







10 years and growing







## Ladies and Gentlemen

- As you are all aware that 2015 was a challenging year for the entire Petroleum Sector and Drilling Industry. As many of our competitors we duly faced inevitably intractable and serious interval that had unfavorable influence on our results during the year.
- The current crucial circumstances which Sinotharwa are presently facing should be intensively confronted enabling to alleviate the oil prices dramatic decrease consequences.
- We have been eventually striving to expand the company activities aiming to introduce an integrated drilling services to the national and International market.
- We are proud to unveil that Sinotharwa was honored to participate in the water well national project that had been lately initiated in 2015. We were assigned to drill 500 wells in the west of Menya as preliminary stage of the state's plan to reclaim 4 million acres.
- We are quite confident that all Sinotharwa employees won't hesitate to exert their best efforts to overcome the current crisis in order to achieve the company desired targets and prospective goals.
- There are both great challenges and great chances ahead us toward our target, we are sure to triumph over all the challenges and we are confident that we will develop ourselves more and better with the chances.

A stylized blue ink signature of Li Zhigang.

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**Li Zhigang**  
**General Manager & MD**

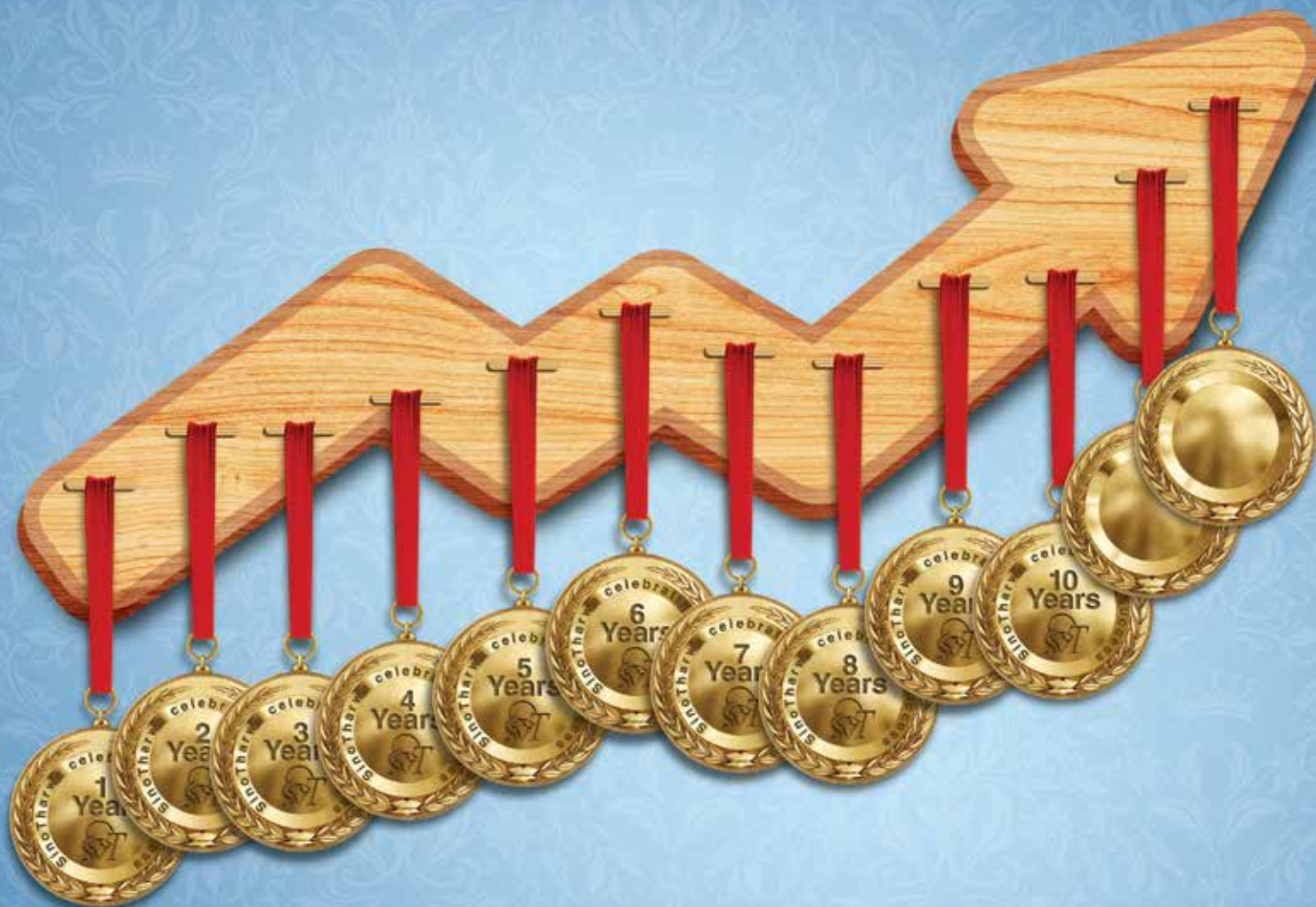
A stylized blue ink signature of Ahmed Anwer.

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**Ahmed Anwer**  
**Chairman & MD**



# CELEBRATING CONTINUOUS PROGRESS





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# **HUMAN RESOURCES AND SERVICES**





## TRAINING DIVISION: TRAIN FOR RESULTS

### QHSE Training:

- Safety training is the essential factor for the success of our business, it provides the knowledge necessary to perform a job safely by establishing expectations for employees on how to perform job tasks, it's also developing a positive health and safety culture, where safe and healthy working becomes second nature to everyone.

| Course Name                    | Actual Hours | Planned Hours |
|--------------------------------|--------------|---------------|
| OJT HSE Training Package       | 2240         | 2240          |
| Basic F. Fighting              | 300          | 300           |
| Advanced Fire Fighting         | 600          | 600           |
| IOSH (Basic)                   | 240          | 240           |
| IOSH (supervisor level)        | 240          | 240           |
| NEBOSH IGS                     | 240          | 240           |
| HAZMAT                         | 336          | 240           |
| Defensive Driving              | 432          | 400           |
| ST15 Safety Training Courses   | 4230         | 4230          |
| OHSE In. Courses               | 1014         | -             |
| 2015 TOTAL QHSE TRAINING HOURS | 9,872        | 8,730         |

### Operations Training:

- We succeed to offer a comprehensive range of highly-focused technical courses, all technical training courses aims to achieve and maintain the highest possible levels of competency.

| Course Name                               | Actual Hours | Planned Hours |
|---|--------------|---------------|
| Basic Drilling Practice                   | 450          | 450           |
| Advanced Drilling Practice                | 432          | 400           |
| Stuck Pipe Prevention                     | 600          | 600           |
| Ton Mile Calculation                      | 240          | 240           |
| Painting                                  | 240          | 240           |
| Rig Mathematics                           | 576          | 450           |
| Down Hole Problems                        | 630          | 360           |
| High Pressure, High Temperature           | 1296         | 560           |
| Basic Well Control                        | 1488         | 1200          |
| Drilling Fluid School & Solid Control Eq. | 810          | 600           |
| 2015 TOTAL OPERATION TRAINING HOURS       | 6,762        | 5,100         |

### Engineering Training:

- All our workshops and engineering short courses are designed to provide practical skills and hands-on training in order to develop all engineering staff capabilities, skills and awareness of new maintenance techniques.

