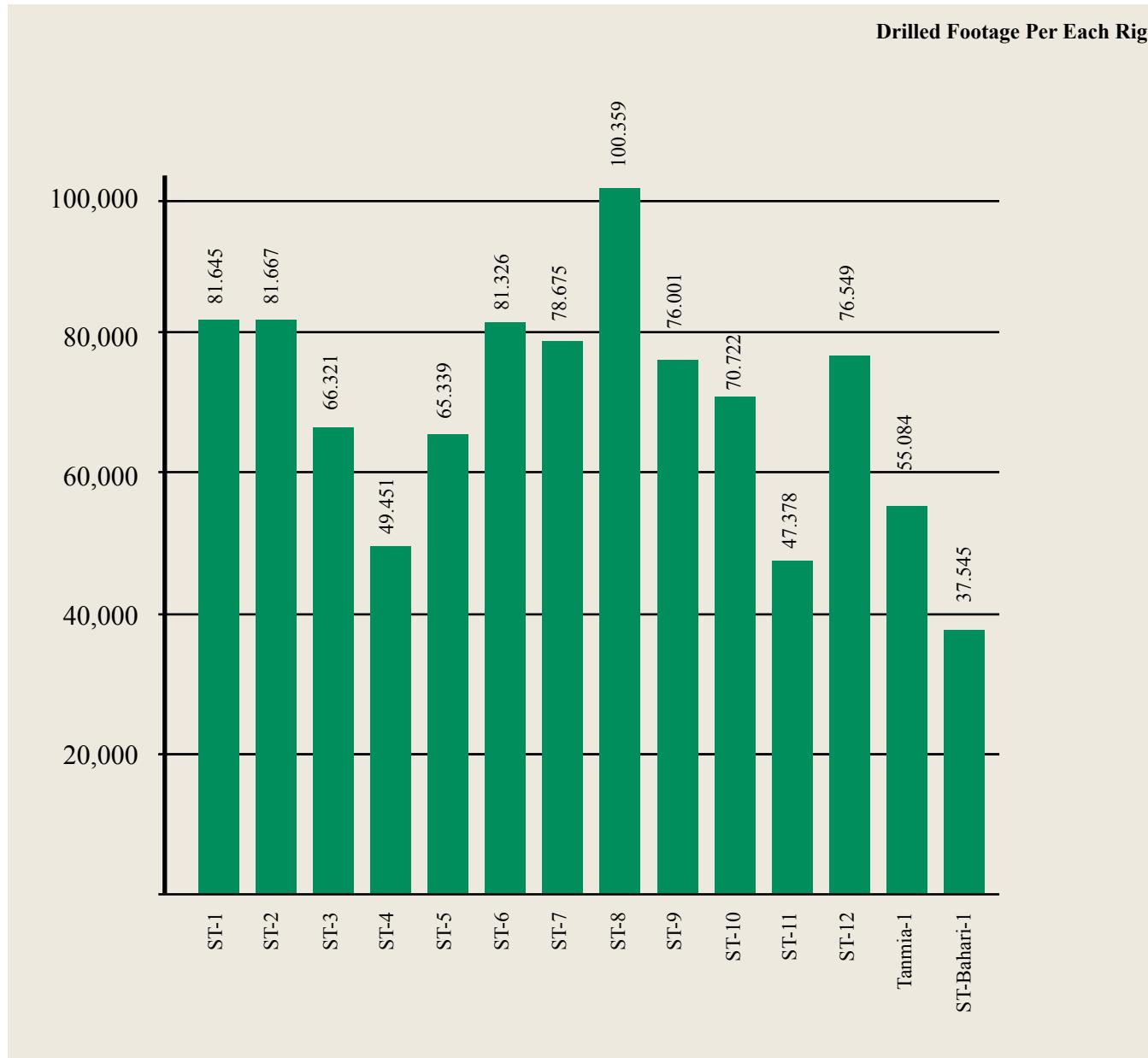
2012 Strategic Measurements.

In 2012 the following actions, among others, were the direct result of implementing our strategy:-

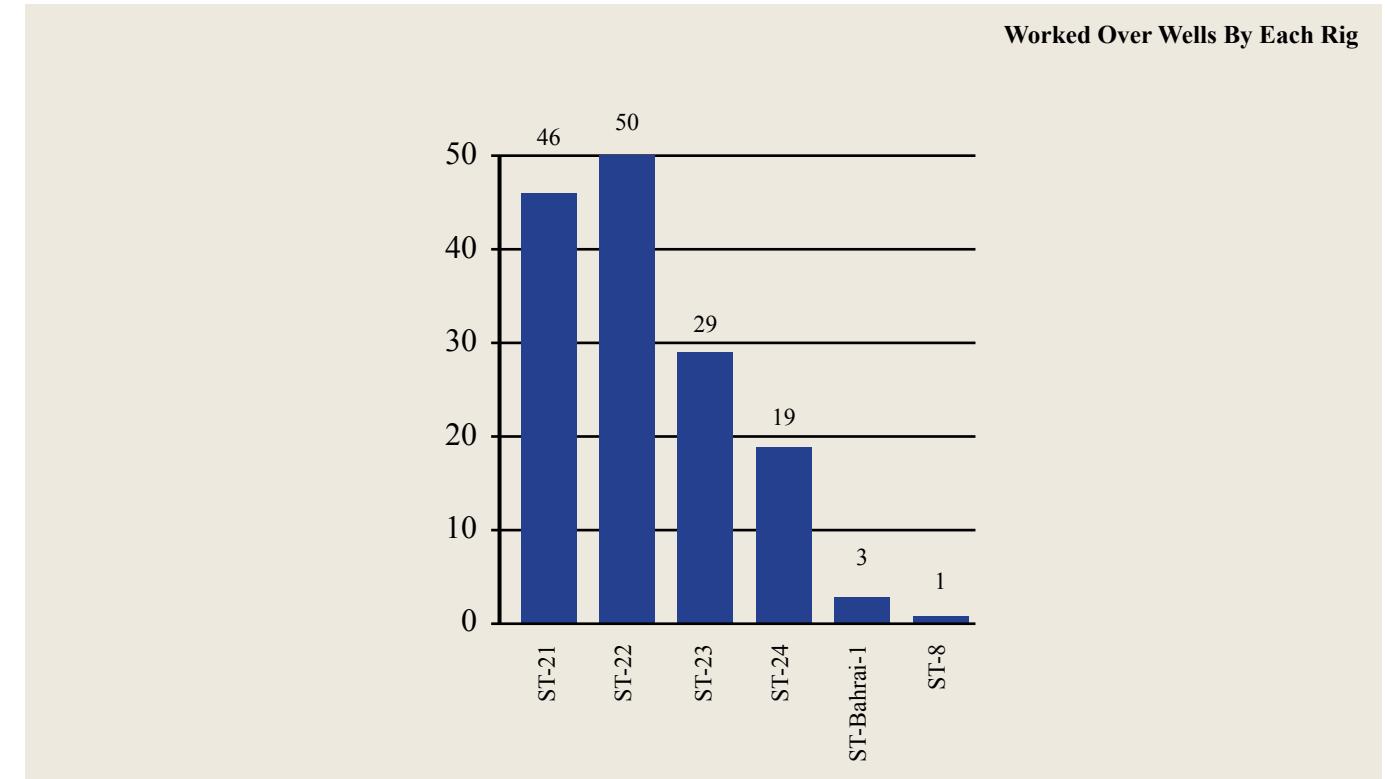
1. Average rigs utility 98.83 % in 2012.
2. Total working (operating) days increased from 5676 days in 2011 to be 6,487 days in 2012.
3. Total drilled wells increased from 90 well during 2011 to be 104 wells during 2012.



4. Total drilled footage increased from 733,539 ft during 2011 to be 968,062 ft during 2012.



5. Total work over wells during 2012= 148 wells.



6. Provide training in a wide range of drill rig operations and procedures.

7. Our long-standing business strategy is the active development of our onshore& offshore rig fleet through acquisitions, upgrades and modifications.

In 2012, we finished converting rig ST-2 from Mechanical rig to Electrical rig (driven by VFD system), the rig upgraded, refurbished and equipped with Top drive, and started operations on April 2012.

Facts:

The following table shows summary for Sinotharwa drilling performance for such wells drilled in 2012, the total time to drill well includes all other operations such as running casing, cementing, logging, running completion and testing.

Rig	No. of Drilled Wells	Total Footage,ft	Average well depth, ft	Inclination angle Up to	Move rate, day/move	Total move days	Actual well days	Well time, day/well	Average ROP ft/hr	day/10000ft
ST-1	9	81,645	9,072	45°	6.29	56.6	309.4	34.4	38	37.9
ST-2	8	81,667	10,208	25°	7.83	62.6	202.4	25.3	57	24.8
ST-3	8	66,321	8,290	64°	5.85	46.8	319.2	39.9	35	48.1
ST-4	5	49,451	9,890	68°	6.68	33.4	332.6	66.5	21	67.3
ST-5	4	65,339	16,335	37°	7.29	29.2	336.8	84.2	29	51.6
ST-6	7	81,326	11,618	35°	6.47	45.3	320.7	45.8	41	39.4
ST-7	17	78,675	4,628	14°	4.09	69.5	296.5	17.4	25	37.7
ST-8	12	100,359	8,363	0°	4.98	59.8	306.2	25.5	47	30.5
ST-9	6	76,001	12,667	38°	6.3	37.8	328.2	54.7	27	43.2
ST-10	6	70,722	11,787	62°	6.27	37.6	328.4	54.7	38	46.4
ST-11	3	47,378	15,793	29°	6.79	20.4	345.6	115.2	28	73.0
ST-12	7	76,549	10,936	56°	6.23	43.6	322.4	46.1	34	42.1
T-1	7	55,084	7,869	53°	6.48	45.4	320.6	45.8	35	58.2

Running casing and BOP's operations performance

Rig	Running Casing						Land Rigs		
	13 3/8" Csg		9 5/8" Csg		7" liner Csg		N/UP	N/D	Tests
	Depth, ft	Jt/hr	Depth, ft	Jt/hr	Depth, ft	Jt/hr			
ST-1	3480	9	7607	11	2266	10	5.2	5.1	2.2
ST-2			2,698	9	11,186	10	6.0	3.5	2.7
ST-3	3,555	7	7,814	12	2,947	12	4.6	3.9	2.8
ST-4	1,866	6	6,573	13	7,181	18	5.8	4.0	3.0
ST-5	2,584	8	10,160	11	4,535	13	5.3	5.0	3.2
ST-6	1,653	7	5,035	11	5,691	12	3.8	3.6	2.9
ST-7			1,073	8	4,595	13	3.4	2.6	2.9
ST-8	2,639	8	3,816	10	7,374	12	3.3	2.3	1.8
ST-9	1,866	11	8,619	14	10,401	20	2.6	2.8	2.9
ST-10	3,093	9	7,358	12	4,255	12	4.9	3.4	3.0
ST-11	3,485	8	10,112	14			4.4	4.2	2.1
ST-12	3,698	6	8,752	11	2,643	9	4.3	5.1	2.5
T-1	1,660	7	6,779	10	1,665	8	7.1	5.8	3.4

2012 Rigs Utilities:

Rig	Work periods, days	Land Rigs		Repair time %	Rig move time %	No. of rig moves	Average move day/move
		Excluding move time %	Including move time %				
ST-1	366	99.41	98.60	0.59	0.81	9	6.29
ST-2	265	97.39	93.28	2.61	4.11	8	7.83
ST-3	366	97.76	97.48	2.24	0.28	8	5.85
ST-4	366	99.77	95.93	0.23	3.84	5	6.68
ST-5	366	95.09	93.69	4.91	1.41	4	7.29
ST-6	366	100.00	99.16	0.00	0.84	7	6.47
ST-7	366	99.91	99.60	0.09	0.31	17	4.09
ST-8	366	95.99	95.99	4.01	0.00	13	4.98
ST-9	366	99.98	99.26	0.02	0.72	6	6.30
ST-10	366	99.75	98.22	0.25	1.53	7	6.27
ST-11	366	99.35	98.67	0.65	0.68	3	6.79
ST-12	366	99.01	97.87	0.99	1.14	7	6.23
Tanmia-1	366	98.83	97.75	1.17	1.08	7	6.48
ST-21	366	100.00	97.70	0.00	2.30	46	1.33
ST-22	366	98.58	96.32	1.42	2.26	50	1.12
ST-23	366	99.72	99.54	0.28	0.18	29	0.83
ST-24	366	99.44	95.31	0.56	4.13	19	2.85
ST-Bahari-1	366	98.96	98.96	1.04	0.00	1	

Project Time & Mechanical down time VS operating time in all Sinotharwa rigs:

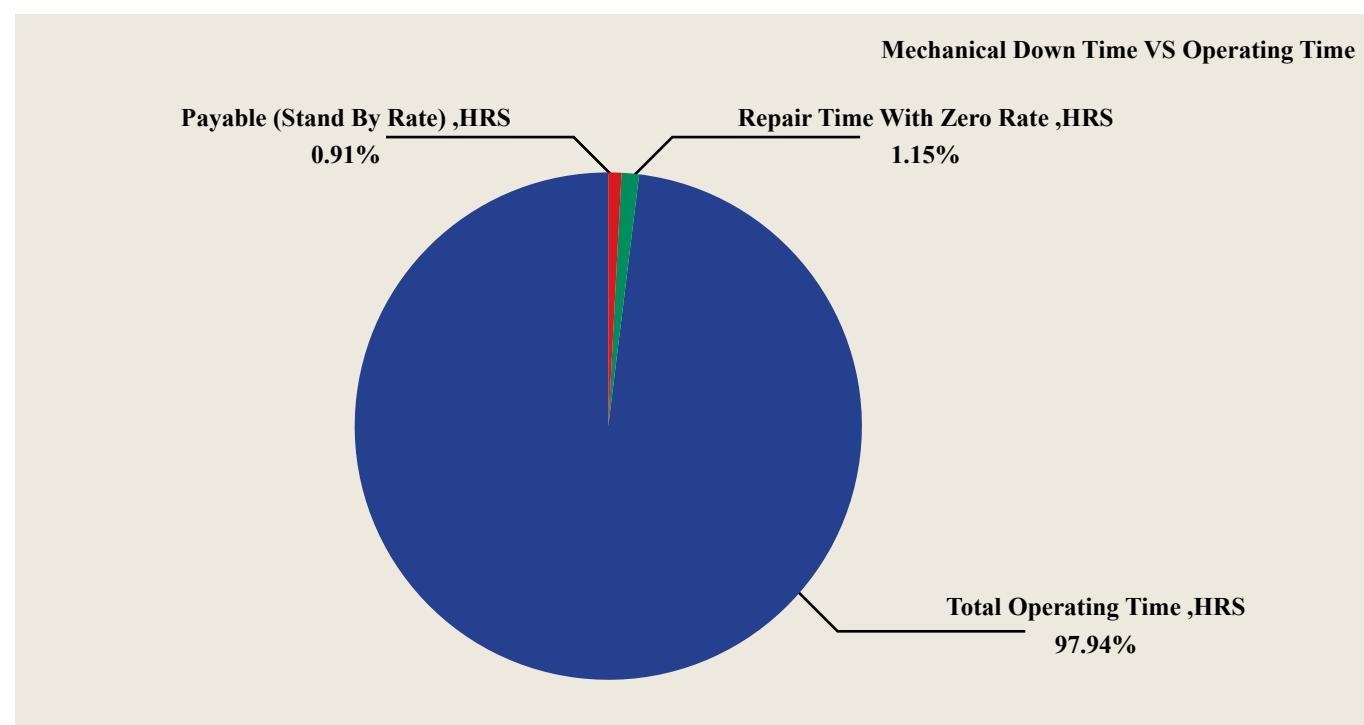
Total ST-2 Project Time = 101days.

Operating time = 6487 days.

Total Time = 6588 days.

Total stacking period / Total Time = 1.53 %.

Total Time, hrs	Total ST-2 project Time, hrs	Total Working Time, hrs	Total Operating time, hrs	Total repair time, hrs	Payable (stand by rate),hrs	Repair time with zero rate, hrs
158,112	2,416	155,696	152,481	3215	1,425.00	1,790.00



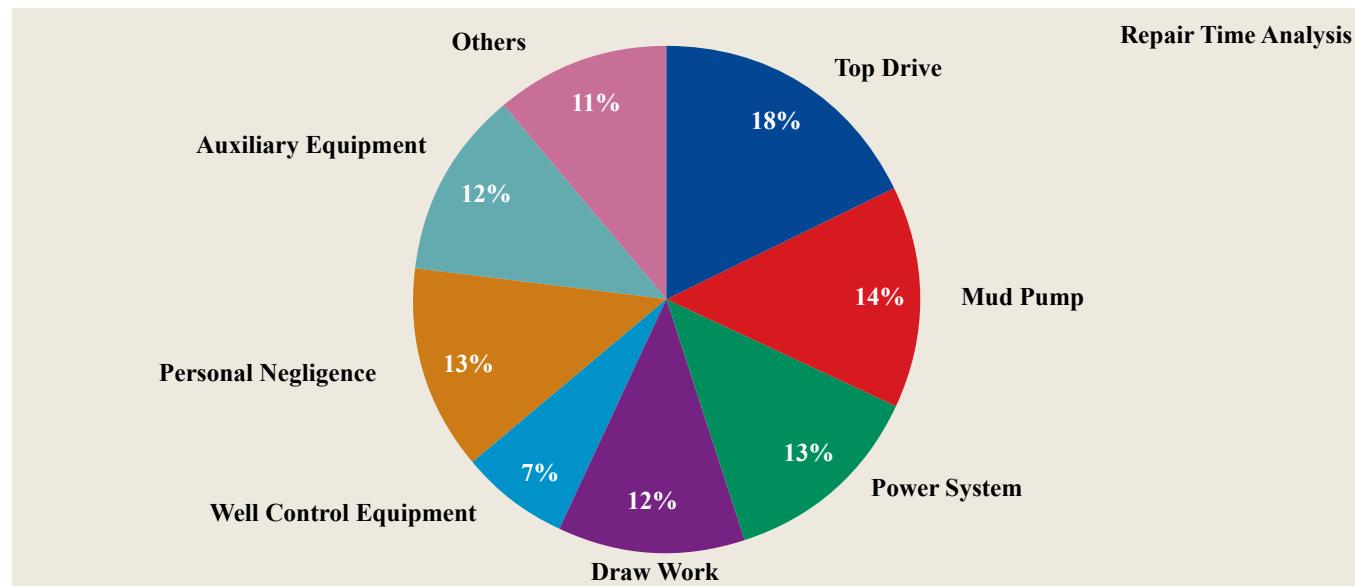
Repair time analysis during 2012:

Rig	Top Drive	Mud pump	Power System	Draw works	Well Cont. Equipment	Personnel Negligence	*Auxiliary equipment	Others	Total
ST-1	2.5	6.5	7.5	54	2	0	0	1	73.5
ST-2	7	21	166	25.5	29.5	0	31.5	39	319.5
ST-3	42.5	11.5	1	152.5	0	15.5	0	9	232
ST-4	4.5	6.5	0	31	11	0	0	11	64
ST-5	159.5	40.5	166.5	22	29	181.5	0	17.5	616.5
ST-6	34	8.5	13	19	0	0	35	7.5	117
ST-7	0	19.5	1	2.5	0	8	0	17.5	48.5
ST-8	12	116.5	0	4.5	0	10	277.5	8	428.5
ST-9	12.5	10.5	1	7.5	2	0	0	8.5	42
ST-10	113	11	0	0	0	0	0	34	158
ST-11	67.5	15.5	0	4	6.5	0	0	14	107.5
ST-12	50	21	6.5	56.5	0	0	0	13	147
Tanmia-1	30	76.5	0.5	3	6	79	0	19.5	214.5
Bahari-1	50.5	4.5	3	0.5	110.5	0	0	54.5	223.5
ST-21	0	1	0	8	10	0	0	21	40
ST-22	0	52	7.5	3	4	101.5	46	22.5	236.5
ST-23	0	8	2	0	12	24	0	25.5	71.5
ST-24	0	0	52.5	0	4	0	0	18.5	75
Total	585.5	430.5	428	393.5	226.5	419.5	390	341.5	3215

*Auxiliary equipment include air compressor, drill string, rotary hose, raising line sheaves and solid control equipment.

Notes on 2012 rigs repair time table:

- ST-2:138.5 hrs replace engine no.1, change 4 ea turbo charger, check 12 cylinder and complete test for 3 engines, 31.5 hrs repair air compressor.
- ST-3:149 hrs waiting on D/W overhaul during rig move, 33 hrs repair broken bolts of top drive, return it back to the guide and fix broken oil line.
- ST-5:146 hrs Change 2 engines and complete over hall for third one during rig move, engine crank broken & replace same , 103 hrs repair top drive due to change top drive motor & IBOP and waiting on TDs overhaul,22 hrs repair mud pump due to change mud pump module and coupling, 181.5 hrs brake system failure and top drive fall down due to personnel negligence.
- ST-8: 96 hrs repair mud pump due to wait on changing AC motor, wear plate & change coupling , 277.5 hrs during rig move waiting on raising line sheave repair.
- ST-10: 91 hrs repair top drive due to change swivel ,repair solonide valve, hydraulic control valve & fix electrical ground fault problem.
- ST-11: 54 hrs repair top drive due to check decrease in RPM from 120- 50 and waiting to replace actuator .
- ST-12: 45 hrs repair top drive due to top drive motor and repair malfunction of pipe handler,50 hrs wait on repair Draw work brake holder during rig move .
- Tanmia-1: 79 hrs hand slips fall down on well due to personnel negligence, fishing and milling operations to catch it.
- ST-Bahari-1: 70 hrs repair well control equipment due to wait on change crossover of kill & choke lines and repair diverter seals, 50.5 hrs repair top drive encoder.
- ST-22: 43 hrs replace mud pump engine , 101.5 hrs fishing time for drill string due to personnel negligence 46 hrs repair due to leak in drill pipe during test.
- ST-23: 24 hrs repair time due to negligence (bolt fall down in well, fishing opertaions)
- ST-24: 52 hrs repair carrier transmission.



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 materials and spare parts from rig to another and minimize orders.
4. Cover all rig needs (materials and spare parts).
5. Follow up & close third party auditing items, tracking system, started with critical and major items.
6. Technical training for all personnel on job and training center (Stuck pipe prevention, drill string design, advanced drilling practice, IWCF, accident investigation , Defensive driving,.....).

looking Forward

While we achieved much in 2012, we remain singularly focused on our future and the continuous execution of our strategy in 2013. We expect to deliver and commence operations on both onshore and offshore drilling safely and reliably. We will invest in improving the management systems for our business as we prepare for the significant growth of Sinotharwa. We will continue to train, motivate and retain our people to sustain our reputation for operational excellence; in 2013 we expect to add another two land drilling rig 2000 hp and one work over rig 650 hp to Sinotharwa rig fleet.



Engineering

Run Smart, Train Hard, Race Fast

Maintenance Vision

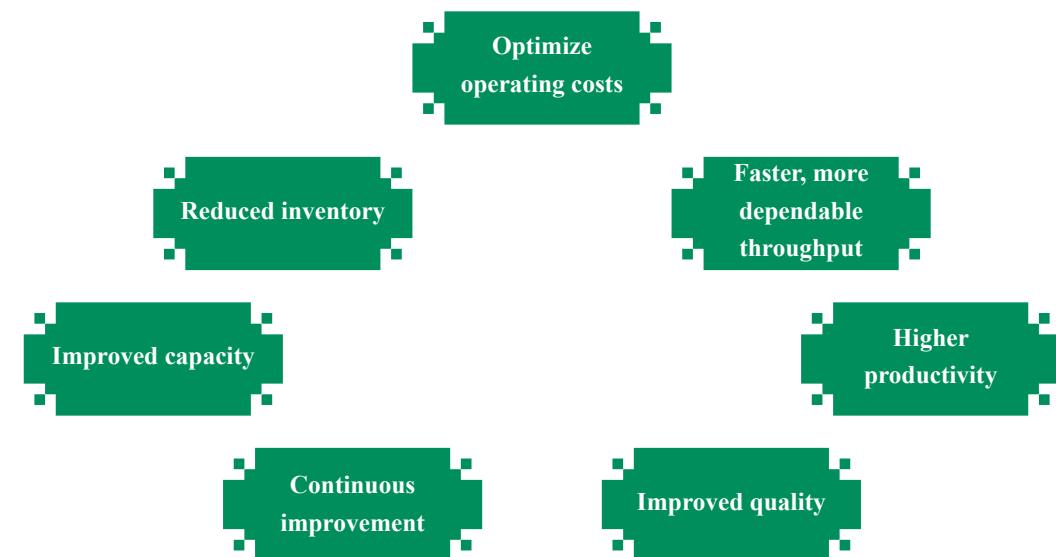
- The objective of maintenance is to maintain the capability of the system while controlling costs
- Maintenance is all activities involved in keeping a system's equipment in working order or operating condition
- Maintenance is concerned with avoiding or minimizing downtime or to avoid undesirable results due to system failure.

Concept of Maintenance

The most important function of maintenance is to provide system reliability that is to ensure that a specific machine continues to function for a specified period of time with minimum chances of breaking down and at minimum costs. This can be achieved through:

- Increasing repair capabilities or speeding the repair activities to minimizing interruption.
- Implementing preventive maintenance

Maintenance Benefits



Engineering Achievements in 2012

1. **Extending oil life using Signum oil analysis: applying the oil analysis and this give the following benefits:**
 1. Reduce the annual cost of oil filters.
 2. Reduce dirty oil transportation from Bahari to the shore base by 50%.

2. Reduce the Engines running cost:

improved fuel purification system by installed new fuel purifier of type (RCI technologies)fixed it on diesel line of all main diesel engine on st#12 which improve engine overall performance and reduce the cost of filters as well protect injectors .

3. Study and finalize ST#4 SCR harmonic issue with (2) alternative solutions

4. Find alternative solution for TDS11 RLA troubles to reduce Nonproductive time during laydown top drive to replace RLA seals.

5. Solve the 3406 Engine exciter and AVR troubles.

6. Raise the technical skills of rig maintenance crew:

To meet Sinotharwa standard and improve manpower qualification by training, the total Engineering training hours 6731 Hrs. where the planned training hours 4800 Hrs. that's by two ways:

A-On Job Training B-Off Job Training

A-On-Job-Training (OJT)

1. Workshop Training at "Badr Yard": Actual 1020 Hrs. where the planned 600Hrs
2. Each quarter 5 sessions and 5 visits per rig.

B-Off-Job-Training

1. Basic SCR&VFD system: Actual 456 Hrs. where the planned 360 Hrs.
2. Electrical Fundamental: Actual 432 Hrs. where the planned 360 Hrs.
3. Siemens PLC S7-300 (Basic & Advance): Actual 2970 Hrs. where planned 600 Hrs.
4. Adv. Hyd. -System: Actual 748 Hrs. where the planned 720 Hrs.



Project team progress

1-Closed projects:

- ST#2 conversion closed and installs new TDS-11SA
- ST1 sub-base pad eyes alignment
- ST7 hopper modification
- ST4 sub-base sand blasting and painting
- ST9 rig floor drain system modification
- Rigs steel repair
- Rigs mud system drawings standardization



2-IN Progress projects

- Prepare /plan for ST#1 project.
- Badr yard admin building modification preparation



Bahari-1 team progress

- Rig floor deluge system installation.
- Waste management system installation.
- CTU system fabrication and installation.
- JIB crane installation.
- Chemical equipment mechanical installation.
- Rig floor drain system modification.
- Towing pad eye fabrication and installation.
- Multi-purpose lifting pad eyes installation.
- Piping modification.
- CO2 system calibration and certification.
- Fire and gas system calibration and certification.
- Gauges calibration and certification.
- Tech. support for all maintenance issues (TDS, VFD, UPS and MCC).



Badr Yard Work Shop overhauls

1-Heavy Equipment overhaul

- 1 ea. Drawwork overhauled for ST 3
- 2 ea. Top Drive overhauled for ST 3 , ST 11
- 1 ea. Auxiliary Brake overhauled for ST 3
- 2 ea. Crown block overhauled for ST 2 , ST 9
- 1 ea. Travelling block overhauled for ST 2



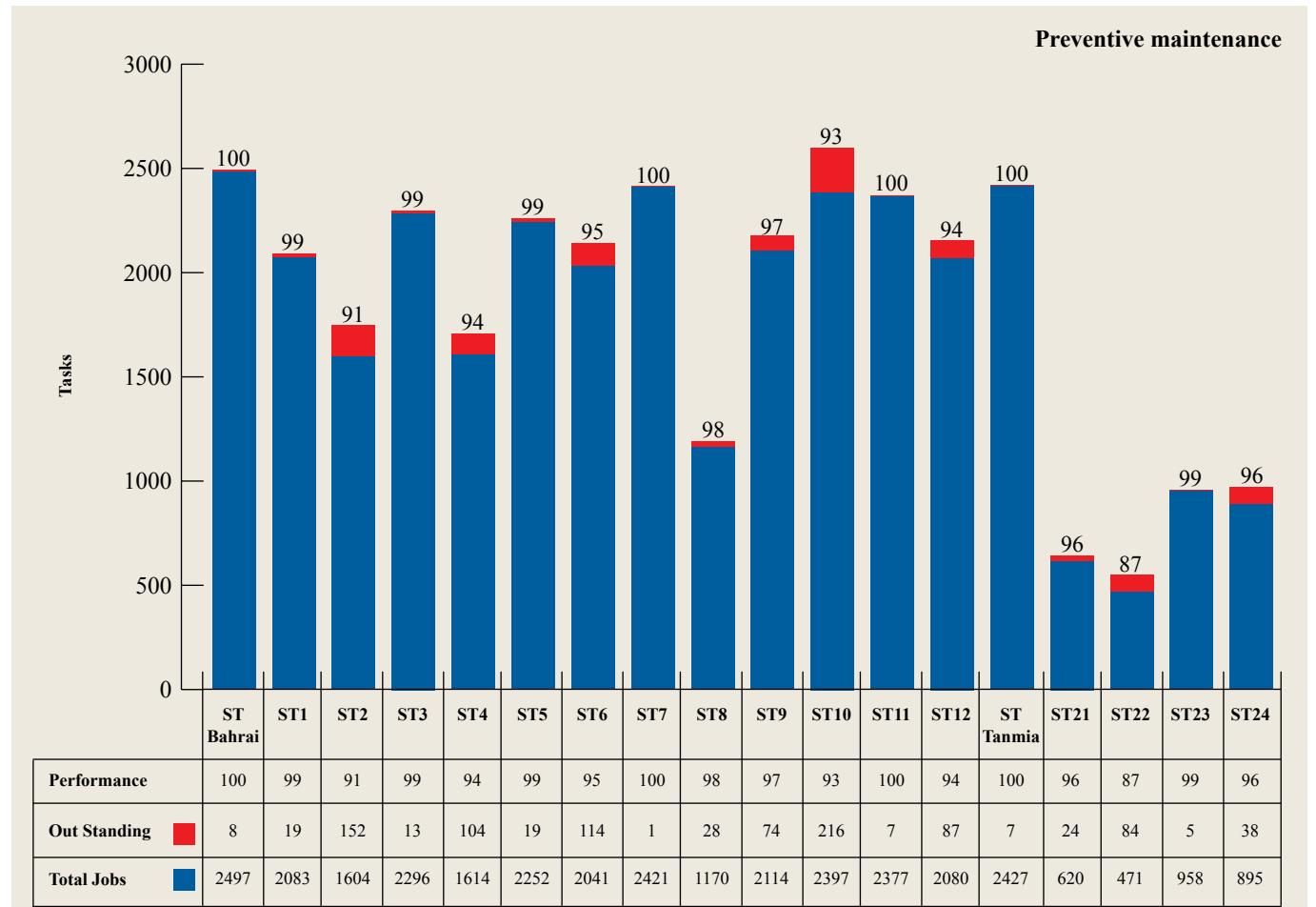
2-Cat Engines overhaul

1. Engine 3406	1. 5 ea Complete overhaul
2. Engine 3512	2. 11 ea Complete overhaul
3. Engine C18	3. 2 ea Complete overhaul
4. Engine C15	4. 1 ea Complete overhaul



Preventive maintenance Performance:

	ST Bahri	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 Tanmia	ST 21	ST 22	ST 23	ST 24
Total Jobs	2497	2083	1604	2296	1614	2252	2041	2421	1170	2114	2397	2377	2080	2427	620	471	958	895
Done	2489	2063	1453	2283	1510	2233	1939	2420	1142	2043	2231	2370	1961	2420	597	408	953	857
Outstanding	8	19	152	13	104	19	114	1	28	74	216	7	87	7	24	84	5	38
Performance	100	99	91	99	94	99	95	100	98	97	93	100	94	100	96	87	99	96



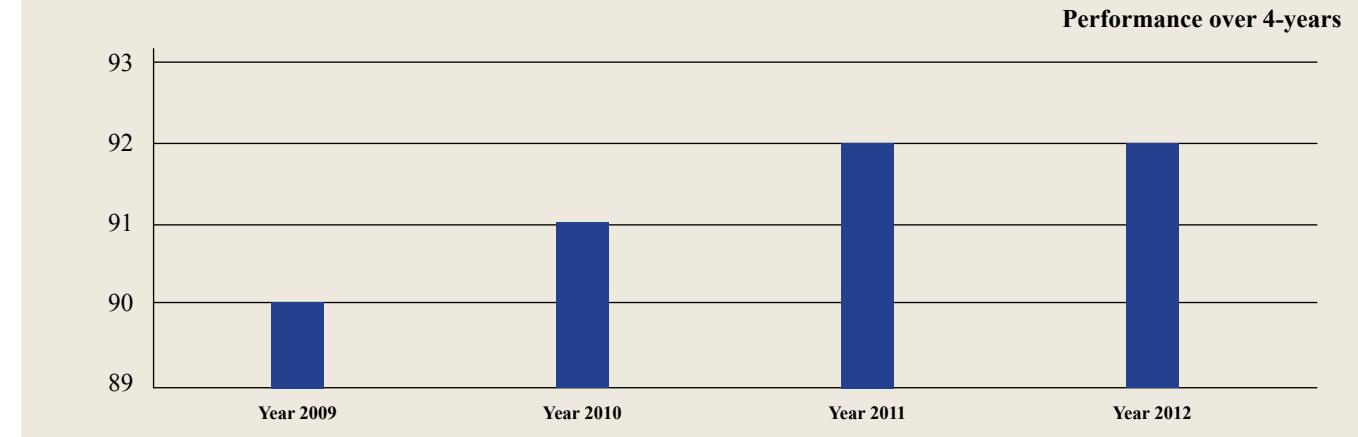
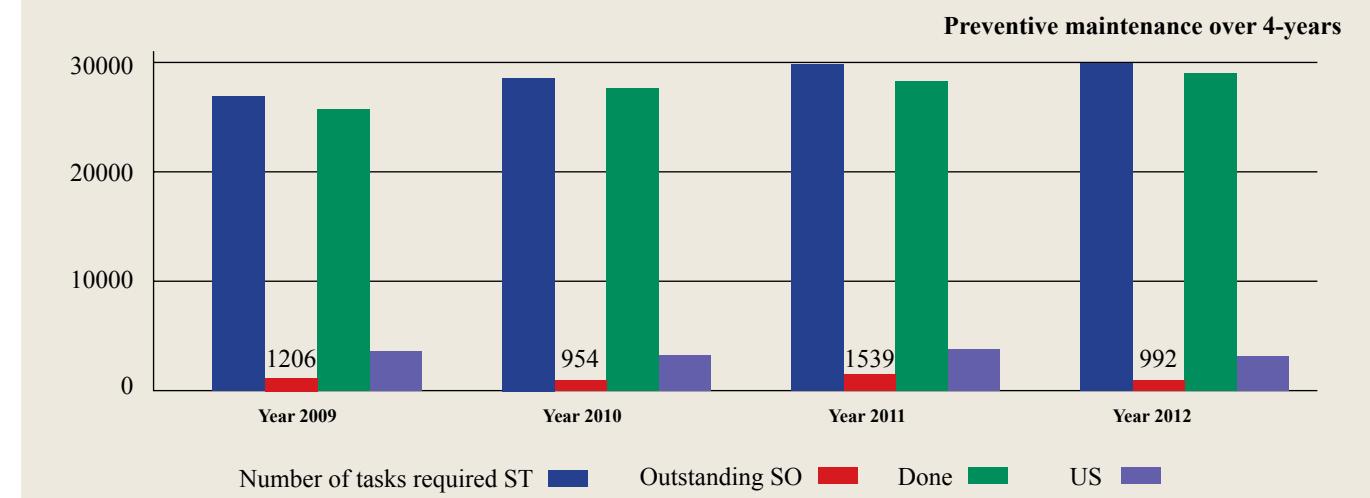
Preventive maintenance performance over 4-years

Preventive maintenance target is to eliminate the corrective maintenance and measured as below:

$$\text{Performance \%} = S_T - \text{US} / S_T - S_O$$

YEAR	Year 2009	Year 2010	Year 2011	Year 2012
Number of tasks required S_T	26810	28495	29734	29820
Outstanding S_O	1206	954	1539	992
Done	25604	27531	28173	28883
US	3606	3246	3777	3156
Performance	90 %	91%	92%	92%

*Where, S_T is the total scheduled tasks - S_O are the outstanding scheduled tasks - US are the unscheduled tasks done



External repair progress

- Perform total 534 external repair order to save rig operation & support our procurement dept. as well reduce the cost of down time waiting delivery of such materials.
- Increase local portion manufacturing to support our economy as well reduce the shipping cost
- Stroke counter repaired locally
- Camera system repaired locally.
- AC/DC modules repaired locally.
- Air dryer panels fabricated locally.
- Siemens panels repaired locally.
- Deep well pump repaired locally.
- Repair DSU/Inverters for VFD rigs at ABB Egypt
- Fresh water tank modification repaired locally.
- 11 rig's port- camps repaired locally
- Top drives pistons and Spider elevator pistons.