| Course Name                           | Actual Hours | Planned Hours |
|---------------------------------------|--------------|---------------|
| Basic SCR                             | 300          | 300           |
| Advanced SCR                          | 300          | 300           |
| Basic VFD                             | 300          | 300           |
| Exon Mobile                           | 144          | -             |
| Mud Pump                              | 300          | 300           |
| Varco Top Drive                       | 433          | 300           |
| Maintenance OJT                       | 2310         | 2310          |
| Forklift                              | 60           | -             |
| 2015 TOTAL ENGINEERING TRAINING HOURS | 4,147        | 3,810         |

### English & Soft Skills

- The main reason behind providing such courses to our employees is to enhance their personal proficiencies. As we believe that the personal development for our employees will assist in enhancing the quality of our company as a whole.

| Course Name                                   | Actual Hours | Planned Hours |
|---|--------------|---------------|
| English Course "Level 2"                      | 1960         | 1960          |
| English Course "Head office"                  | 320          | 320           |
| English Course "R. Operator / Campus"         | -            | -             |
| Soft Skills For HO Junior Staff               | 650          | 650           |
| Soft Skills For HO Middle Management Staff    | 234          | 234           |
| 2015 TOTAL ENGLISH/SOFT SKILLS TRAINING HOURS | 3,164        | 3,164         |



A specific training courses have been tailored especially for those who will work in Algeria in order to enhance the capabilities of all staff & gain the critical skills needed to improve the safety & operation process quality.

**ST-14 Tailored Training Courses**

| Algeria Training Courses              | Ac. Hours | Pl. Hours |
|---------------------------------------|-----------|-----------|
| H2S                                   | 432       | 432       |
| Basic Fire Fighting                   | 504       | 504       |
| Risk Ass. & Hazard Identification     | 1200      | 1200      |
| Environmental Awareness               | 1200      | 1200      |
| Manual Handling                       | 432       | 432       |
| Gas Testing                           | 384       | 384       |
| Stuck Pipe Prevention                 | 480       | 480       |
| Confined Space Entry                  | 540       | 540       |
| Rigging/Lifting, Banks man & Slinging | 180       | 180       |
| Safety Leadership                     | 240       | 240       |
| Defensive Driving                     | 54        | 54        |
| Scaffolding                           | 252       | 252       |
| Adv. Fire Fighting                    | 516       | 516       |
| ST14 Training Hours                   | 6,414     | 6,414     |

**ST-15 Tailored Training Courses**

| Algeria Training Courses              | Ac. Hours | Pl. Hours |
|---------------------------------------|-----------|-----------|
| H2S                                   | 348       | 348       |
| Basic Fire Fighting                   | 348       | 348       |
| Risk Ass. & Hazard Identification     | 810       | 810       |
| Environmental Awareness               | 810       | 810       |
| Manual Handling                       | 276       | 276       |
| Gas Testing                           | 228       | 228       |
| Stuck Pipe Prevention                 | 228       | 228       |
| Confined Space Entry                  | 342       | 342       |
| Rigging/Lifting, Banks man & Slinging | 162       | 162       |
| Safety Leadership                     | 240       | 240       |
| Defensive Driving                     | 186       | 186       |
| Scaffolding                           | 252       | 252       |
| Adv. Fire Fighting                    | 450       | 450       |
| ST15 Total Training Hours             | 6,468     | 6,468     |

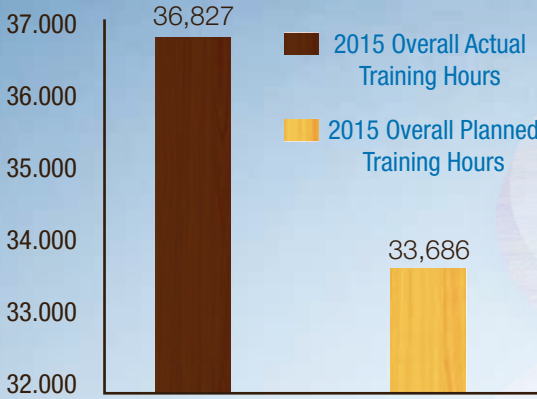
**2015 Overall Actual Training Hours**

36,827

**2015 Overall Planned Training Hours**

33,686

**2015 Overall Training Hours**



- Training Needs Analysis Project:
- A professional training needs analysis had been executed for all Cairo office employees in order to assess their level on both soft and managerial skills.
- The Training needs analysis had identify the requested competencies (Behavior, Skills, Qualities, Knowledge) that are linked to desired outcome and evaluate the current competencies to identify where are the gaps between the current ability & desired ability through extracting it in a form of training needs analysis, adding to that it will ensure that the training is targeting the correct proficiencies and the assessment result will be used as a baseline to:
  - Develop a comprehensive and focused annual training plan.
  - Monitor staff training & development.
  - Review comparative and training reports for individuals, departments before creating the training plan.



**Personnel:**  
Dedicated to Excellence

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

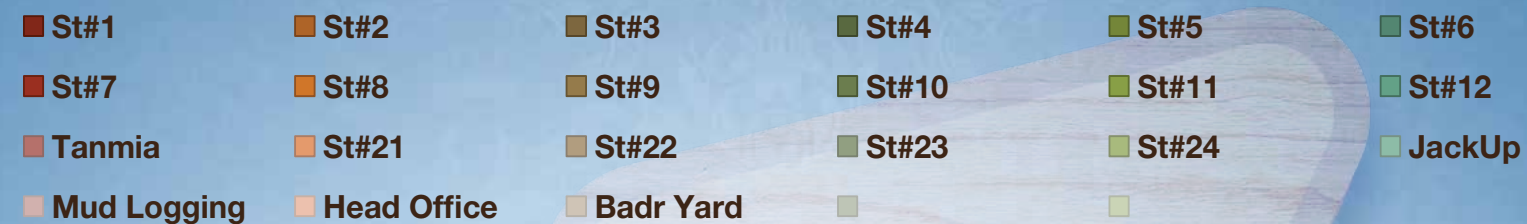
**Overview on Activities of 2015:**

- Monitor and analyze the score of 2014 performance appraisal for all staff.
- Maintain the company salary structure due to creating new positions in order to face the new business requirements and achieving the company goals and objectives inside/outside.
- Finalizing annual medical exemption of 2015 that related to social insurance authority was saved annually EGP 2,800,000.
- Establishing new salary structure specific for new water well project in order to attract external candidates.
- Maintaining the company organization chart to ensure covering all departments needs to face the company new challenges in 2016.
- Finalizing all personnel issues related to company staff will be offshored in Algeria project in order to achieve the same work environment without any obstacles during work flow.



## 2015 Manpower Highlights:

| Location    | No. of Employees |
|-------------|------------------|
| St#1        | 89               |
| St#2        | 86               |
| St#3        | 84               |
| St#4        | 78               |
| St#5        | 75               |
| St#6        | 77               |
| St#7        | 90               |
| St#8        | 75               |
| St#9        | 76               |
| St#10       | 75               |
| St#11       | 83               |
| St#12       | 81               |
| Tanmia      | 77               |
| St#21       | 54               |
| St#22       | 58               |
| St#23       | 56               |
| St#24       | 63               |
| Jack Up     | 117              |
| Mud Logging | 17               |
| Head Office | 125              |
| Badr Yard   | 82               |
| Total       | 1618             |



## New Policies & Benefits during 2014:

Maintain the salary advance policy enabling the company staff to face any unforeseen financial obligation and repaid it on short term.





## Medical Division: Where Health care comes first

### Medical insurance:

We have renewed the contract with the best Medical provider for another year with the same rate per person in continuity to their satisfactory performance as our medical service provider for rig site employees.

### Medical Network:

The following medical institutions were successfully contracted as part of our plan to expand and improve Sinotharwa direct medical network.

- Specialized air forces hospital.
- Saudi German Hospital.

### Medical Procedures:

### Medical filing system:

With the application of our filing system, all medical data concerning our employees including his, lab results, radio diagnosis results, medical examinations are available in no time.

### HCV cases:

All HCV cases diagnosed in last year's mass screening programs were followed up and all of them were treated and covered by our company

### Special cases:

The company has supported most of the medical cases that exceeded the ceiling through the company's special cases policy to cover those cases without adding any financial burden over the employees.

### Family Medical Coverage:

The company provides the family medical coverage for its employees' families based on the company's ongoing support for its employees, also the company increased the ceiling for the medical services twice before to cope with the employees' requirements & the progressively increased cost of the medical service providers, moreover the company applies the special case policy as mentioned above for the exceeding medical cases.



## General Services: Creative Concepts & Services

### WORK PERMITS

Issued 36 work permits for the company expats.

### Company Head office & Guest house:

Maintenance & follow up have been taken place for company Head office building & Guest house as it should be & with high quality to facilitate the accommodation, trainings & any other business issues to ensure the high standard level of services & comfort to SinoTharwa staff. Moreover facilitate their work flow.



## Public Relation: Without publicity there is no prosperity

### Build Communication:

We continue our success to issue our 9th issuance of SinoTharwa E-Magazine reflecting our prospective in matching with our standards.

### Hotel & ticket reservation:

The Public Relation department organize all the documents and reservation for the company working staff Egyptians & Expatriate Staff, business trips.

The Public relation Department also organize all the documents whether extracting visa , hotel booking and flight bookings and all the facilities for the new crews that started working in our new project in Algeria.



## **Protocols:**

Egypt Air protocol renewed for the 10<sup>th</sup> year with the best advantages within our permanent success & Mutual cooperation. In consequence & result of Strengthen our relationship with our 'partners of success'.

### **In Continuous to our success**

We started our on-line booking with Egypt air corporate web deal on since 2014 in order to save efforts and time & cost.

## **Exhibition**

### **OMC 2015**

SinoTharwa has participated in the OMC conference for year 2015, that was held in Ravenna, Italy from 25<sup>th</sup> till 27<sup>th</sup> March, 2015.

We are aiming for expanding our business in the markets, interacting in new markets through the exhibitions that reflected our image achievements and aims & marketing the company businesses.



**QHSE**





## 2015 QHSE ANNUAL PERFORMANCE REPORT

### WE'RE SERIOUS ABOUT LEARNING LESSONS

#### INTRODUCTION:

The year 2015 represented an unusual and eventful chapter in the company's history. Faced with tough challenges inside and outside the industry, we continued to stick with the approach to business growth highlighting quality, efficiency and sustainability. In response to market changes, Sinotharwa Company continued to improve our resources to deal with the drilling and work over sector requirements.

In 2015, Sinotharwa Company continued to emphasize safe, environmentally friendly and resource-saving development and further improve for its QHSE system focused on risk assessment and risk control. By taking measures such as strengthening hidden risk control, and further promoting pollution and emission reduction activities, we achieved continuous improvements in key environmental indicators and maintained sound QHSE performance.

With a strong commitment to our vision for the environment, safety, quality and people, we gave high priority to QHSE management in our operations. Over the past year, we managed to mitigate various risks and maintained an excellent track record in QHSE. Sinotharwa drilling company adopted and implemented an integrated, prevention-oriented approach to ensure the occupational health of our employees in accordance with the Law of Arab Republic of Egypt Prevention and Control of Occupational Diseases. We continue to strengthen our capacity to safeguard employees' occupational health through a range of schemes and training workshops on hazard prevention and control as well as health management.

Occupational health and safety at Sinotharwa drilling company– focusing on people.

The safety of our employees is the highest priority at Sinotharwa drilling company. The successes of past years reinforce our commitment to carry on in this way in order to maintain the high level which we have achieved. The focus is on people – it is about them, and does not happen without them. It involves understanding, acceptance and personal commitment by every individual. Only then can a high level of safety be guaranteed. By avoiding work-related incidents people are spared personal suffering. And it is exactly this which we are striving for. Safety at the workplace is naturally an important requirement for stable production. When healthy and motivated employees contribute through their productivity and creativity to the economic success of a company, costs are reduced by fewer lost work days. However, people remain people and cannot be replaced.

Sinotharwa drilling company is a responsible employer. We want every employee to feel safe at his or her job and to return home safely at the end of the day. Our ambitious goal is zero incidents in all of our activities. We continuously strive to prevent occupational illnesses, property damage and loss of production. If an accident should occur, we are equipped to do our utmost in minimizing the effects on the person involved, the environment or the public.

- To systematically reduce risks for people and the environment is the aim of our QHSE Management System. Nothing is so urgent or important that QHSE principles can be compromised.
- Values, principles and standards also serve the safety of our employees. After all they are our most valuable resource.

**Economic interests do not prevail over QHSE. The main principles, defined in our QHSE Policy, are:**

- Integration of QHSE into all of our activities and continuous improvement of the QHSE performance.
- "Everybody counts" – Every employee consistently implements our QHSE Policy.
- Recognition of our social responsibility.
- Responsibility for global climate protection.
- Compliance with international conventions, local legislation and our own standards.

To achieve these goals QHSE needs to be effectively integrated into all of our activities. The Quality, Health, Safety and Environmental Management System (QHSE- MS) ensures an adequate consideration of QHSE towards our activities. The system consists all elements which are aligned to the four superior elements: planning, implementation, reporting and system improvement.

#### 2015 WORK INJURY STATISTICS

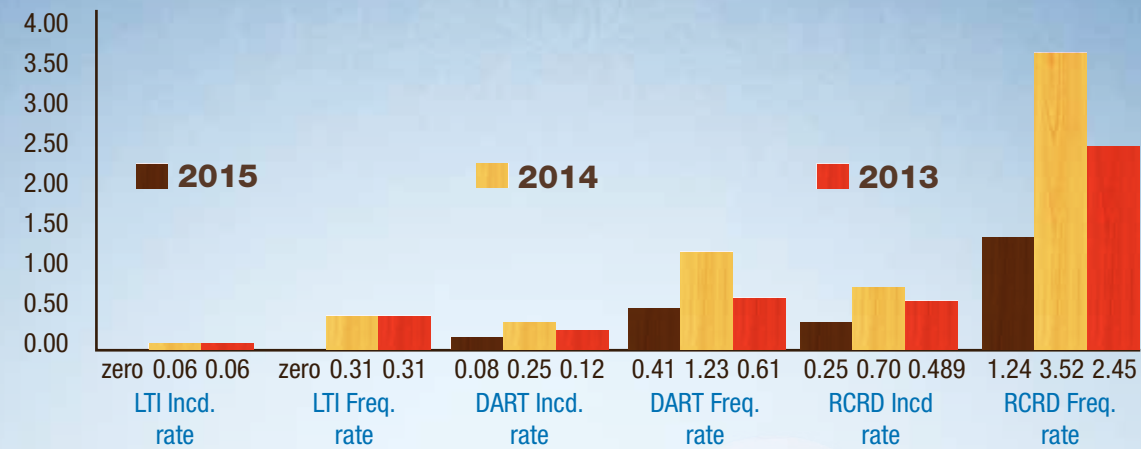
In 2015 both our own employees and our contractors had only one Lost Time Incidents (LTI) each. This did not exactly fulfil our ambitious expectations, but showed that we are a considerable step closer to our goal of a sustainably safe way of working in our operations.