Calibration and Rectifications:

1. Gauges & Safety relief valves calibration

Rig No.	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-B-1	ST-T-1	ST-21	ST-22	ST-23	ST-24
Dues	Sep-12	Oct-12	Dec-12	Oct-12	Dec-12	Aug-12	Dec-12	Sep-12	Oct-12	Oct-12	Dec-12	Dec-12	Dec-12	Dec-12	Nov-12	Nov-12	Sep-12	Sep-12

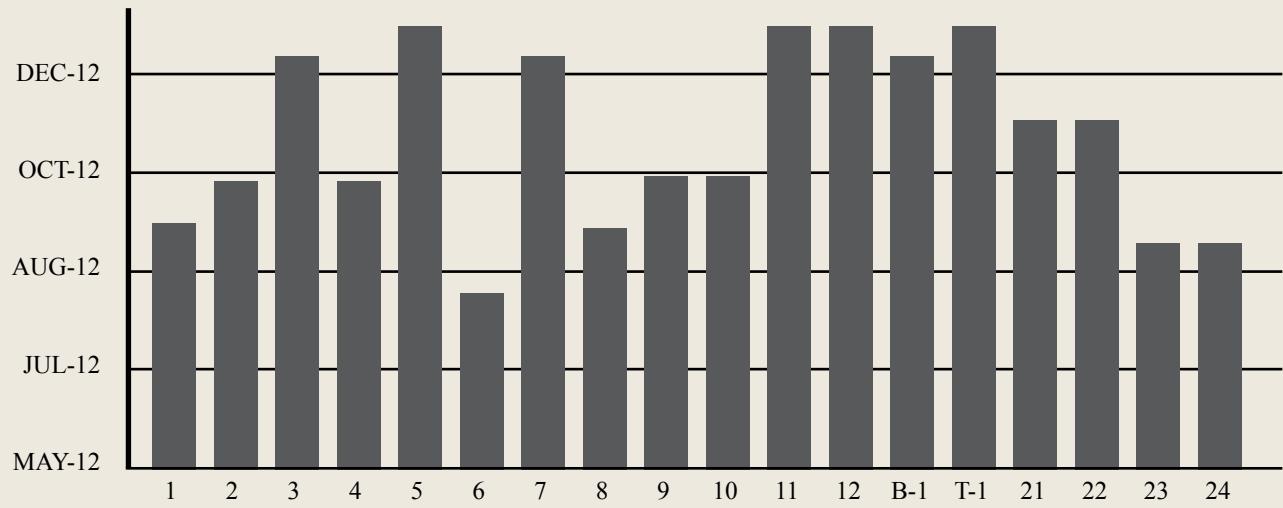
This month achievements: ST- 5, 11, 12, T-1 calibrated & recertified

BAHARI-1: Calibrated 320 pressure gauges.

Next month plan: ST# 6 will be calibrated & recertified.

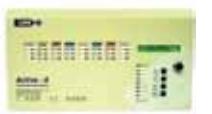


Gauges
Gauges



2. CH4 & H2S Sensors

Rig No.	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-B-1	ST-T-1	ST-24
Dues	Dec-12	Oct-12	Dec-12	Dec-12	Nov-12	Dec-12	Nov-12	Dec-12	Nov-12	Sep-12	Jul-12	Dec-12	Sep-12	Sep-12	Dec-12



H2S & Flammable Gas

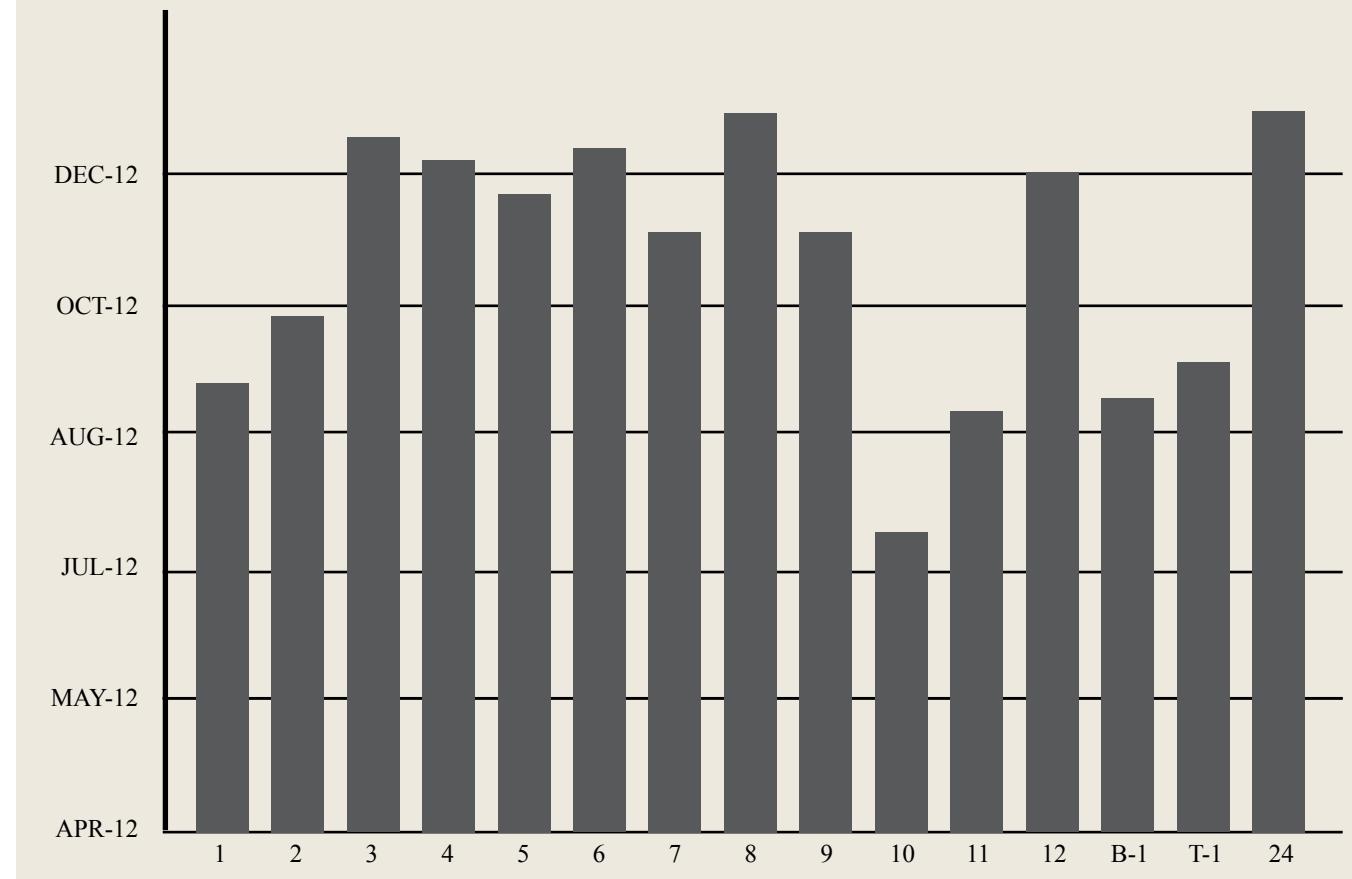
H2S & Flammable Gas



This month achievements: ST- 7H2S & LEL system repair.

All calibration delayed due to economic condition to the third party company which is out of spare parts.

Next month plan: ST# 1,2,3,8,11 will be recertified.



3. CO2 FIRE FIGHTING SYSTEM

Rig No.	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-T-1	ST-B-1
Dues	May-12	Sep-12	May-12	Jul-12	Sep-12	May-12	Jun-12	May-12	Jun-12	Apr-12	Nov-12	Dec-12	Feb-12	Nov-12



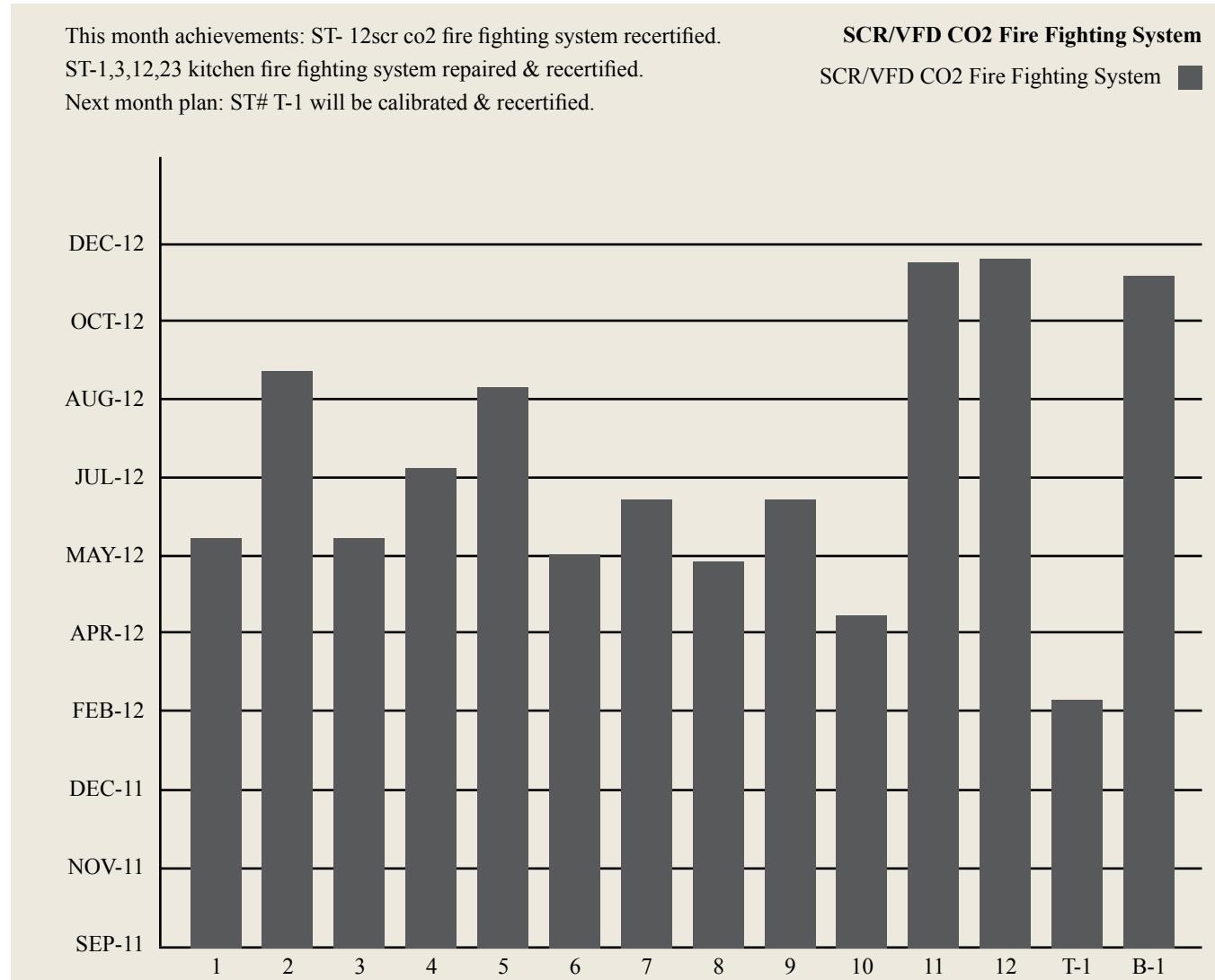
This month achievements: ST- 12scr co2 fire fighting system recertified.

ST-1,3,12,23 kitchen fire fighting system repaired & recertified.

Next month plan: ST# T-1 will be calibrated & recertified.

SCR/VFD CO2 Fire Fighting System

SCR/VFD CO2 Fire Fighting System





IT & Telecommunication Department

Technology At The Speed Of Business



The Challenge:

The Information Technology department can be a key competitive advantage for our company in drilling market. However, at many companies the IT department still occupies strictly a service position where it is restricted to maintaining the existing systems, infrastructure and applications. According to our company vision we have to ensure that our services meet the standards to be first class services, in SinoTharwa we believe that IT department is strategic department and not just a cost center unit.

Telecommunication, Systems & Networking The Possibilities are Infinite



The Objective:

IT & Telecommunication department as a part of SinoTharwa deeply believe that we are a first class drilling company, we are committed with the company vision, we are setting our missions, objectives and goals which serve the holy vision of SinoTharwa. 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 establishing clear, achievable objectives and integrated solutions which positively contribute to SinoTharwa strategic business plans and vision through:

- Facilitate an open, honest and constructive environment for communicating ideas, opinions and alternatives that support our business goals.
- Assume appropriate risks and make informed decisions, accepting responsibility for decisions, actions and results.
- Develop quality, cost-effective solutions that are appropriate to our needs
- Develop, enhance and manage SinoTharwa network to provide high speed, transparent and highly functional connectivity to all sites and resources.
- Develop and maintain highly effective, reliable, secure and innovative information systems to support each department's functions.
- Ensuring stable, reliable and secure network operations in a user friendly environment while having 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.

Mission:

Committed to provide reliable, modern, and integrated communications and services, also committed to provide and maintain the health and security of the network. To research and evaluate new technologies as they pertain to our business needs. To plan and implement services that improve the efficiency and productivity of our users and sites.

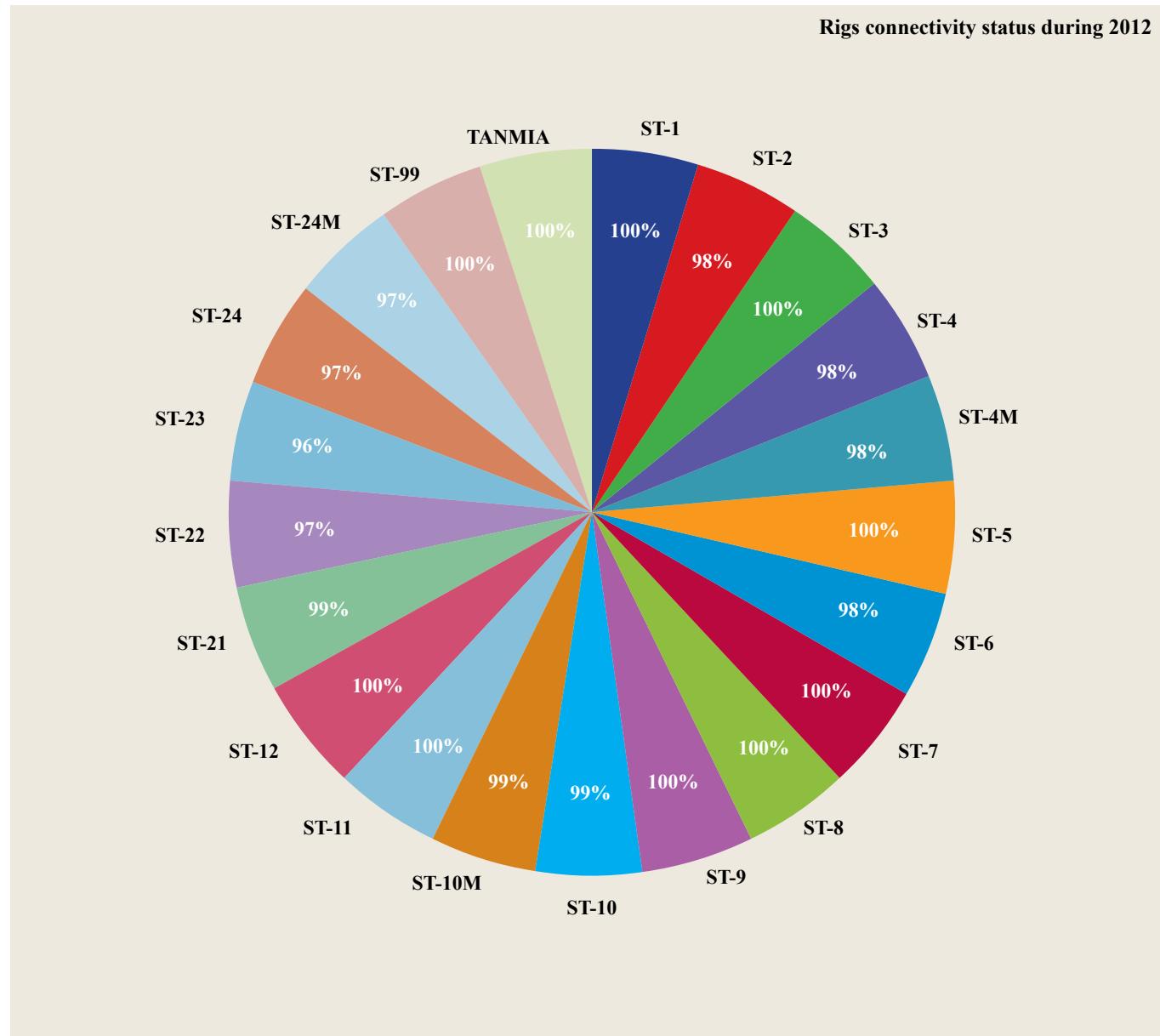
2012's Achievements:

1. Implementing and configuring domain controller for Bahari 1 server.
2. Implementing and configuring Email server for Bahari 1.
3. Modifying Head quarter infrastructure for fully integration with bahari 1 infrastructure.
4. Upgrading Bahari 1 TV Satellite infrastructure with marine dish dome for more efficient service.
5. Install New Dell Servers in head office (High technology Blade servers)
 - 1) Redesign Server Room Electricity
 - 2) Redesign Server Room Network Topology
 - 3) Install New Server with Hyper-V Roll for Virtualization Technology
6. Upgrade SinoTharwa Domain from Active Directory 2003 to Active Directory 2008 R2
 - 1) Prepare Network infrastructure for Active Directory 2008 R2
 - 2) Create New Virtual Machine with Windows Server 2008 R2
 - 3) Promote Server to hold Active Directory Service
 - 4) Point all users to connect to the new Server
7. Upgrade all old servers to windows 2008 R2
8. Upgrade Backup Solution to Symantec Backup Exec 2012 with Approved Backup Plan for each Service with Total Data life cycle of 6 months
9. Migrate File Server Data (shared folders) to new Dell SAN storage
10. Upgrade E-Mail System from Exchange 2003 to Exchange 2010
11. Impalement IP-Phone Solution (Avaya IP Telephony) in Cairo HQ, Badr Yard and Bahari1
12. Re-design all infrastructure topology, for more security and to be compatible with new Voice system.
13. Install System Center Operations Manager 2007 to provides end-to-end monitoring for the IT environment.
14. Redirect Badr yard connection to be filtered by iprism appliance

Jack up Rig (Bahari-1):

Our belief in the importance of the Bahari-1 and the evolution of its technologies, Resident onboard IT team is available 24/7 separately from the radio operator plus emergency team located on HQ as a second line of support. On Bahari -1 we concern on operate and monitor a lot of systems and technologies.