The incident statistics for our own employees show that 2015 almost achieved a high level of the previous year. We achieved a Lost Time Injury Frequency Rate (LTIF) of 0.18, slightly below that of the previous year.

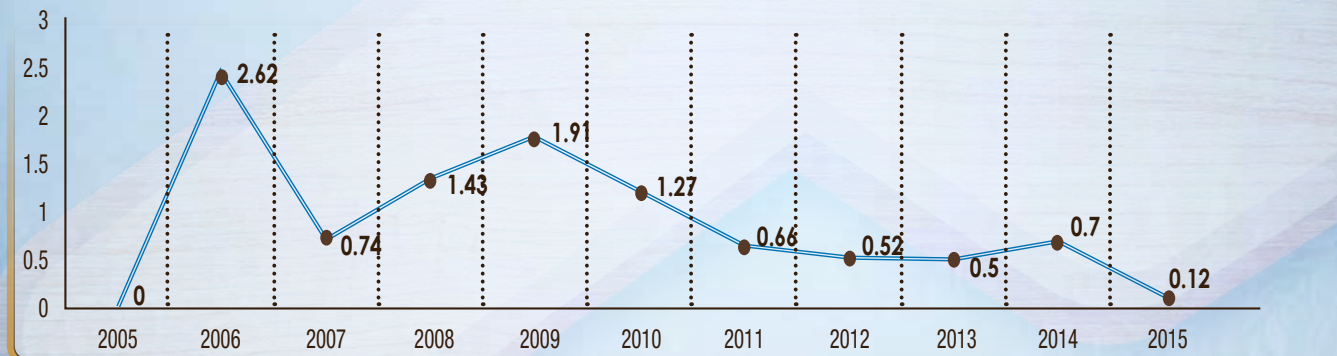
- Most importantly there were no fatalities, total or partial disabilities to any of Sinotharwa staff, subcontractors or third parties in any of Sinotharwa areas of operations.
- Only one lost time incident happened during the year 2015.
- Six Restricted Work Cases happened during 2015, required medical services were in place with delegation of light works according to physician instructions.
- Eleven Medical Treatment Cases during 2015 including simple injuries were handled by rig doctors at time then back to normal routine duties.
- The total recordable injuries during 2015 were thirty one cases through the amount of 5555905 working hours.



## WORK INJURY STATISTICS BENCHMARKING



During 2015 and after applying the clear comprehensive safe driving and road transport procedures in addition to conducting a theoretical & practical defensive driving training to the company delegates as well as issuing company driving licenses the 2015 motor vehicles accidents rates were found going downward as a result of the right implementation of such procedure also installing the in vehicle monitoring system "IVMS Device" to the company and rental vehicles was one of the contributing factors lead to getting the motor vehicle accident rates during 2015 been reduced to be 0.12 compared with 0.7 at 2014 including only one vehicle accident recorded in 2015 with no human impact or recorded injuries.



## SAFETY AWARENESS CAMPAIGNS

Safety campaigns became one of the department methods to deliver the core of his message which is achieving a free accident work place by increasing the awareness of our employees and working partner about the major hazards related to our industry which classified one of the higher risky industries all over the planet. This campaign was conducted by new technique "E- campaign" the participation of Sinotharwa Top management as well as the clients' management, this campaign covered the most important issue like:

- **Hand injury prevention campaign.**

This campaign was conducted as a result of international statistics as following: Each year, more than 16 million people receive emergency care for work-related hand injuries, costing companies over \$300 million in lost productivity and medical expenses, plus pain and suffering for employees and their families.

- **Back pain campaign.**

Back pain is a common disorder. Nearly everyone is affected by it at some time. For most people affected by back pain substantial pain or disability is short lived and they soon return to normal activities regardless of any advice or treatment they receive. A small proportion, however, develop chronic pain and disability. Once low back pain has been present for more than a year few people with long-term pain and disability return to normal activities. It is this group who account for the majority of the health and social costs associated with low back pain.

- **Ramadan campaign.**

This campaign was conducted before Ramadan by new technique "DAILY TIPS" this tips included medical and general recommendation to avoid dehydration, fatigue and accident/incident during fasting hours as a result of non-concentration.

- **Driving safety campaign.**

As a way to enhance the right implementation of the safe driving and road transport procedures and also as a result of our belief that always there is a chance to promote the workforce culture, we can say that Sinotharwa did something unique and was the pioneer in implementing such awareness campaign by the way it was handled.

## ENVIRONMENTAL PROTECTION

Environmental protection is a common concern around the world and environmental issues are attracting increasing public attention. As a drilling company, Sinotharwa is always committed to promoting environmentally friendly development and clean operations in order to reduce pollution and minimize the environmental footprint of our operations.

### Environmental events during 2015.

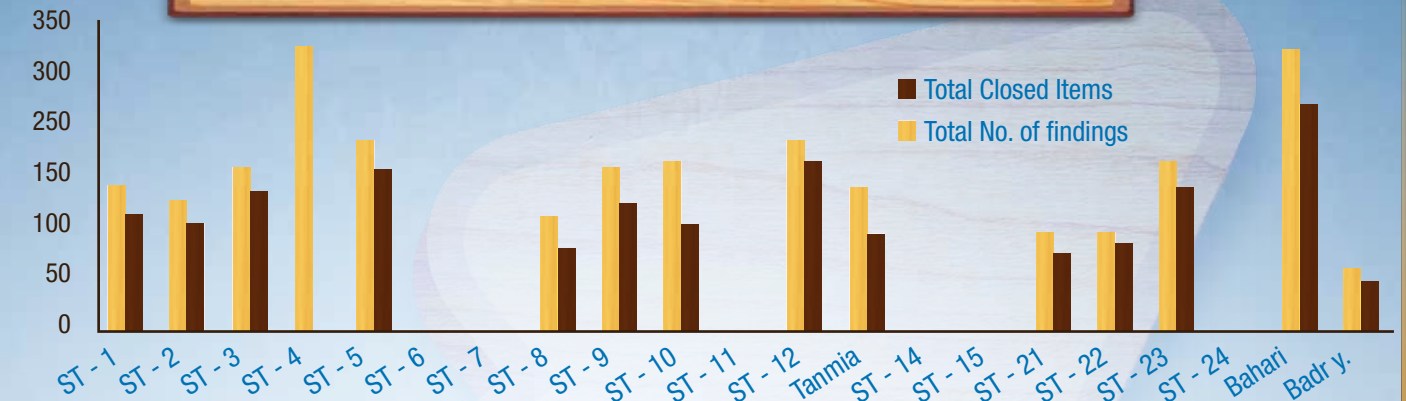
- The first, was in the occasion of the world water day at March 2015.
- The second, was in the occasion of Earth day at May 2015.
- The third, was in the occasion of Environmental training awareness that conducted at September 2015.



## INTERNAL AUDITING AND CORRECTIVE / PREVENTIVE ACTION PROCESS

- QHSE internal audit is a process carried out by Independent Internal Auditors to monitor the proper implementation of the QHSE –MS in a manner that guarantees that processes & service realization methods conform to the QHSE objectives; to detect and pinpoint any deficiencies and propose corrective and/or preventive actions.
- 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 does 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
- The Purpose of the QHSE internal auditing is to give guidelines for the internal QHSE auditor to perform internal QHSE audits to verify whether QHSE activities are being carried out and comply with the planned arrangements to determine the effectiveness of ST QHSE system at all levels of the company.
- 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 2015 this system succeeded in hunting one of the main QHSE targets which is zero % outstanding corrective/preventive actions for high & medium risks non-conformities.

## Drilled wells by each rig

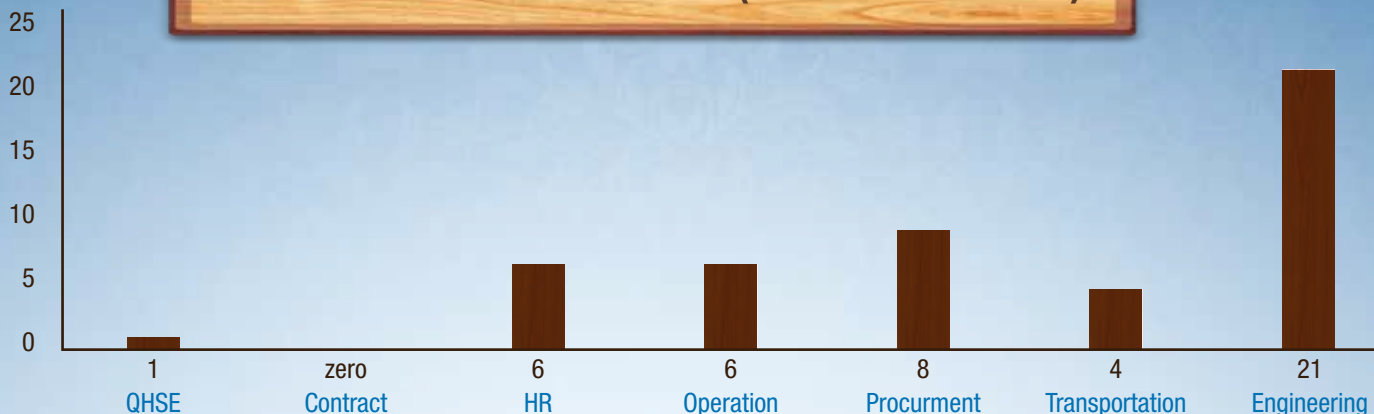


## SERVICE PROVIDERS & SERVICE PERFORMANCE REVIEW

- 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.



## CONTRACTORS ASSESSMENTS (PRE-CONTRACTING)



## CLIENTS' SATISFACTION

- 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 2015 the customer survey & analysis program was implemented and all the program results were recorded and actions required were addressed. Through paying a special attention to our clients' feedbacks we can conclude that we successfully achieved customer satisfaction target.

## 2015 EVENTS, ACHIEVEMENTS & AWARDS

**Sinotharwa drilling company been awarded by the following certificates after external audit during November 2015:**

- Renewal 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.
- Passed the surveillance audit of ISO 9001:2008 certification regarding the Quality management system.
- Passed the surveillance audit of OHSAS 18001:2007 certification regarding the occupational health and safety.

All of these certificates were awarded to Sinotharwa drilling company with zero non-conformities recorded, reflecting the company's commitment to fully comply with all applicable standards, as well as the goal of zero discharge.





**Operations**





## 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 overcoming 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.
5. Support our rig fleet by most modern and advanced mud logging units as a new service provider.

## Sinotharwa Rigs Fleet:

### 1- Sinotharwa rigs fleet: A-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 | Waspitco      | Eastern Desert  | Not 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 | Petro Amir    | Zeit-Bay        | Active     |
| ST-6     | Bomco, China   | 2007          | 1500 | 16,000                          | Available | Khalda        | Abu Elgharadig  | Not Active |
| ST-7     | Bomco, China   | 2008          | 1000 | 12,000                          | Without   | Petrodara     | Ras Gharib      | Not Active |
| ST-8     | EPHH           | 2008          | 1500 | 16,000                          | Available | Agiba         | Meleiha         | Active     |
| ST-9     | EPHH           | 2007          | 2000 | 20,000                          | Available | GPC           | Ras Gharib      | Active     |
| ST-10    | EPHH           | 2008          | 1500 | 16,000                          | Available | Khalda        | Abu Elgharadig  | Active     |
| ST-11    | Bomco, China   | 2008          | 2000 | 20,000                          | Available | Petrobel      | Abu rudies      | Active     |
| ST-12    | Bomco, China   | 2008          | 2000 | 20,000                          | Available | Petrobel      | Abu rudies      | Active     |
| Tanmia-1 | EPHH           | 2011          | 1500 | 16,000                          | Available | Petro-Sielah  | El-Fayoum       | Active     |
| ST-14    | EPHH           | 2014          | 1500 | 16,000                          | Available | GTIM, Algeria | Adrar           | Not Active |
| ST-15    | EPHH           | 2014          | 1500 | 16,000                          | Available | GTIM, Algeria | Adrar           | Not Active |
| ST-16    | Bomco, China   | 2014          | 2000 | 20,000                          | Available | Not Yet       | -               | Not Active |



**B- 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    | Meleiha         | Active     |
| ST-22 | SJ Petroleum , China | 2007          | 650 | 12,000                             | Qarun    | Karama          | Not 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     |
| ST-25 | SJ Petroleum , China | 2014          | 650 | 12,000                             | Not Yet  | -               | Not Active |
| ST-26 | SJ Petroleum , China | 2014          | 650 | 12,000                             | Dana Gas | Damietta        | Active     |

**C- 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                 | Gupco    | Gulf of Suez | Active |

**Fleet Development:**

- The following table summarizes the development of our active fleet of drilling & Mud logging 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 | Jack Up       |       |
| 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      | -         | -       | -       | -      | -             | -     |
| 2013      | -         | -       | -       | -      | -             | -     |
| 2014      | 1         | 2       | -       | 2      | -             | 5     |
| 2015      | -         | -       | -       | -      | -             | -     |
| Total     | 7         | 8       | 1       | 6      | 1             | 23    |

**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:

- The number and availability of our drilling units.
- The daily rates obtainable for our drilling units.
- The daily operating expenses of our drilling units.
- Administrative expenses.
- Loans Interest and other financial items.