- A main connection to HQ through 2 Mbps dedicated satellite space segment.
- A Backup Connection through 1 Mbps shared VSAT connection
- Auto tracking TV system provide variety channels working even during the rig move operation
- Implementing Video Conference system between Cairo office and Bahari1 to allow technical and emergency meeting with high resolution equipment's.
- CCTV (camera surveillance) to monitor Main deck , rig floor, helideck and meeting room
- Navtex Receiver system for weather reports and navigation warnings.
- Telex over Radio (NBDP Digital) to Send & receive telex using radio.
- National Echo Sounder (Digital) to Used when the rig is on the move to send signaling to know distance to sea bed.
- Satellite telephone: (Sailor phone) to used when there is an emergency while all communications is down
- Facsimile Receiver to presents drawings for weather forecasts for high and low pressure.
- Inmarsat MES , Inmarsat "C" , GPS Navigator , VHF (very high frequency) Radios systems
- Anemometer system for Temperature reading , Humidity reading ,Pressure reading ,Wind direction reading and Wind speed reading
- The PA/GA (Public Address/General Alarm) System which responsible for delivering messages and alarms of general interest by means of loudspeakers and other sound devices spread throughout the Jackup Rig.



Enterprise Resource Planning Make Progress Every Day



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.

Objectives:

Although ERP system requires a lot of investment, however successful implementation provides lots of benefits too and saves both time and money on the long run.

We implemented ERP system to achieve the core objectives of the ERP that include implementing the best practices of business and integrating the data. Also, it aims to reducing the redundancy and the labor intensive manual processes used. This streamlines the tasks and thereby increases the productivity. By eliminating the multiple systems, the organization can store and share data in a standardized way.

Core objectives:

1. Streamlining the information: ERP consists of modules that help in streamlining the flow of information between our various departments. The data of all our departments is in one database so as to ease information exchange. As one of the core objectives of the ERP, it integrates our data and provides for our employees to work as a team to achieve the same goal. The automation of the business process helps managing our resources in a better fashion.

Achievements:

- Successfully completed Testing Phase for Oracle Release 12 (General ledger - Inventory - Purchasing - EAM - HR - Project Costing).
- Implementing and configuring the operating system for the four new Dell servers (Linux RedHat release 5.8).
- Implementing and configuring the RedHat cluster failover to reduce the down time for the database servers and the application servers.
- Implementing and configuring oracle database 11g release 2.
- Implementing and configuring oracle application ERP release 12.

2. Return on investment or ROI: Another one of the core objectives of the ERP is to make our business more profitable. We always look after the latest technology to keep up with the competition and realize better profits. ERP is the ideal platform for our employees to utilize their resources and time in the most optimum way and contribute positively to the profits of our organization.

Achievements:

- Added new functionalities in the existing Release.
- Successfully completed Testing phase for Oracle Release 12, with the latest version of existing modules, in order to benefit of new functionalities and features.

3. Decision Support System: ERP provides our management with real time data easily at any time. It is easy to access up-to-date data and take timely decisions. One of the core objectives of the ERP is to provide the right data at the right time so as to enable our management to take quick and correct decisions. This allows for better decision making and therefore ERP acts like a decision support system.

Achievements:

- Producing KPIs Reports on weekly and monthly basis for Top Management.

Technical Support Your challenge is our progress



Mission:

The Technical support providing to the end user the services and assistance needed for network, hardware and software problems for all sites. Our objective will be to offer technical support both online and in person and Emergency team available 24/7, to successfully deliver these services in a timely and professional manner. Our approach will be proactive and we will strive to provide the highest level of quality.

2012's Achievements:

- Total number of Tickets done during 2012 is 4735 Ticket including Service desk, Email and phonecall support
- Did Scheduled visits to all rigs and accomplish the following tasks.
 - Quick Public Address maintenance.
 - Format & Install standard Operating system Windows XP pro SP.3 Install Outlook 2007.
 - Install Antivirus forefront as more efficient antivirus tool.
 - Install new rack including stabilizer to protect VSAT equipment's, create extension cable for
 - I Direct to connect from outside the rack and to avoid misuse while connecting and disconnecting the device.
- Replace eight rigs computers (39 Computer), replaced computer with the most highconfiguration.
- MigrateSinoTharwa HQ PC's to windows 7 operating system and Microsoft office 2010.
- Apply Avaya IP Phone sets on HQ , Badr Yard and Bahari-1 Jackup.
- Applying SLA Using Help Desk Application to enhance our services quality.
- Enhance and enrich solutions' knowledge base.



PROCUREMENT

**Growing, Developing, Excellence Are Our
Missions.**

Procurement department performance must be based on quality, analytical skills, decision making, problem solving, proactive attitude & professionalism. Procurement always focusing on:

- High percentage of availability.
- Enforcing work procedures & work instructions. Assuring that all work procedures are applied with 100% compliance.
- Reviewing & auditing all reports to improve work quality.
- Balance work load & to meet target time.
- Create team spirit is only way to achieve our current position in drilling market.

Procurement creates efficient businesses; manage by applying the optimal standards and best practices, ensuring long-term return on investment.

- Achieving set goals.
- Applying best business approaches.
- Gradually, continuously improving processes and methods of business performing.
- Using resources in a sustainable way.
- Create new opportunities.
- Being ready for changes for improving and developing.

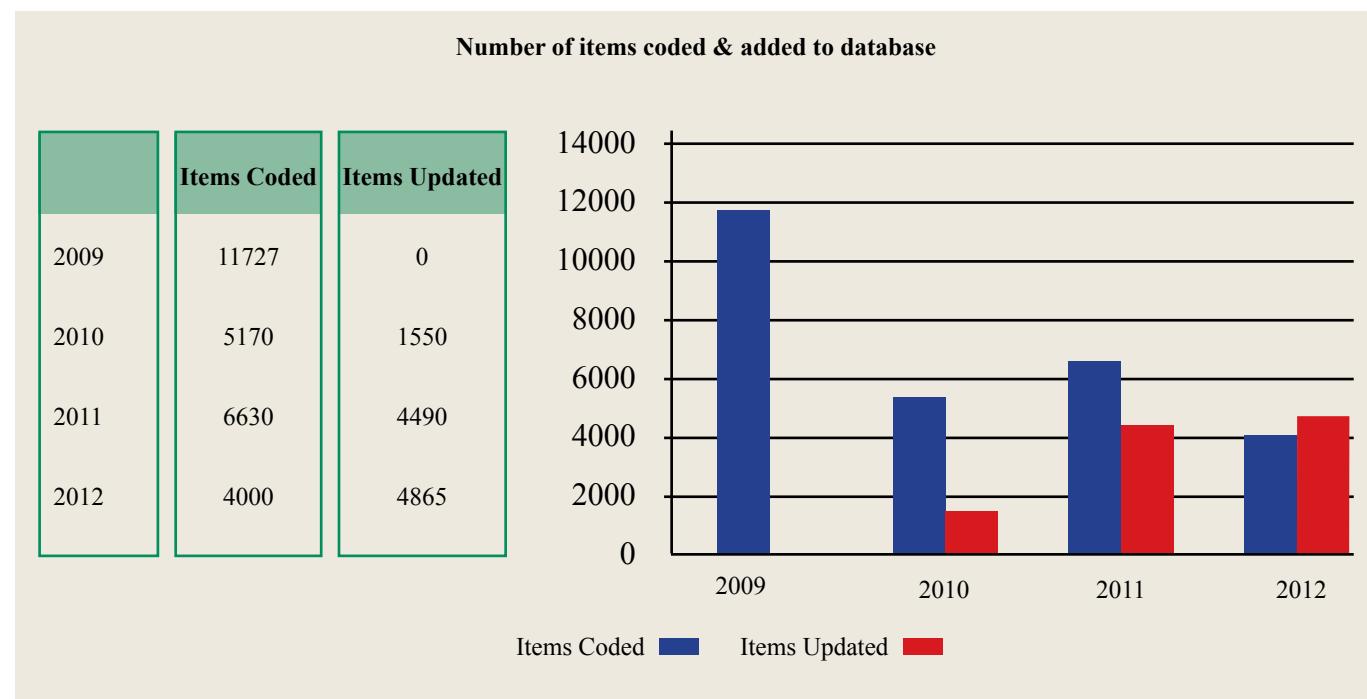
Materials planning

Power of supply chain management

Planning is about being proactive, analytical, creative & competent to take decision for all. As 2012 was the 3rd year of forming planning team for that planning team executed his tasks with execute other new projects as will be mentioned below.



Planning team performance in digits:

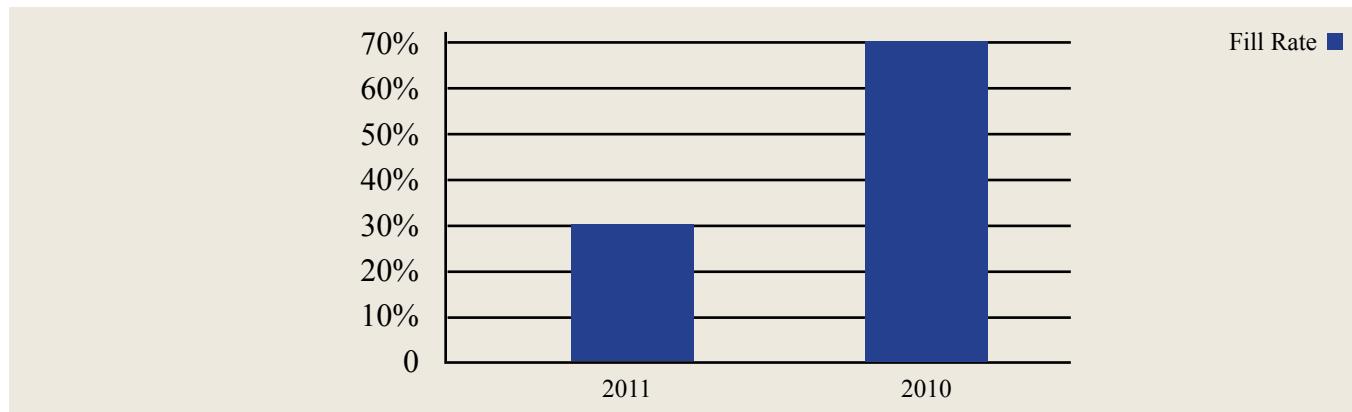


also planning execute several important projects that effect positively on entire procurement's divisions and increase the responsiveness of all team, as clearly mentioned below:

1. Aggregate Planning Project:

This process is periodical based on current inventory status & materials category, managed and based on historical consumption, customer demand and actually on hand materials. Those tools play a very important role for helping our team to make and take the right decision at the right time to fulfill customers' requests. Not only to fulfill our customer demand but also increase fill rate balanced with keeping control on inventory value. Achieving such mission is the greatest value that SCM created for.:

- Improve & Increase fill rate from 30% 2011 to 70% 201.
- Available items on time increased to 9490 Items in 2012 Compared with 3035 item in 2011.
- Requisition/Demand Get more controlled & analysis which effected on Reduce Lead Time.



2. Non-Move item Project Result.

Continuously to analyze inventory and review items which had not been consumed during the past three years? Based on classification to sort items based on 80% / 20% rule which focus on the highest value of items.

The objectives are:

- 1- To maintain the inventory turnover with high rate thus improve cash cycle.
- 2- Reduce inventory carrying cost.
- 3- Transfer non-used materials from shelves to cash in company's bank account .

This project resulted the following:

- Identified items valued by 3.400.000 \$ Non-Move Items Based on Our Analysis during Last 3 Years.
- Technical Committee Check Non-Move Lists at Badr yard To Re-Classification Items to Be Take Action
- Set Visiting Plan for All Rigs Starting From 1/1/2013 to 30/3/2013 to Finalize Project.

3. Inventory Simulation Project

Inventory Simulation demonstrates "How" the inventory levels and policies will perform in the "real world" given real demand and supply in-depth and clear visibility. Inventory Simulation service helps us to validate existing or proposed inventory policies and increase fulfillment.

In this process we examine how key replenishment policies and large demand fluctuations impact actual customer service metrics such as fill rate or on-time performance, inventory levels over time, and detailed financial results

- Simulate the inventory & compare between our inventory value in 1/1/2012 & 30/12/2012.
- Get & Analysis for high value's categories, Stored In Our Rigs Stores & Badr Warehouse.
- Calculate Accurately Aggregate Items Process, Deviation & Support Our Forecasting 2013.

Purchasing

Sourcing In Excellence



At 2012 Our Purchasing focused on improving the internal process and increasing effectiveness of aggregate planning were our main targets. Which lead to increase human productivity and decrease routine process, purchasing. At 2012 purchasing was a very proactive function to source aggregate planning requisitions to achieve procurement department' strategic targets.

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# of items Sourced	625	740	1,075	838	1,637	1,073	825	677	826	659	1,042	1,356
# of PO awarded	135	208	245	223	339	210	158	195	252	176	203	197
Total value awarded	827,577	1,421,488	27,106,046	557,741	3,810,728	1,130,454	1,880,028	886,221	1,205,683	435,280	1,491,439	2,221,682

Month
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec

Total value awarded
827577
1421488
27106046
557741
3810728
1130454
1880028
886221
1205683
435280
1491439
2221682

of items Sourced
625
740
1075
838
1637
1073
825
677
826
659
1042
1356

On other hand purchasing finalize a vendor management project that aim to enhance vendors and customers relationship concept and promote relationship to become win-win for all partners, as following:

Vendor Management Project

Project objective:

- Select the best Suppliers for each Category and update the Supplier list
- Optimize the relationships between Our Company and Our vendors
- Build Long-Term Agreements.

Project results:

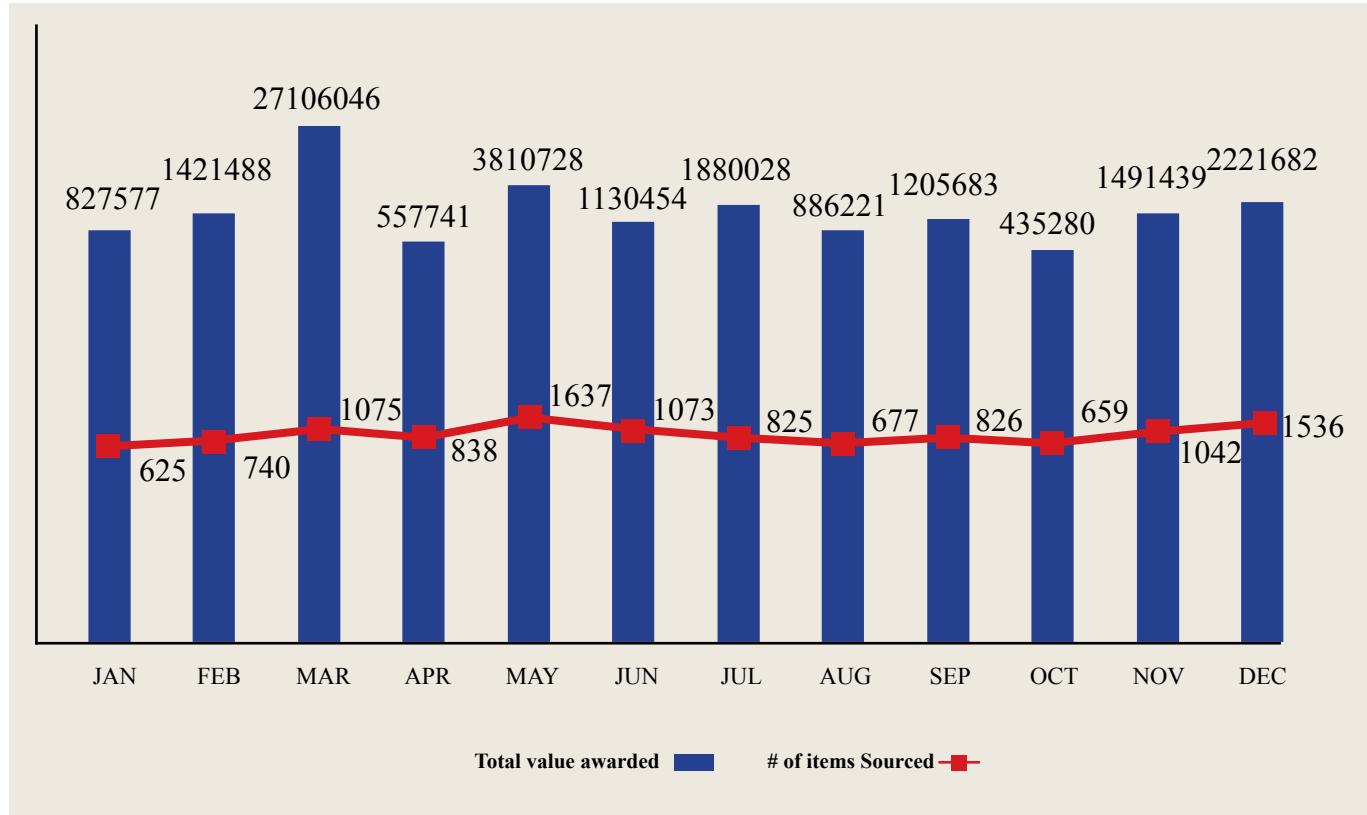
- Evaluating all vendors performance.
- Held Workshops with the Stakeholders to Brainstorm and Focus On areas need for improving.
- Make Project Plan Including All Stakeholders To Upgrade Our Data, Specs, and Categories And Clarify The Shortage In The Manuals And Catalogues.