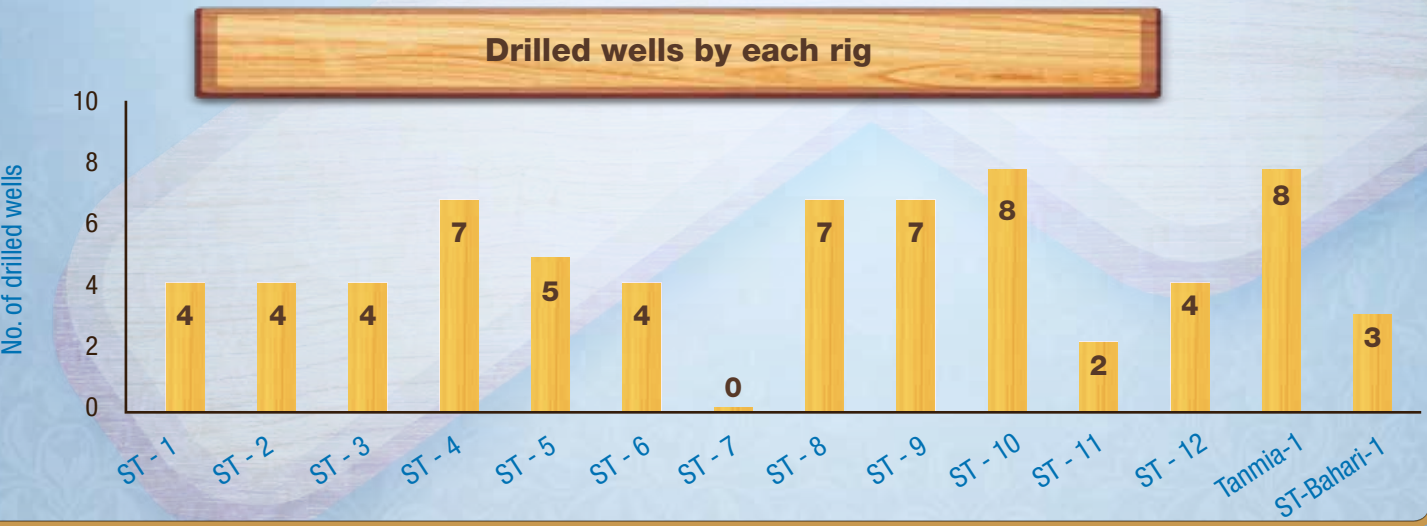
Drilling Contractor's market share



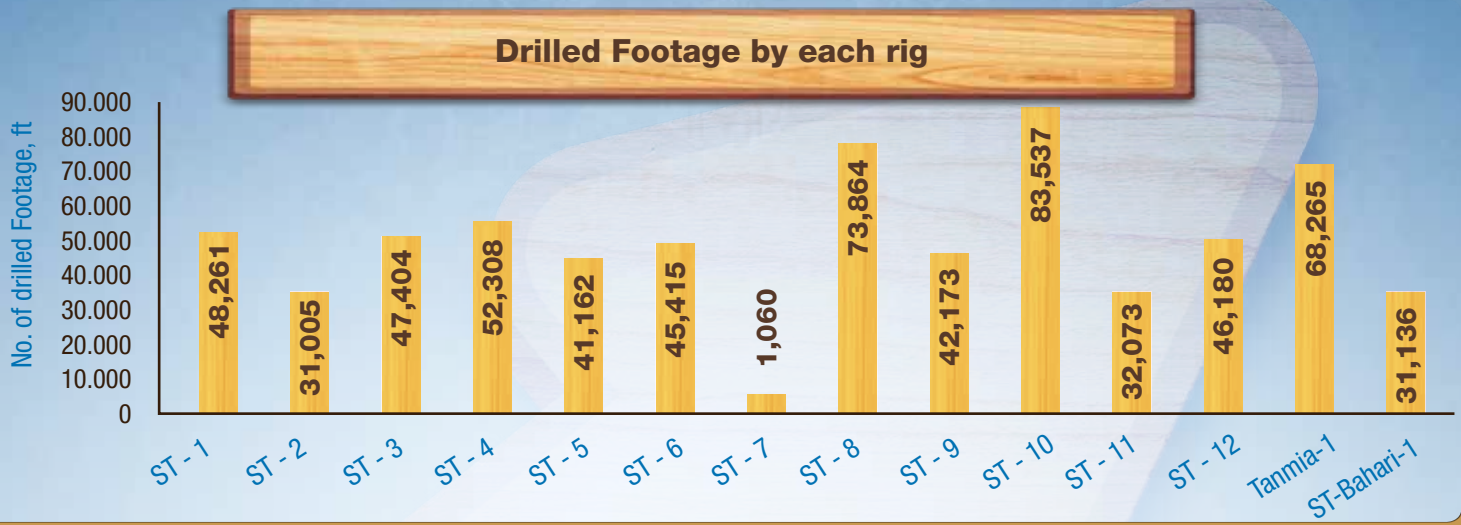
2015 Strategic Measurements.

In 2015 the following actions, among others, were the direct result of implementing our strategy:-

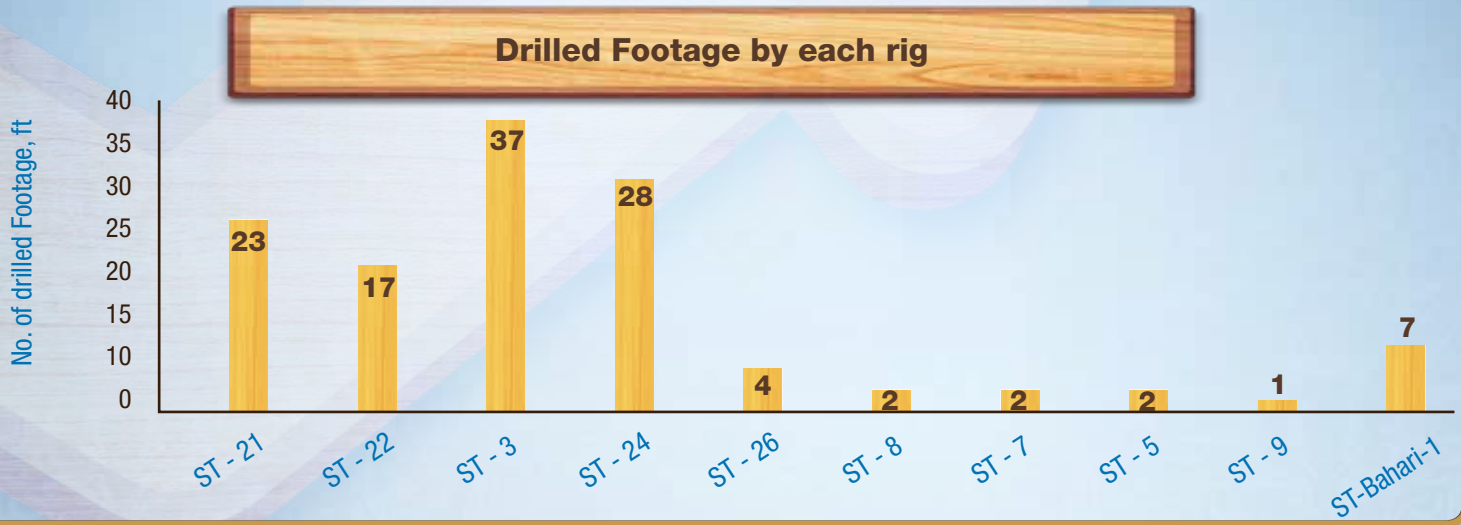
- 1. Average rigs utility (Excluding move & maintenance time) 99.16 %.
- 2. Average rigs utility (Including move time only) 96.06 %.
- 3. Average rigs utility (Including move & maintenance time) 94.38 %.
- 4. Total working (operating) days 5,490 days.
- 5. Total drilled wells during 2015 67 wells.



6- Total drilled footage during 2015 643,843 ft.



7- Total work over wells during 2015= 123 wells.



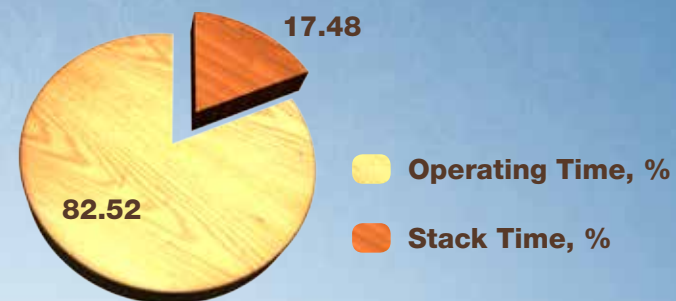
- 8- Provide training in a wide range of drill rig operations and procedures.
- 9- Negotiate with all service companies to decrease the prices to save our cost without affecting the quality of service.
- 10- ST-14 &ST-15 has been completely rigged up and ready to start operation but Groupment Timmoun is not ready yet.
- 11- ST-26 moved to Dana gas first well location, rigged up, tested and started operation on Oct 20th 2015.
- 12- ST-24 has been released from Bapetco on Dec 23rd 2015, contracted with petroshahd company for 3 work over wells.



### Operating time VS stack time during 2015:

- Total Stacking time = 1,163 days.
- Operation time = 5,490 days.
- Total time = 6,653 days
- Stacking time / Total time = 17.48 %.

### Operating time VS Sackting time



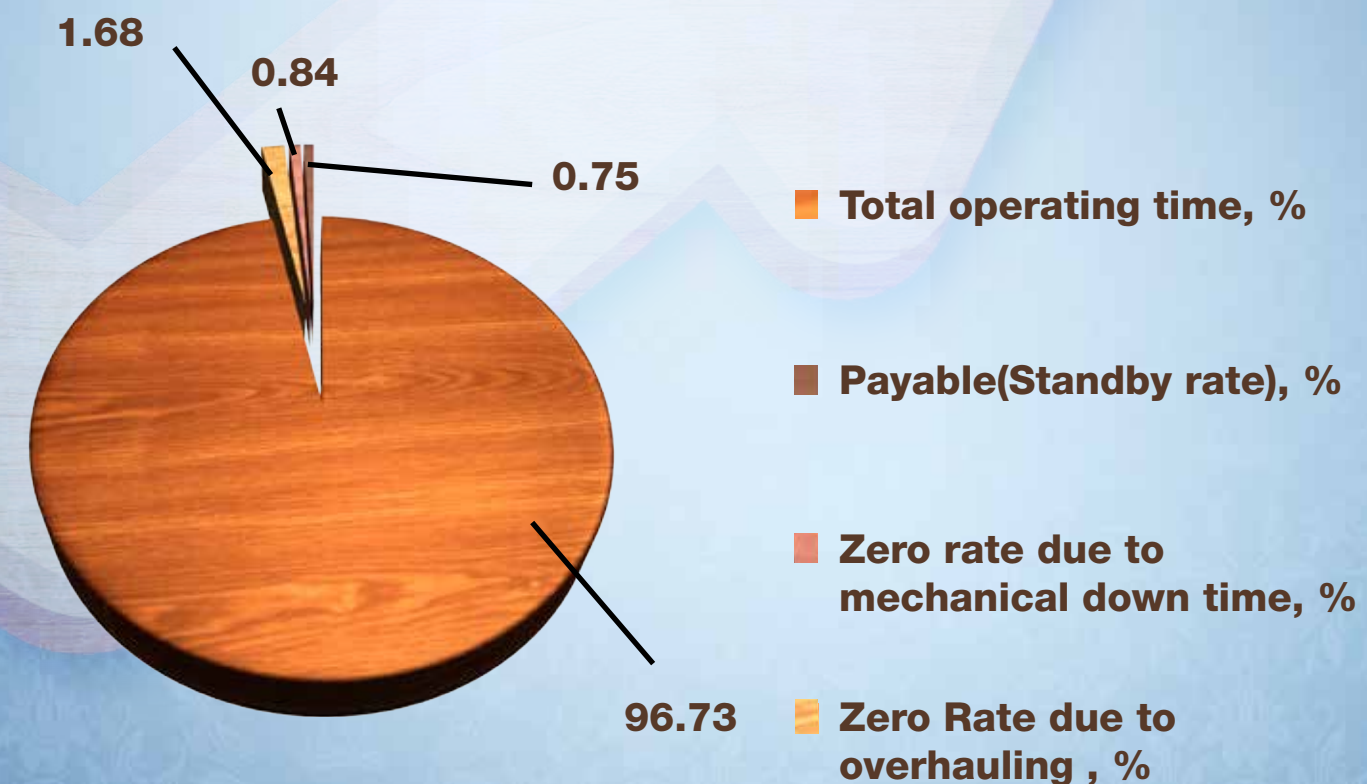
### 2015 Rigs Utilities:

| Rig         | Work periods, days | Rig utility           |                       | Repair time % | Rig move time with Zero rate % | No. of rig moves | Average move day/move |
|-------------|--------------------|-----------------------|-----------------------|---------------|--------------------------------|------------------|-----------------------|
|             |                    | Including move time % | Excluding move time % |               |                                |                  |                       |
| ST-1        | 365                | 94.81                 | 96.64                 | 3.36          | 1.83                           | 4                | 7.66                  |
| ST-2        | 154                | 99.1                  | 100                   | 0             | 0.9                            | 4                | 6.83                  |
| ST-3        | 365                | 92.18                 | 93.09                 | 6.91          | 0.91                           | 4                | 6.83                  |
| ST-4        | 365                | 96.2                  | 98.79                 | 1.21          | 2.59                           | 7                | 7.8                   |
| ST-5        | 185                | 97.44                 | 98.97                 | 1.03          | 1.53                           | 6                | 6.61                  |
| ST-6        | 177                | 97.51                 | 99.72                 | 0.28          | 2.2                            | 4                | 6.27                  |
| ST-7        | 122                | 97.88                 | 100                   | 0             | 2.12                           | 2                | 7.29                  |
| ST-8        | 365                | 98.43                 | 98.85                 | 1.15          | 0.42                           | 9                | 5.8                   |
| ST-9        | 365                | 97.15                 | 99.97                 | 0.03          | 2.83                           | 9                | 7.15                  |
| ST-10       | 365                | 88.47                 | 90.95                 | 9.05          | 2.48                           | 8                | 7.13                  |
| ST-11       | 221                | 98.69                 | 98.69                 | 1.31          | 0                              | 2                | 6                     |
| ST-12       | 365                | 95.38                 | 96.47                 | 3.53          | 1.08                           | 4                | 6.98                  |
| Tanmia-1    | 353                | 99.82                 | 99.98                 | 0.02          | 0.15                           | 8                | 5.91                  |
| ST-21       | 365                | 89.85                 | 95.91                 | 4.09          | 6.06                           | 23               | 2.03                  |
| ST-22       | 181                | 89.6                  | 94.29                 | 5.71          | 4.7                            | 17               | 1.5                   |
| ST-23       | 365                | 97.13                 | 97.53                 | 2.47          | 0.39                           | 37               | 1.04                  |
| ST-24       | 365                | 88.56                 | 98.21                 | 1.79          | 9.65                           | 28               | 2.75                  |
| ST-25       | 22                 | 100                   | 100                   | 0             | 0                              |                  |                       |
| ST-26       | 61                 | 77.77                 | 100                   | 0             | 22.23                          | 4                | 5.21                  |
| ST-Bahari-1 | 365                | 100                   | 100                   | 0             | 0                              |                  |                       |

### Mechanical down time VS operating time in all Sinotharwa rigs:

| Total Time, hrs. | Total Operating time, hrs. | Total repair time, hrs | Payable (stand by rate), hrs. | Zero rate due to mechanical down time, % | 2015 (Hrs) |
|------------------|----------------------------|------------------------|-------------------------------|--|------------|
| 131,761.00       | 127,449.50                 | 4,311.50               | 992                           | 1,102.00                                 | 2,217.50   |
|                  | 96.73%                     | 3.27%                  | 0.75%                         | 0.84%                                    | 1.68%      |