Follow Up

Find solutions



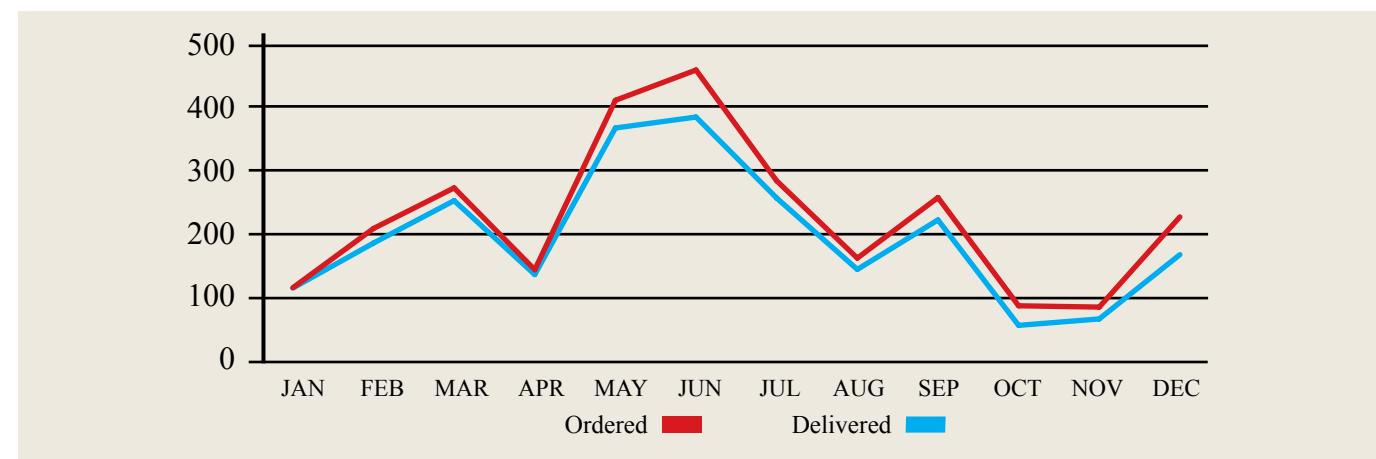
At 2012 our main focus to increase collaboration & coordination with our vendors to increase fill rate on time, and performer an active role as worked as cross function between all procurement divisions to achieve the highest level of cooperation between divisions each other. In addition of handling urgent cases with especial way and creative manner.



Follow up achieve delivery results as following:

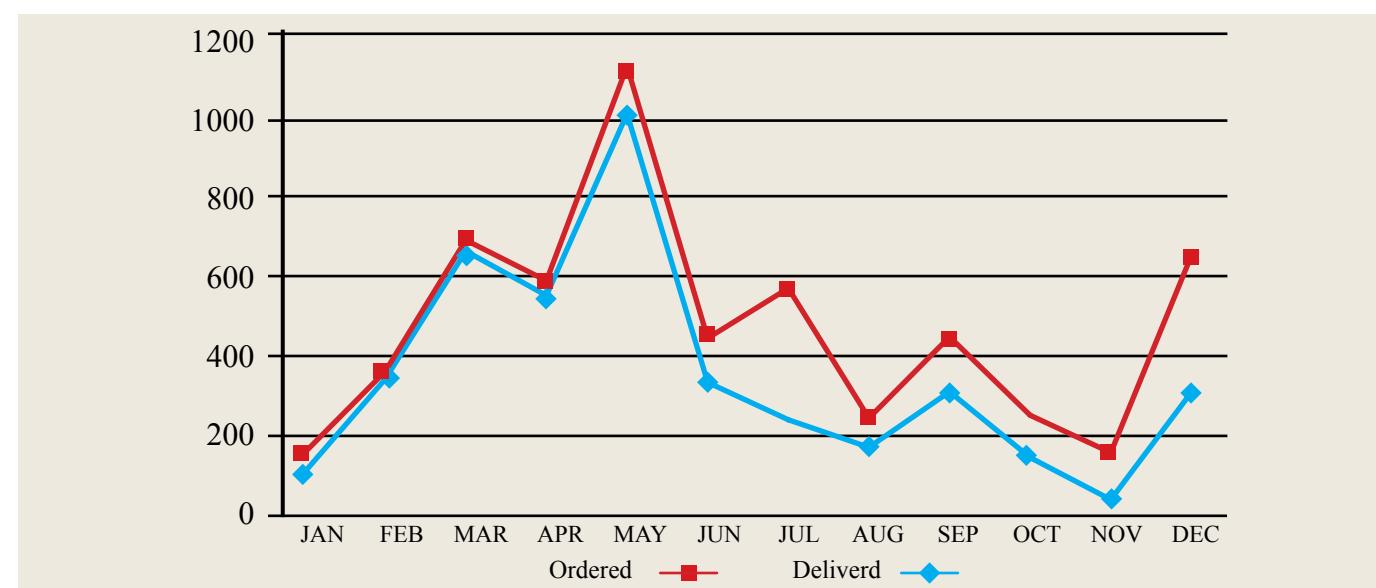
Off Shore Delivery

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Ordered	116	208	271	144	407	454	282	162	256	88	86	226
Delivered	116	186	252	137	365	382	256	145	222	58	68	168



On Shore Delivery

Month	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Ordered	360	534	815	728	1187	605	712	434	608	440	360	782
Delivered	319	518	792	697	1086	511	431	372	491	350	260	490



Logistics

Logistics facilities

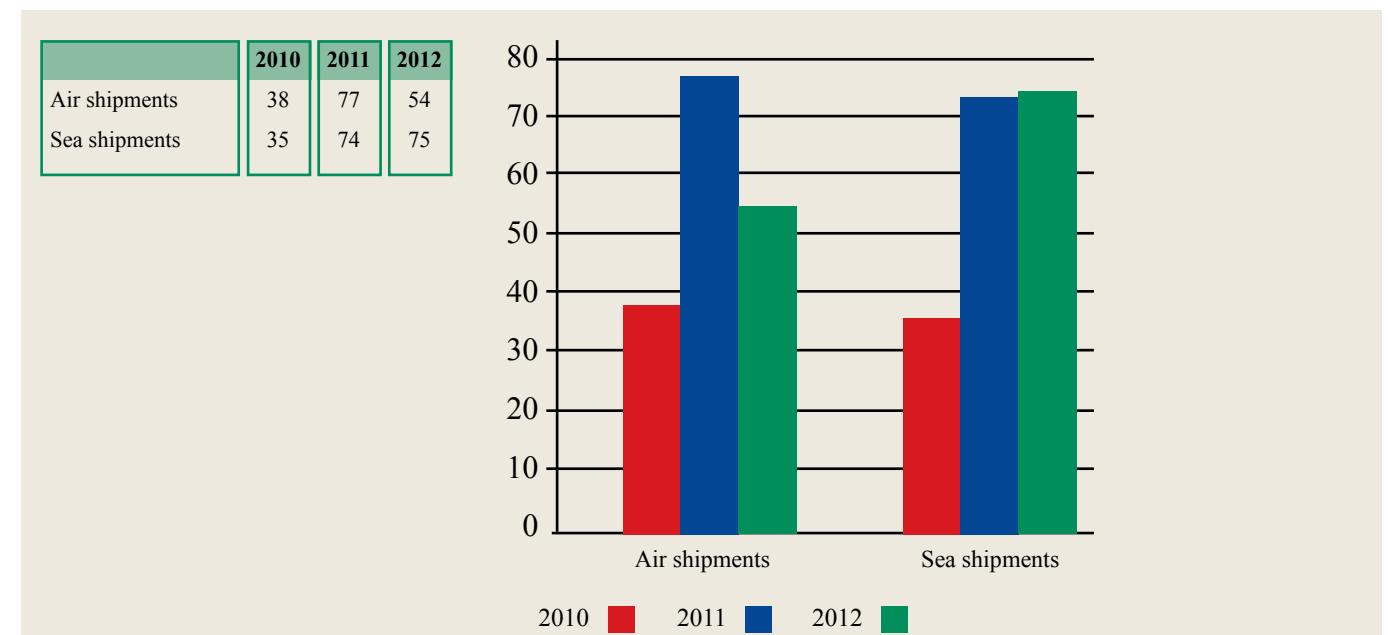


At 2012 our main focuses on improvement so our logistics team executes many projects to identify areas needs for improvement as mentioned some below.

Cost analysis International Shipping & Customs clearance.

Analytical study of the costs of logistics to separate the costs of shipping and the costs of customs clearance in order to identify the main factors that caused the increased costs.

In the beginning we prepare shipping analysis; it was necessary for us to separate between the air and sea freight.



Also logistics team had been achieved another different kind of development and succeed in new areas applying a unique kind of analysis skills as following:

Logistics contractors evaluation to identify the strengths and weaknesses of each contractor to identify strength and the weak points that we need to be developed. During this project we aimed to:

1. Reduce the cost of shipping through:

- Adding new freight forwarders and select the best freight forwarder due to 7 RS .
- Make good negotiation to reduce the freight rate and other charges
- Reduce Freight Costs or Cut Freight Expenses by Optimizing Order Quantity (consolidations management)
- Choosing the Best Mode depends on shipment priority.



2. Reduce the costs of customs clearance and transport through:

- Accelerate customs cycle times to avoid any additional fees or demurrage
- Adding new vendors (brokers)
- Prepare quarterly evaluation of the brokers
- Make good negotiations with vendors to achieve the highest level of efficiency and effectiveness for service.

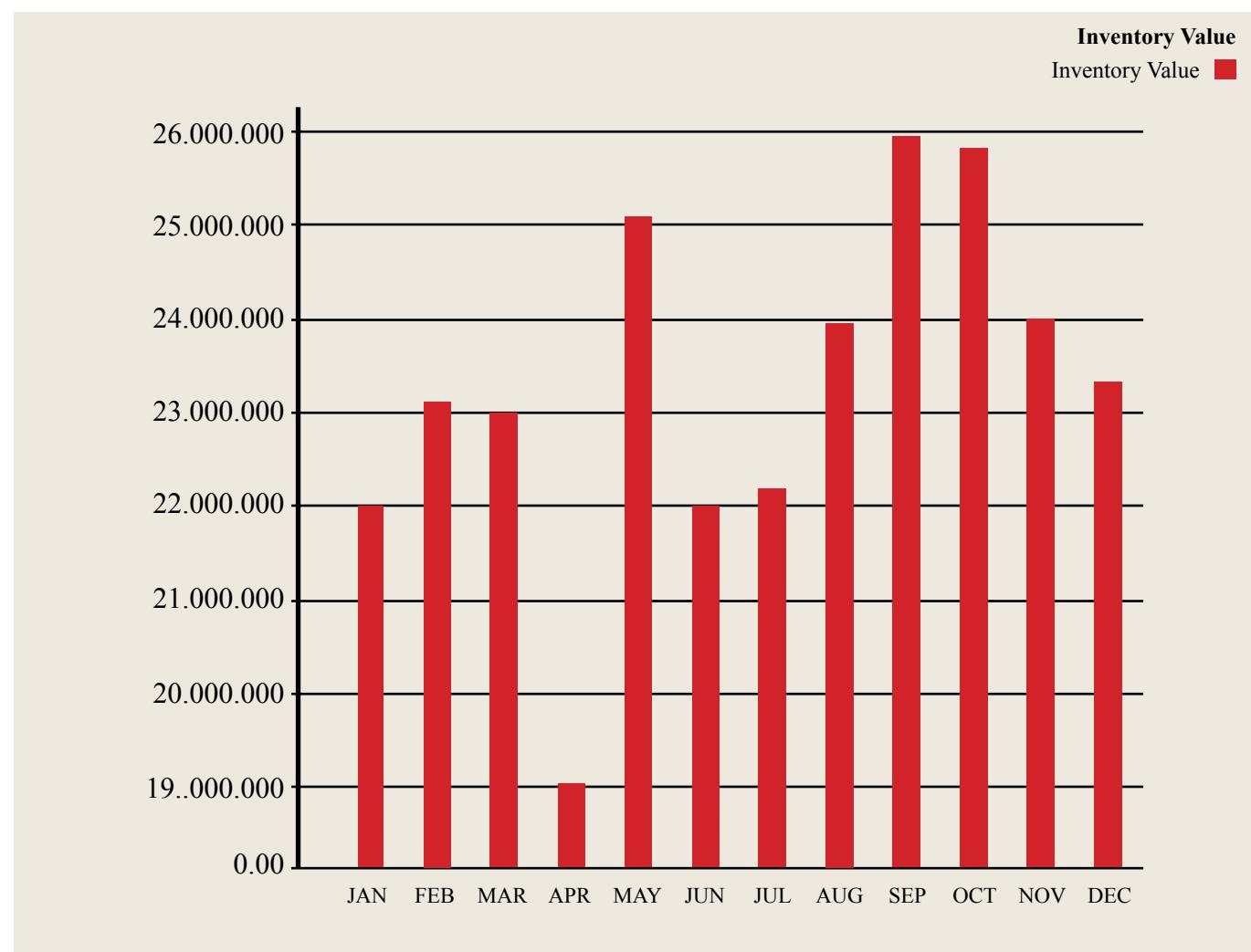
Inventory and Warehousing

It's all about accuracy

2012 was more challenging & improving year for our team to improve their competency and set warehousing management indicators as it had been noticed clearly increasing data accuracy percentage and reporting quality, which help company's decision maker to monitor inventory trend to take the proper precautions.

Inventory values trends

Inventory & Planning KPIs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Inventory Value	22,037,995.67	23,163,856.81	23,065,123.20	25,146,111.18	21,771,686.37	21,980,461.57	22,381,012.14	23,941,070.34	25,932,046.42	25,788,243.01	23,999,454.57	23,314,307.66



Improving material men competency project

This project executed through two training rounds for all material men scheduled along with 2012.

Project objective:

1. Improving the material men performance.
2. Standardization all rig sites as per storage and stock arrangement.
3. Increase coordinating between the head office and rig sites.

Project results:

1. Increasing in material men performance as measured via Key Performance Indicators.
2. Improving system transactions on time, which reflect the reporting accuracy.

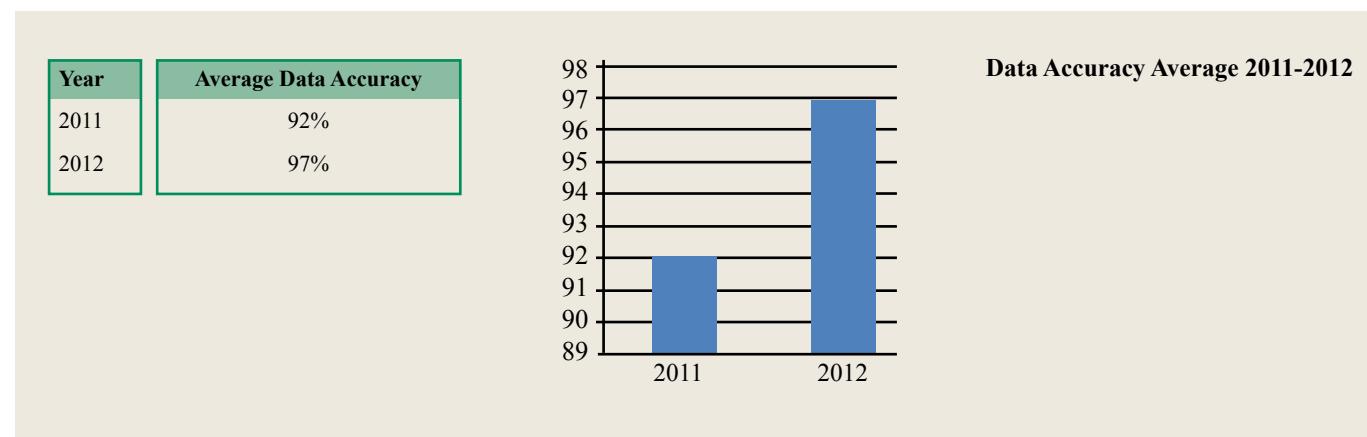
Training Hours

Actual Training Hours	Total Training Hours
448	480

Data Accuracy Project: Project Objective

1. Improving the Data accuracy in ware houses.
2. Standardization all ware houses on site as per coding and items description.
3. Expedite and improve the ordering parts cycle (order duration) through the central warehouse or by procurement dept
4. Improve the output of Recommend Min/Max matrix for usable parts on rigs.

Project Results As below:



Badr main warehouse adding values:

Since were Badr Warehouse established, it contributes with a lot of adding values points from several aspects such inventory reduction, decrease lead time and increase fill rate demand, and all those factors were played a basic role for reducing the operation shut down and increasing the operation efficiency.

These results to reduce strategic items required to be stored by 3,637,703USD as following table illustrate the decreasing amount of each category comparing between 2010-2012.

Category	Inventory Value 2010	Inventory Value 2012	Inventory Value 2010/2012
ASSETS	7,971,404	7,425,208	546,196
AUXILIARY SYSTEM	190,649	133,300	57,349
CONSUMABLES	72,896	45,194	27,702
CROWN & TRAVEL BLOCK	8,373	3,489	4,884
DERRICK & SUBSTRUCTURE	107,535	60,099	47,436
DRAW WORK	491,592	324,289	167,303
DRILLING ITEMS	55,107	30,368	24,739
ELECTRICAL MATERIALS	615,439	371,818	243,621
ELEVATOR-SLIP-POWER TONGS	540,253	291,237	249,016
FISHING-DOWN HOLE EQUIP	121,749	56,143	65,606
GENERAL	370,199	167,630	202,569
HSE MATERIALS	352,634	142,067	210,567
INSTRUMENTATION	410,295	190,943	219,352
MUD SYSTEM	1,309,225	677,853	631,372
OILS & CHEMICALS	104,087	43,039	61,048
OVERHEAD EQUIPMENT	14,766	9,697	5,069
POWER UNITS	294,726	170,574	124,152
PUMPS	138,629	65,726	72,903
SHALE SHAKER PARTS	265,130	158,493	106,637
SWIVEL & KELLY	36,473	20,815	15,658
TOOLS	162,316	83,961	78,355
TOP DRIVE SYSTEM	510,628	340,838	169,790
WELL CONTROL CATEGORY	653,255	346,876	306,379
Total			3,637,703 USD



CONTRACTS DEPARTMENT

Magnifying Values

Securing best-value contracts that simultaneously maximize profits and minimize risks was the main target for the Contracts Department in 2012 as the contracts team was keen to secure the validation of the existing contracts and the extension of the expired ones with the best rates, terms and conditions available in the market despite the interrupted political situation which accordingly affects the country's economic conditions in all fields including the Oil and Gas.

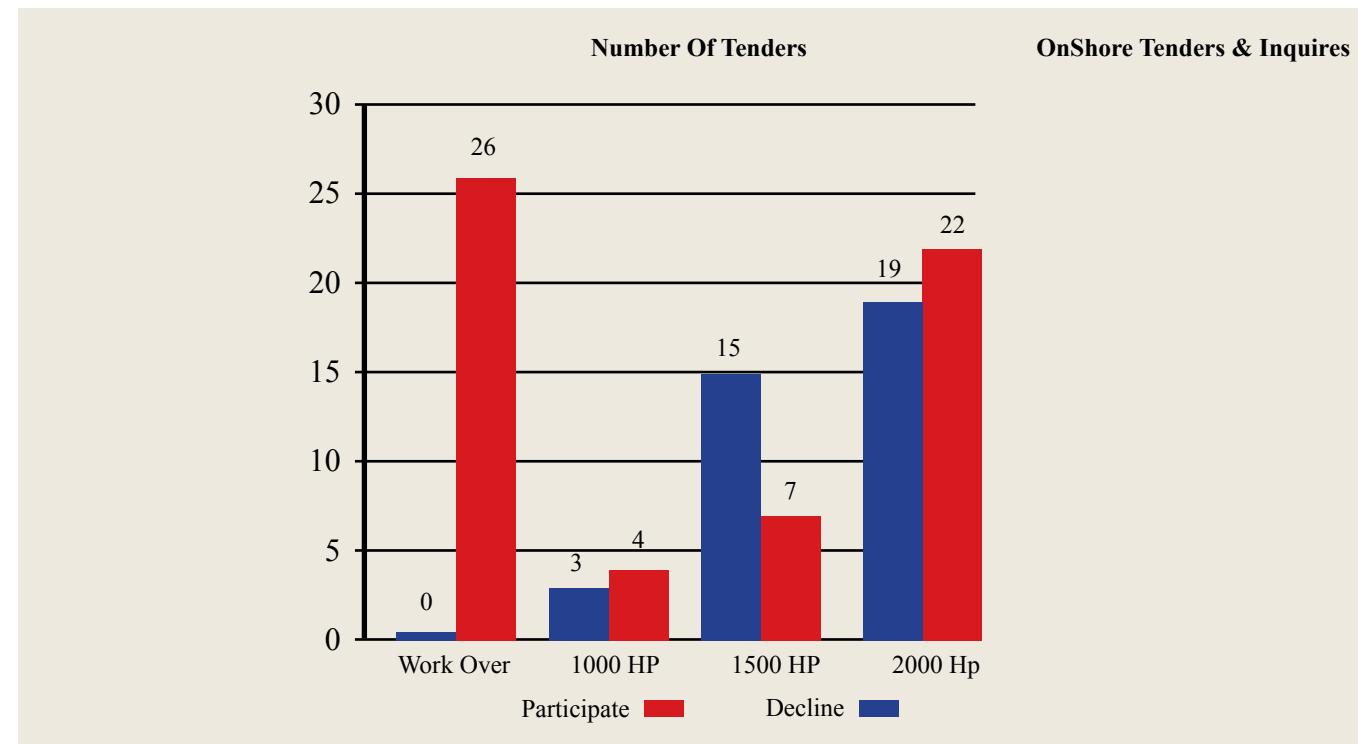
Our plan was to adopt strategies that help in the improvement of business excellence and profitability of the company by keeping reliable, secured rates, terms, and conditions which enable the Company to compete in the drilling market and ensuring that any agreement entered by SinoTharwa is fair and balanced for both parties.

As one of SinoTharwa targets in 2012 is to expand its activities internationally, direct approach with several countries has been concluded (Syria, Libya, Iraq and Yemen) and we have signed agency agreement to facilitate our working at the mentioned countries as a start for SinoTharwa.

1. OnShore : Tenders & Inquiries:

Handling tenders and preparing competitive offers is one of the crucial objectives for the contracts department.

During 2012, we participated in 37 tenders and inquiries and we declined to bid in 59 tender and inquiries due to the non-availability of the required rigs as we do succeed in securing full year contracts for our fleet.



Drilling Contracts:

As the contracts team fully understand that establishing the right structure and relationship between our clients enable us the flexibility for our business especially in an unstable economic environment, our mission was to achieve the balance between the market situation and the upside opportunities.

We keen to increase the company profitability through studying the market as well as efficient negotiations and effective contract management which leads to the stability of our contracts and being solicited by new operators.

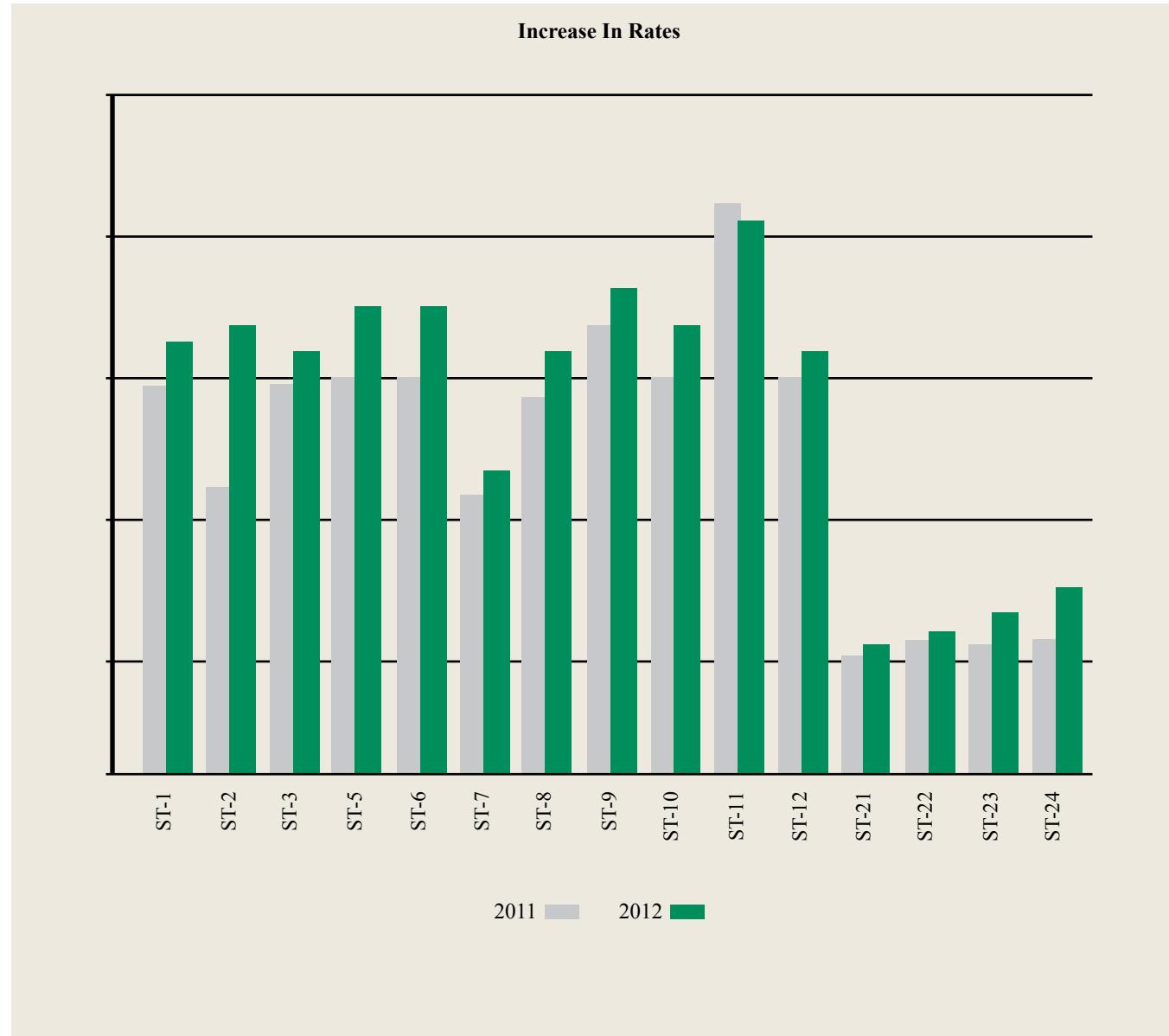
Extended Contracts:

Rig	Company	Rig
ST-1	Belayim Petroleum Company	Two Years Firm
ST-3	Belayim Petroleum Company	Two Years Firm
ST-5	Khalda Petroleum Company	One Year Firm
ST-6	Khalda Petroleum Company	One Year Firm
ST-7	Dara Petroleum Company	One Year Firm
ST-8	Agiba Petroleum Company	Six Months Firm & Six Months Optional
ST-9	Petroamir Company	One Year Firm
ST-12	Belayim Petroleum Company	One Year Firm
ST-21	Agiba Petroleum Company	One Year Firm
ST-22	Qarun Petroleum Company	One Year Firm
ST-24	Badr El Din Petroleum Company	One Year Firm

New Contracts:

Rig	Company	Rig
ST-2	Khalda Petroleum Company	One Year Firm
ST-10	Farm Out From Khalda To Wasco	From August 2012 Till January 2013
ST-11	Vegas West Obayed	Two Wells Firm & Two Well Optional
ST-11	East Abu Sennan Petroleum Company	Six Months Firm & Six Months Optional.
Tanmia-1	El Mansora Petroleum Company	Two Wells Firm & One Well Optional
Bahari-1	Farm In From Zeitco To Amapetco	For Four Months

We succeeded to extend our existed contracts and enter into new Contracts with an average increase 12% in the contracts daily rates, in the meantime with the best terms and conditions.



2. Offshore: Tenders and Offers :

During 2012, we receive 19 tenders & inquiries (Domestic and International)which were declined as our jack-up rig Bahari-1 is committed in a long term contracts with East Zeit Petroleum Co. and Gulf Of Suze Petroleum Co.

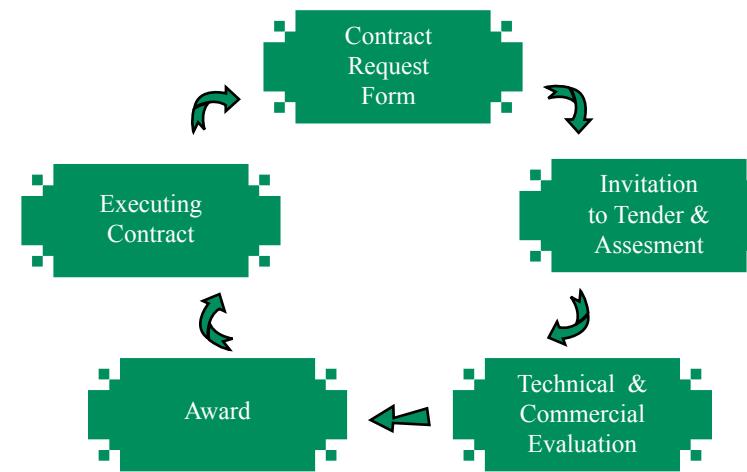
New Services:

Although, the existence of SinoTharwa in the market is less than seven years, we succeeded to gain the trust of our Operators and to have our special reputation in the market, which paved the way for SinoTharwa to start discussing the expansion of its activities to include the mud logging services.

In the light of the above a tender for furnishing mud logging unit has been issued in order to select the most experienced company to provide such services, as well as start offering the services to our clients.

Service Tenders:

In order to ensure that the required services will be performed with the best quality as well as the best prices in the market, during 2012 the Contracts Department has issued 18 tenders for contracting the most qualified service providers with the best prices in the market.

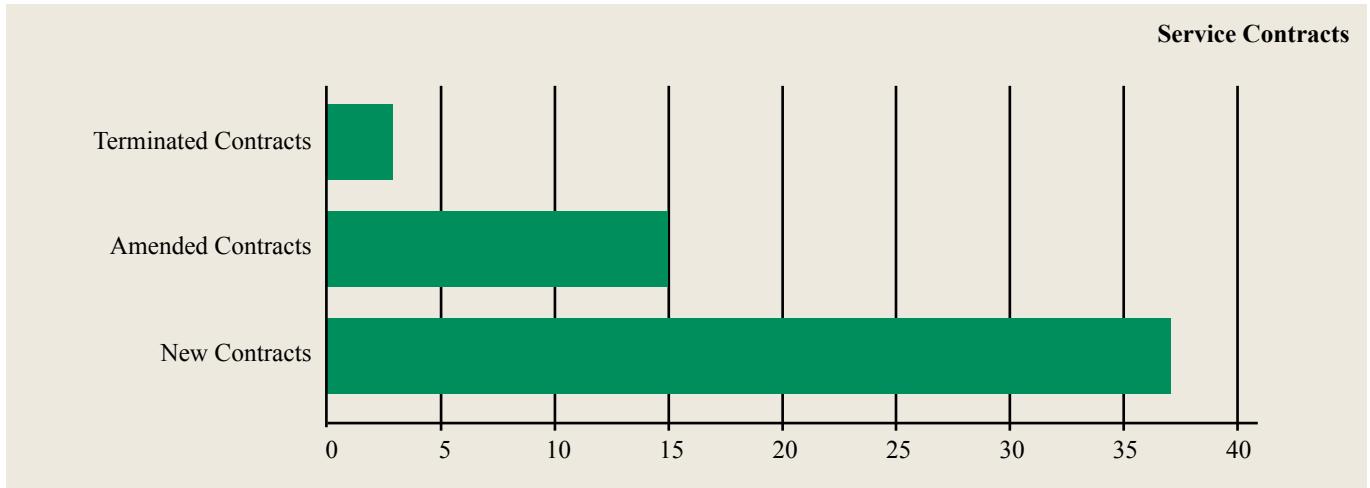


Service Contracts:

Satisfaction of each department in the company with the services that are being provided by contractors 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.

Through the year, 51 contracts have been signed with different service providers (transportation, recruitment, machine shop ...) after being accepted by our QHSE department as well as the user department.

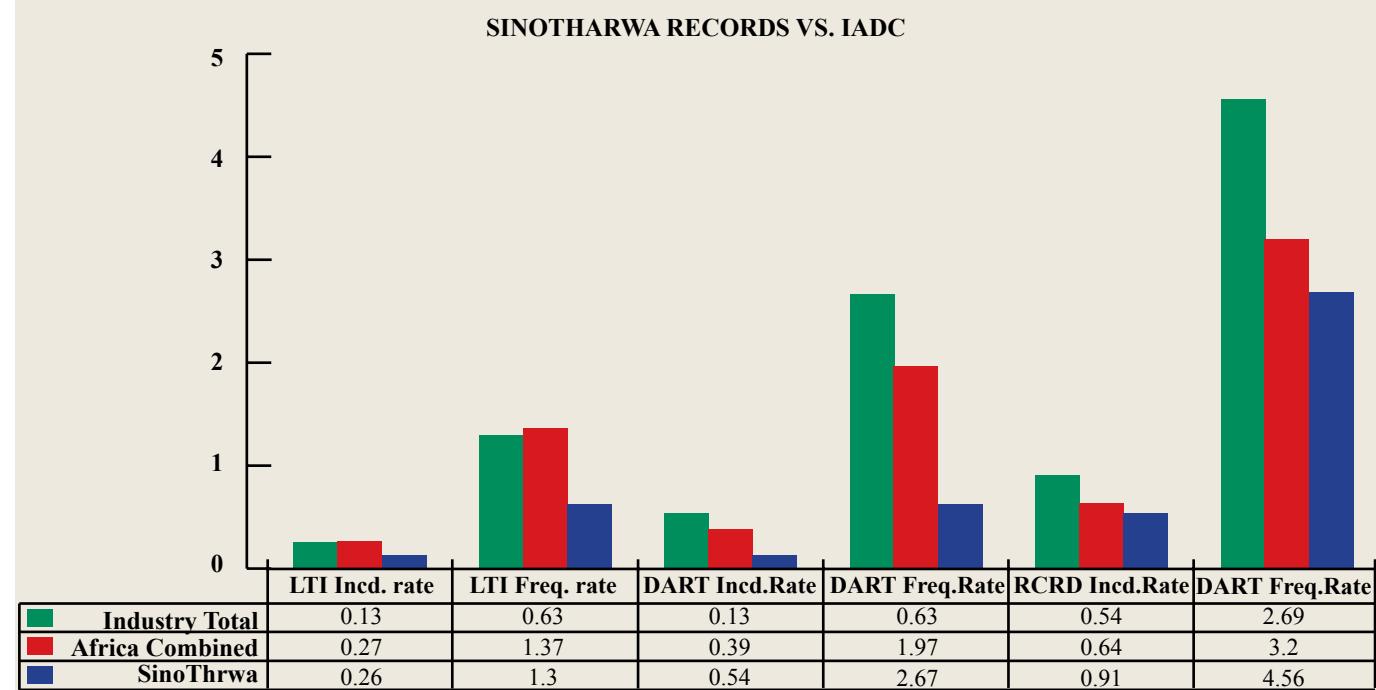
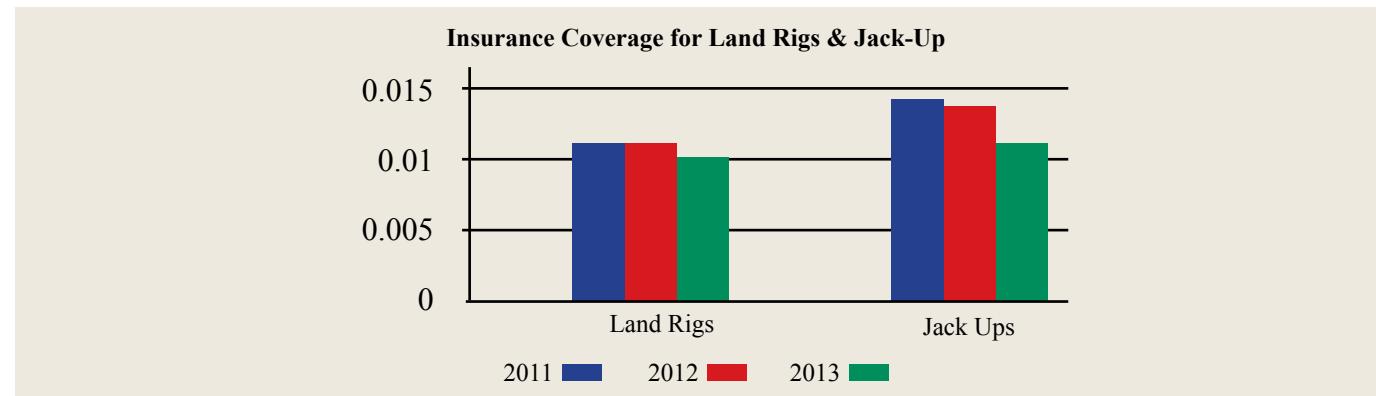
During 2012, there was a remarkable increase in the market in two services; catering and transportation services and since SinoTharwa keen to keep and maintain the best level of providing the contracted services, SinoTharwa management has decided to increase the catering services by 5 % as well as the transportation services by 10 % to assure that the services are performed in a satisfactory levels.



Insurance:

Ensuring that all risks related to SinoTharwa assets as well as operations are mitigated through appropriate and adequate insurance coverage is the top priority in renewing our insurance coverage policy.

The continuous improvement in implementing and enhancing SinoTharwa QHSE management system which results in zero claim records since the beginning of SinoTharwa operations in 2005 has enable us to get the best rates available in the insurance market as well as giving us the benefit of being a distinguished and preferable client to the insurance underwriters. Accordingly we succeeded to negotiate the insurance rates for the year 2013 and reduced the premium with the amount of USD 671,513 compared to the paid premium in 2012 as well as increasing the No Claim Bonus from 10% to 12.5%.





Finance

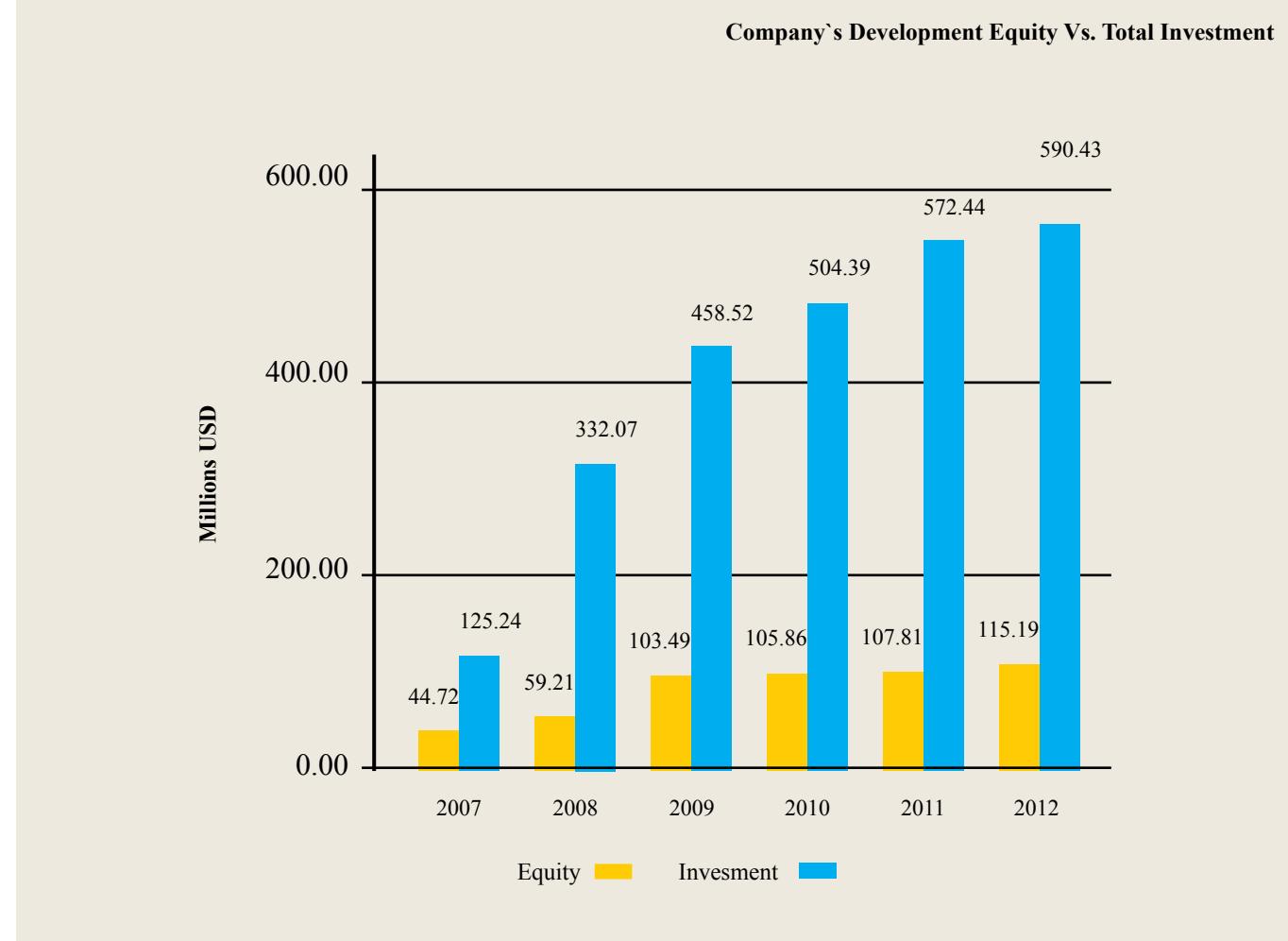
Where Vision Gets Built

Financial Highlights

Description
Revenue
Net Profit
Shareholders Equity
Total Capital Investment
Fixed Assets
Accumulated Depreciation
Project Under Construction
Inventory
Receivables
Debtors
Operating Expenses W/O Depreciation
Fixed Assets Depreciation
Financial Payment
Installments Paid

(*Amount Presented in Million USD)

	2012	2011	2010
Revenue	136.60	79.19	75.45
Net Profit	9.61	4.16	3.59
Shareholders Equity	115.19	107.81	105.86
Total Capital Investment	590.43	572.44	504.39
Fixed Assets	574.80	562.33	240.65
Accumulated Depreciation	111.57	79.23	61.17
Project Under Construction	6.38	9.74	259.51
Inventory	23.67	21.31	24.36
Receivables	25.84	18.15	18.11
Debtors	13.74	12.58	6.61
Operating Expenses W/O Depreciation	61.31	40.38	36.75
Fixed Assets Depreciation	34.49	20.41	21.32
Financial Payment	20.28	6.87	7.69
Installments Paid	30.84	19.09	18.64



Description
Return On Investment
Return On Equity
Financial leverage

(*Amount Presented In Percent)

	2012	2011	2010
Return On Investment	1.76%	0.79%	0.75%
Return On Equity	8.62%	3.90%	3.43%
Financial leverage	3.69	4.11	3.72

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **Sino Tharwa Drilling Company "A Limited Liability Company Private Zone"**, which comprise the balance sheet as of December 31, 2012, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone"**, as of December 31, 2012, of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards.

Report on Other Legal and Regulatory Requirements

The company maintains its accounting records as required by law and the Statutes of the company which are in agreement with the accompanying financial statements.

The financial information included in the Board of Managing Directors' report, prepared according to the requirements of Law No. 159 for 1981, and its executive regulations, is in agreement with the company's records to the extent that such information is normally recorded.

Cairo, February 11, 2013



Balance Sheet as of 31 December 2012

Description	(*Amount Presented in Million USD)	
	31/12/2012	31/12/2011
Long Term Assets		
Fixed assets	463,231,691	483,093,880
Projects under construction	216,572	3,224,478
Inventory of fixed asset spare parts.	6,166,166	6,525,108
Total Long Term Assets	469,614,429	492,843,466
Current Assets		
Inventory	23,669,978	21,309,354
Accounts receivables	25,839,100	18,154,369
Debtors and other debit balances	13,739,345	12,575,921
Cash and cash equivalent	7,149,162	6,130,630
Total Current Assets	70,397,585	58,170,274
Current Liabilities		
Bank Overdrafts	38,072,130	36,897,376
Loans annuities due within a year	44,963,181	45,802,112
Creditors and other credit balances	27,391,380	21,303,306
Transaction with Related Parties	14,334,759	13,818,160
Provisions	82,650	25,000
Total Current Liabilities	124,844,100	117,845,954
Working capital	(54,446,515)	(59,675,680)
Total Investments – Financed as Follows:	415,167,914	433,167,786
Quota Holders Equity:		
Capital	80,000,000	80,000,000
Legal reserve	3,408,034	2,991,703
Retained earnings	22,179,965	20,659,307
Net Profit for the year	9,606,735	4,163,312
Total Quota Holders Equity	115,194,734	107,814,322
Long Term Liabilities		
Long term loans	299,973,180	325,353,464
Total Long Term Liabilities	299,973,180	325,353,464
Total Investment and Long Term assets	415,167,914	433,167,786

(*Amount Presented in Million USD)

Income Statement For The Year Ended 31, December, 2012

Description	31/12/2012	31/12/2011
Operating revenue	136,601,017	79,186,449
Deduct:		
Operating expenses	94,897,971	60,130,008
Gross Profit	41,703,046	19,056,441
Add:		
Net Capital Gain (Loss)	55,084	377,662
Credit Interest	16,229	7,874
Currency differences profits	71,295	280,226
Other revenue	10,096	308,840
Deduct:		
General & administrative expenses	11,609,542	8,016,897
Financing expenses	20,276,535	6,872,177
Board of directors' allowances	75,668	111,232
Provisions made during the year	57,650	4,239
Decline in account receivable	229,620	863,186
Net Profit for the year	9,606,735	4,163,312

(*Amount Presented in Million USD)

Cash Flow Statement For The Year Ended 31, December, 2012

**(Amounts Expressed in US Dollar)*

Description	31/12/2012	31/12/2011
Cash Flow from Operating Activities:		
Net profit for the year	9,606,735	4,163,312
Adjustments		
Fixed assets depreciation	34,492,877	20,409,473
Provisions made during the year	57,650	4,239
Impairment in account receivable	229,620	(62,843)
Capital(gain)	(55,084)	(377,662)
Operating Profit before changes in working capital		
Working Capital Changes	44,331,798	24,136,519
(Increase) in inventory	(2,360,624)	(3,476,107)
(Increase) Decrease in accounts receivable	(7,914,351)	21,196
(Increase) Decrease in debtors and other debit accounts	(1,163,424)	(5,967,319)
Increase in creditors and other credit accounts	6,088,074	10,250,939
Increase in Transaction with Related Parties	516,599	1,486,508
Net Cash Flow from operating activities	39,498,072	26,451,736
Cash Flow from Investing activities		
Proceed from sale of fixed assets	259,287	684,501
(Payments) for purchase of fixed assets	(11,468,043)	(66,280,277)
(Payments) for projects under construction	--	(1,765,570)
Net Cash Flow (used) for Investment Activities	(11,208,756)	(67,361,346)
Cash Flow from Financing Activities		
(Payment) from long term loan	(30,841,043)	(41,195,910)
Proceed from (Payment) of Installment for long term loan	4,621,828	77,858,661
Paid profit dividends	(2,226,323)	(2,213,980)
Net (decrease) Cash Flow from Financing Activities	(28,445,538)	34,448,771
Net in cash and cash equivalent	(156,222)	(6,460,839)
Cash and cash equivalent beginning balance	(30,766,746)	(24,305,907)
Cash and cash equivalent ending balance	(30,922,968)	(30,766,746)
Cash and Cash equivalent represent :		
Cash and cash equivalent	7,149,162	6,130,630
Bank overdrafts	(38,072,130)	(36,897,376)
	(30,922,968)	(30,766,746)

Non cash flow:

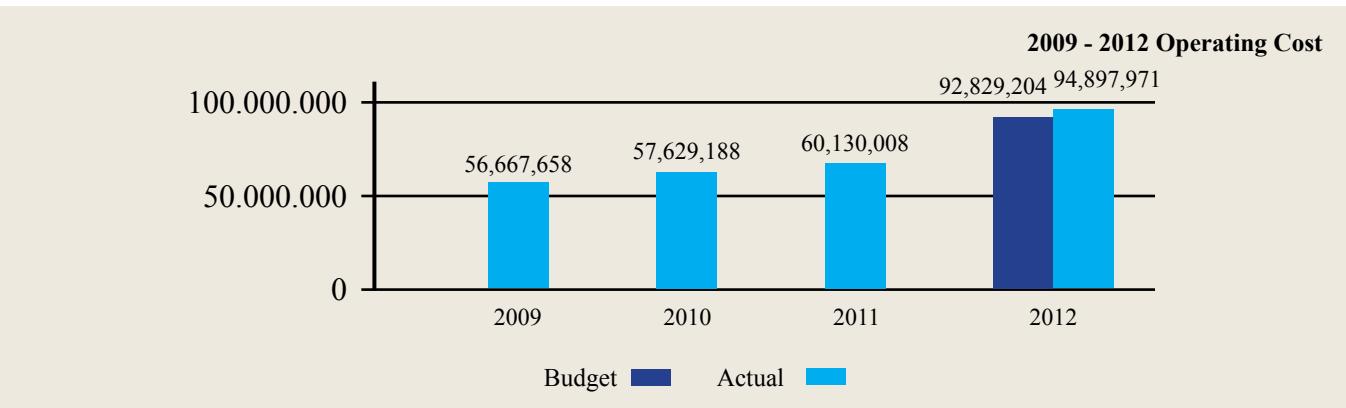
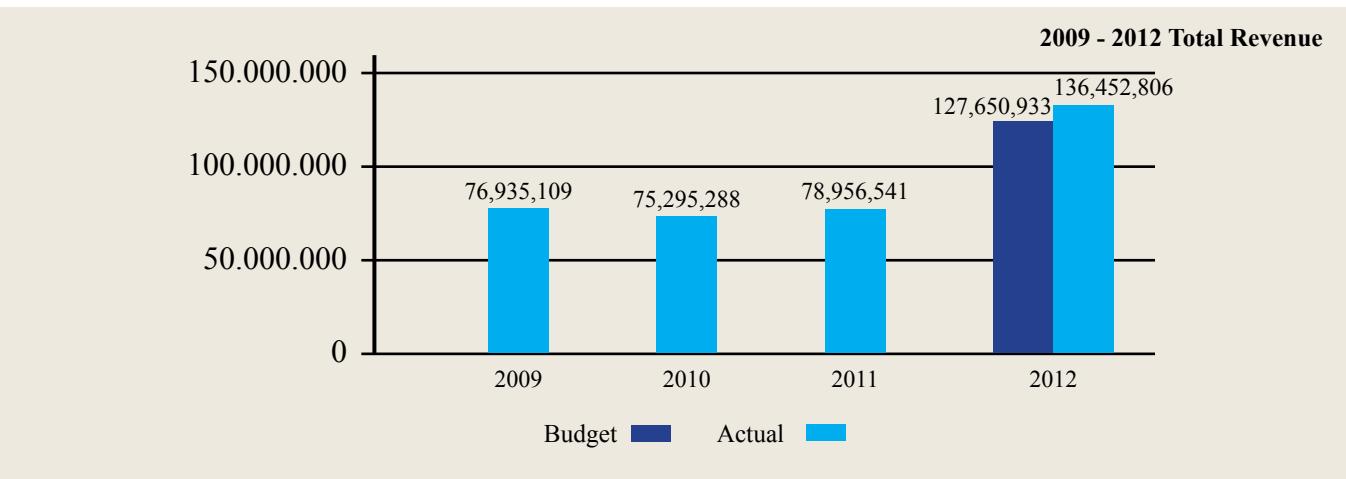
- Cash flow did not include 358,942 USD is non-cash transaction represented in the value of measurable spare parts (Inventory of fixed asset).
- Cash flow did not include 3,007,906 USD is non-cash transaction represented in asset under construction was transferred to fixed assets.

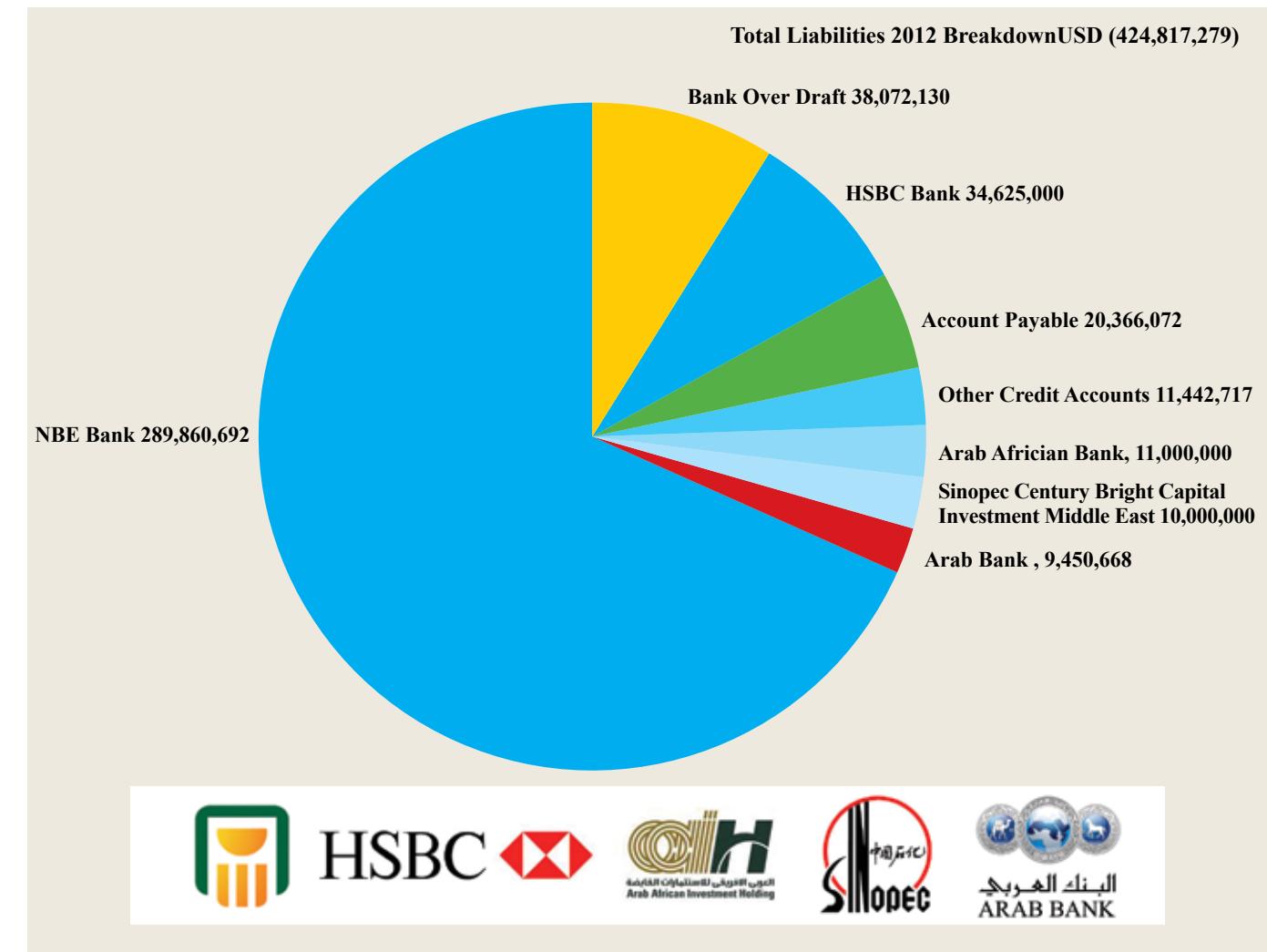
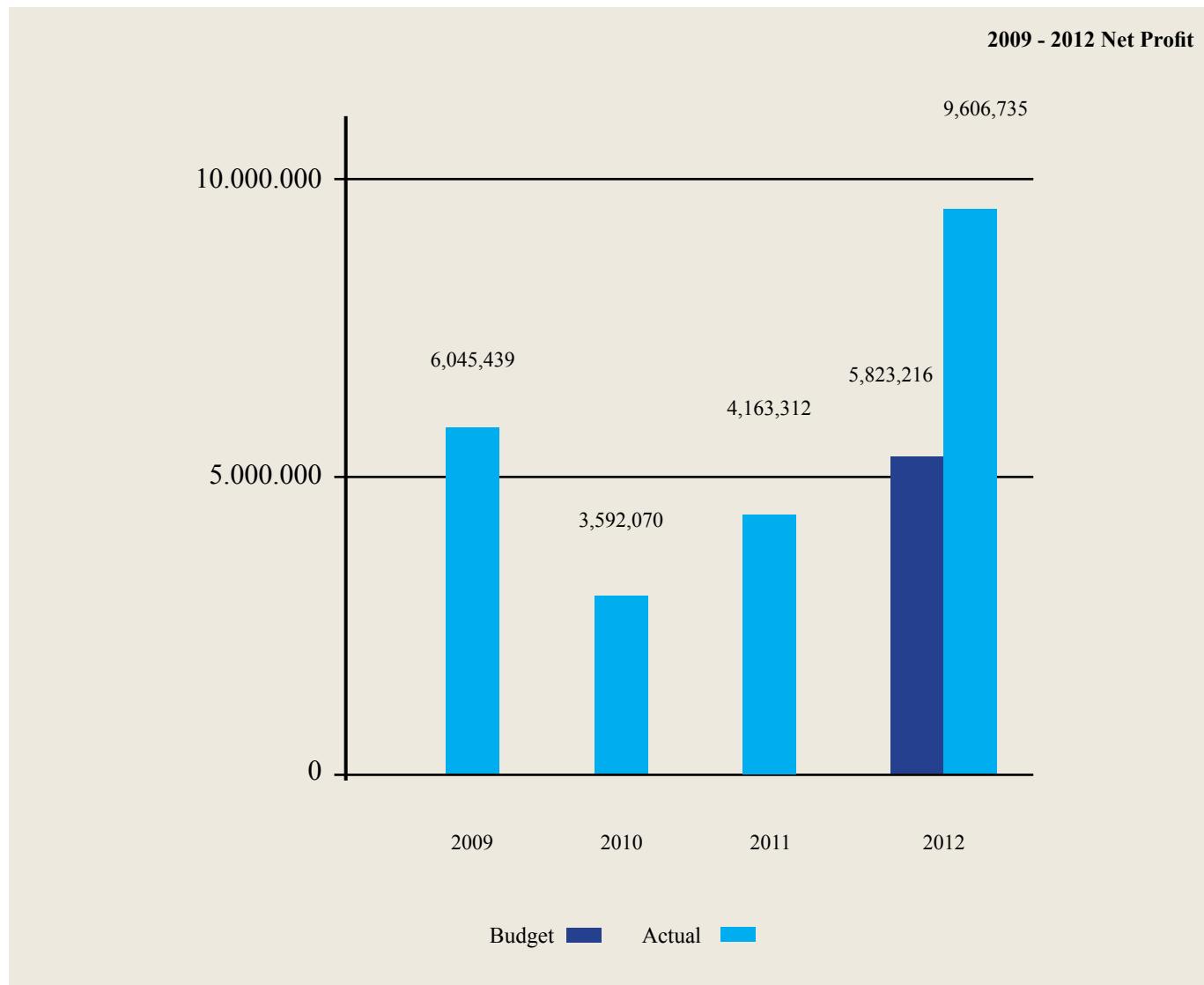
Changing in Quota Holders Equity Statement For The Year Ended 31. December, 2012

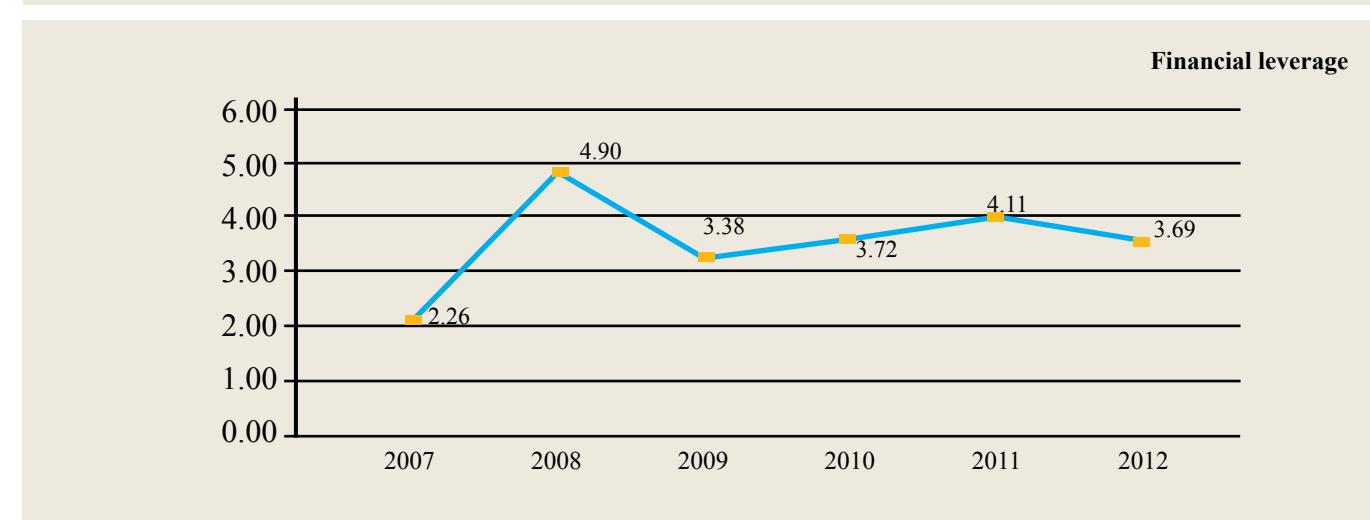
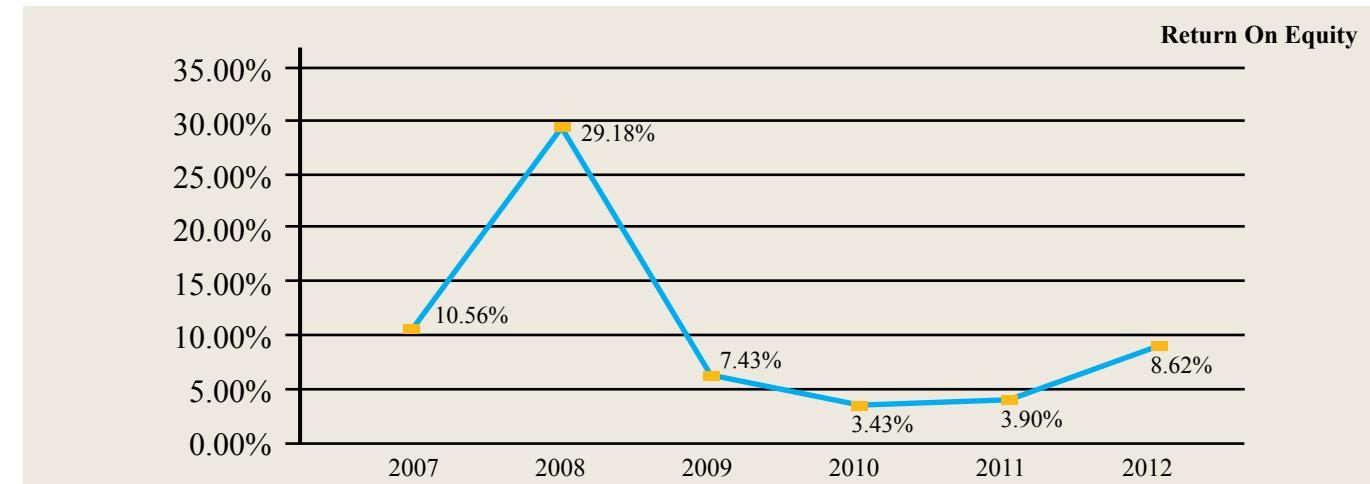
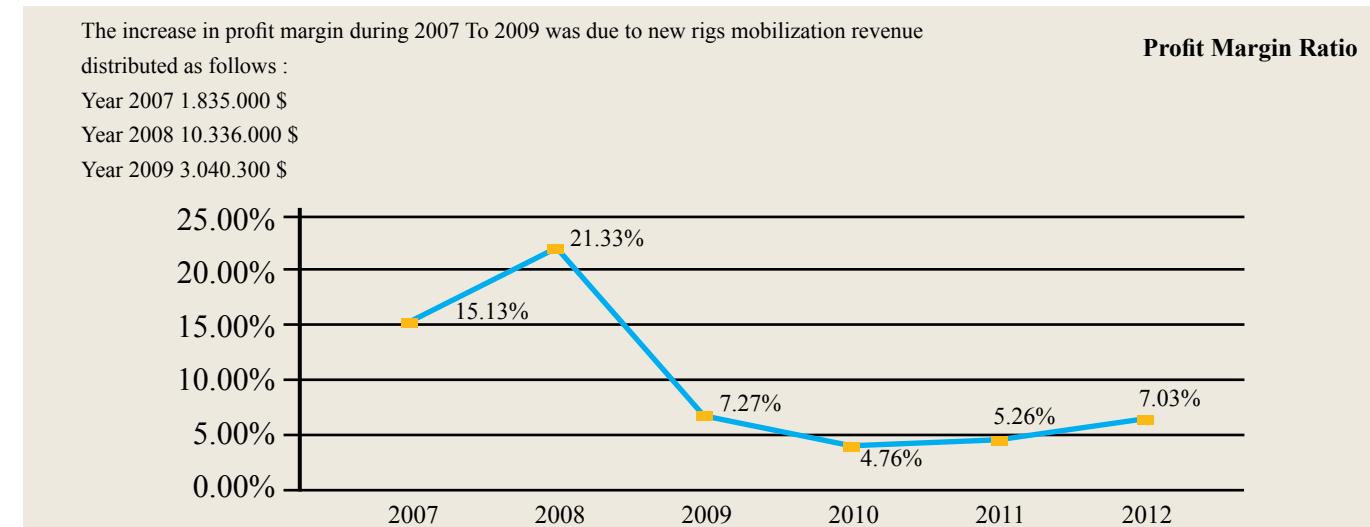
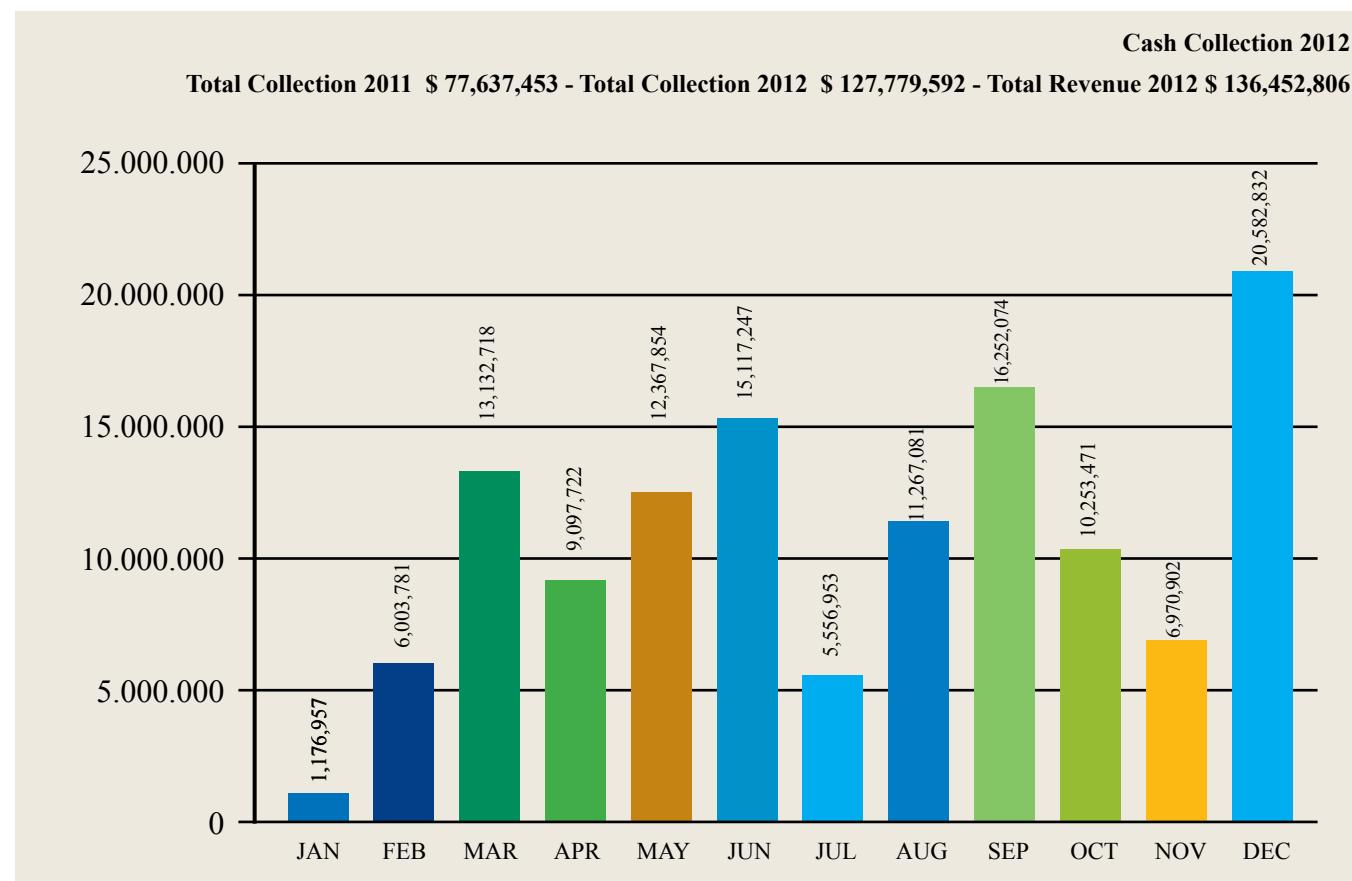
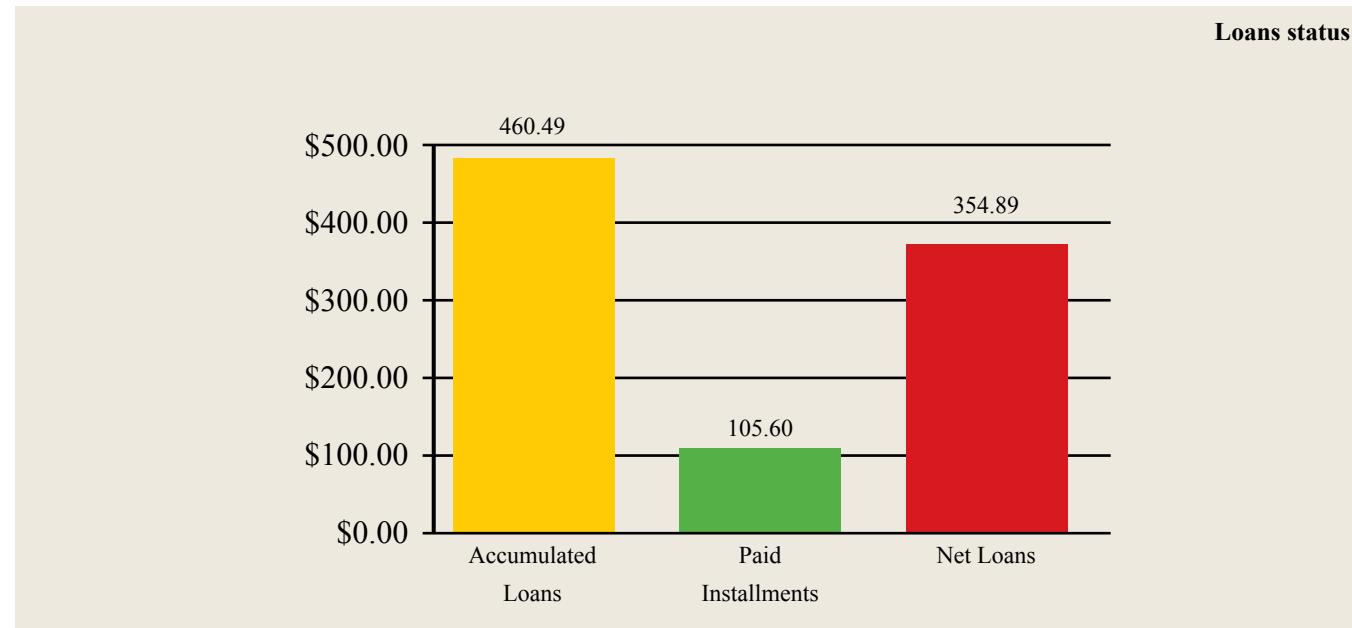
**(Amounts Expressed in US Dollar)*

Description	Capital	Legal Reserve	Retained Earnings	Net Profit	Total
Quota holders equity as at 1 January, 2011	80,000,000	2,632,496	19,640,424	3,592,070	105,864,990
Dividends of profit 2010	--	--	(2,213,980)	--	(2,213,980)
Transferred to legal reserve & Retained Earning	--	359,207	3,232,863	(3,592,070)	--
Net profit for the year	--	--	--	4,163,312	4,163,312
Quota holders equity as at 31 December 2011	80,000,000	2,991,703	20,659,307	4,163,312	107,814,322
Quota holders equity as at 31 December 2011	80,000,000	2,991,703	20,659,307	4,163,312	107,814,322
Dividends of profit 2011	--	--	(2,226,323)	--	(2,226,323)
Transferred to legal reserve & Retained Earning	--	416,331	3,746,981	(4,163,312)	--
Net profit for the year	--	--	--	9,606,735	9,606,735
Quota holders equity as at 31 December 2012	80,000,000	3,408,034	22,179,965	9,606,735	115,194,734

Financial Situation







Social Co-operation & Society Education Assist

Sinotharwa employees have substantially contributed to decorate the company surrounding area represented in El Maadi main entrance and exit. We cultivated, cleaned, placed garbage boxes and provided decorative lights in addition to ElAutostrad Tunnel paintings which reflect the beauty of our home EGYPT.

Moreover it worth mentioning that the company departments had provided educational assistance to El Azhar University, Suez Canal University and Cairo University for Petroleum & Mining Engineering through the elaboration of QHSE and Human Resources training programs as well as technical drilling programs stemming of our believe to contribute into human performance development.

قام العاملين بالشركة بالمساهمه فى إضافه لمسه جماليه للمنطقه المحيطيه بالشركة والتي تتمثل فى مدخل و مخرج شارع النصر بالمعادى. وقد تم تشجير و تنظيف وإضافه صناديق ثابتة لجمع القمامه مع الإلاره الكامله ووضع لوحتين علماقتين تعبر عن جمال وطن هو مصر.

قامت إدارات الشركة المختلفة بالمساهمه والمساعدة التعليميه لعدد من الجامعات المصريه لأقسام البترول و التعدين ؛ جامعة الأزهر وجامعة القاهرة، وذلك بوضع برامج تدريبيه للطلاب فى السلامة والصحة المهنية و الموارد البشرية وكذلك تقنيات العمل فى الحفر ايماناً بالمساهمه فى تطوير الاداء البشري.