### Mechanical down time VS Operating time

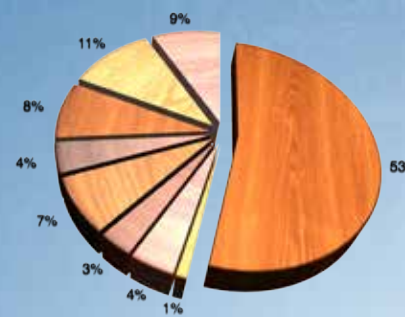




### Repair time analysis during 2015:

| Rig      | Top Drive | Mud System | Power System | Draw works | Well Cont. Equipment | Personnel Negligence | Auxiliary equipment | Overhauling | Others | Total  |
|----------|-----------|------------|--------------|------------|----------------------|----------------------|---------------------|-------------|--------|--------|
| ST-1     | 64.5      | 14         | 65.5         | 3          | 0                    | 6.5                  | 2                   | 24          | 203    | 382.5  |
| ST-2     | 2.5       | 0          | 0            | 1          | 10.5                 | 0                    | 0                   | 0           | 3      | 17     |
| ST-3     | 8.5       | 75         | 53.5         | 9.5        | 4                    | 44                   | 22.5                | 503         | 5      | 725    |
| ST-4     | 18        | 23.5       | 33.5         | 1.5        | 1.5                  | 0                    | 0                   | 89          | 15     | 182    |
| ST-5     | 14        | 64.5       | 0            | 1.5        | 22.5                 | 6                    | 0                   | 0           | 3      | 111.5  |
| ST-6     | 6.5       | 11.5       | 0            | 1          | 16                   | 6.5                  | 0                   | 0           | 36.5   | 78     |
| ST-7     | 0         | 0          | 0            | 8          | 0                    | 0                    | 0                   | 0           | 3.5    | 11.5   |
| ST-8     | 55        | 20         | 6            | 71.5       | 7                    | 2                    | 0                   | 0           | 2.5    | 164    |
| ST-9     | 2         | 22         | 0            | 2          | 5                    | 0                    | 0                   | 0           | 0      | 31     |
| ST-10    | 188       | 55         | 0.5          | 3          | 14.5                 | 97.5                 | 0                   | 529.5       | 60     | 948    |
| ST-11    | 83        | 14         | 9.5          | 4.5        | 0                    | 0                    | 0                   | 0           | 9      | 120    |
| ST-12    | 36        | 32.5       | 3.5          | 29         | 4.5                  | 1.5                  | 1                   | 240         | 55     | 403    |
| Tanmia-1 | 0         | 6          | 0            | 0          | 9.5                  | 14                   | 3                   | 0           | 1      | 33.5   |
| Bahari-1 | 1.5       | 0          | 0            | 0          | 0                    | 0                    | 0                   | 0           | 1.5    | 3      |
| ST-21    | 2.5       | 2          | 0            | 24         | 4                    | 0                    | 0                   | 349         | 7      | 388.5  |
| ST-22    | 0         | 0          | 0            | 126.5      | 32                   | 0                    | 0                   | 121         | 10     | 289.5  |
| ST-23    | 0         | 16.5       | 7            | 6          | 5.5                  | 5                    | 7                   | 205.5       | 2      | 254.5  |
| ST-24    | 0         | 3          | 1            | 0          | 0                    | 0                    | 1                   | 156.5       | 7.5    | 169    |
| ST-25    | 0         | 0          | 0            | 0          | 0                    | 0                    | 0                   | 0           | 0      | 0      |
| ST-26    | 0         | 0          | 0            | 0          | 0                    | 0                    | 0                   | 0           | 0      | 0      |
| Total    | 436.5     | 328.5      | 154          | 291        | 136.5                | 180                  | 34.5                | 2145.5      | 374.5  | 4311.5 |

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



- Overhauling
- Power system
- Auxiliary equipment
- Personal negligence
- Well control equipment
- Draw work
- Top Drive
- Mud System
- Others

### Actions taken to realize the above achievements:

1. Follow up maintenance schedule to minimize rig repair.
2. Visit and auditing all rigs to improve maintenance and close gaps.
3. Optimizing cost by transfer material and spare parts from rig to another and minimize orders.
4. Cover all rig needs (material 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...).

### Water Well Project:

Reference to the Egyptian government plan which aims to cultivate 4 million acres during the coming years, This huge project will contribute to Egypt's self-sufficiency in strategic crops at a time when Egypt lose large tracts of agricultural land, the project will be completed on stages, the first step starts with million- acres Reclamation project as a starting point from which to start to complete the rest of the project.

The main water source required for million-acres Reclamation project will depend mainly of using ground water by drilling water wells at both Shallow and deep depths, the well depths will be varied from 400 m to 1500 m according to the area in which the well will be drilled, the type of the existing aquifer, lithology and geology historical.

The Egyptian government has assigned the well drilling projects necessary for the implementation of the million-acre reclamation project to Egyptian General Petroleum Corporation which in turn assigned drilling of 500 well from the deepest water wells which will be drilled ( $\pm 750 - \pm 1500$  m) at west west Elminia area and 15 wells at El Farafra area to Sinotharwa drilling Co. to be achieved and executed in one year.

Accordingly Sinotharwa drilling Co. started to put the plan to execute the assigned work and achieve the national dream, Sinotharwa has studied the project from all corners and detect all required rigs and equipment to achieve the mission in one year.

Sinotharwa will use the modern drilling technology, high-Tech and advanced drilling units with experienced and skilled employees to achieve this project with safe and effective operations, Sinotharwa plan to execute the work with 20 new Sinotharwa' s drilling rigs and another 20 rigs on rental basis, most experienced casing running, logging and cementing service companies.

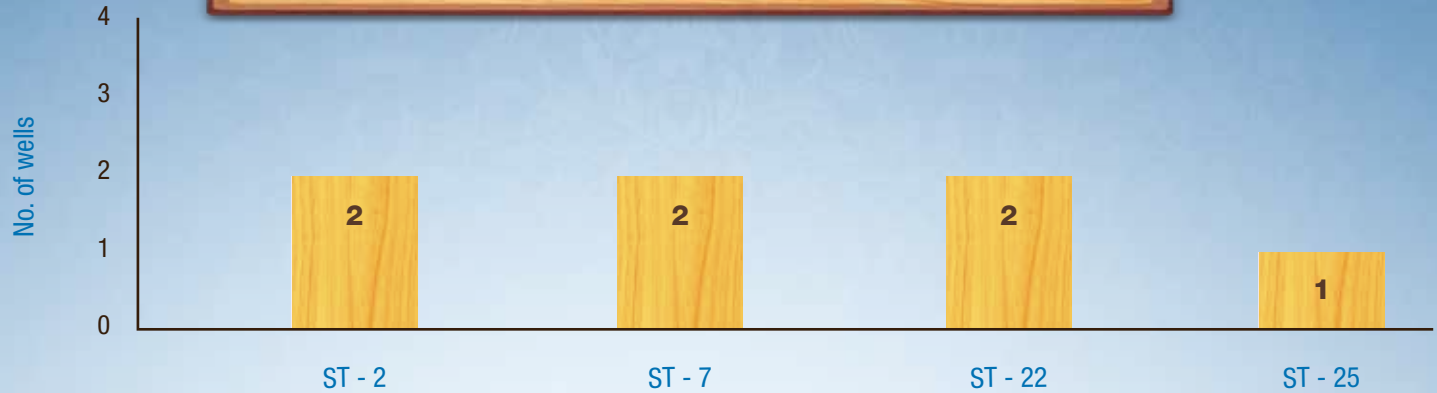
Sinotharwa applies the best practice and standard in drilling industry to execute this mission, deliver and commence drilling operations safely and reliably to sustain our reputation for operational excellence.

By end of October, Sinotharwa started to move stack rigs to start water well project at both Elminia and El Farafra areas as following:

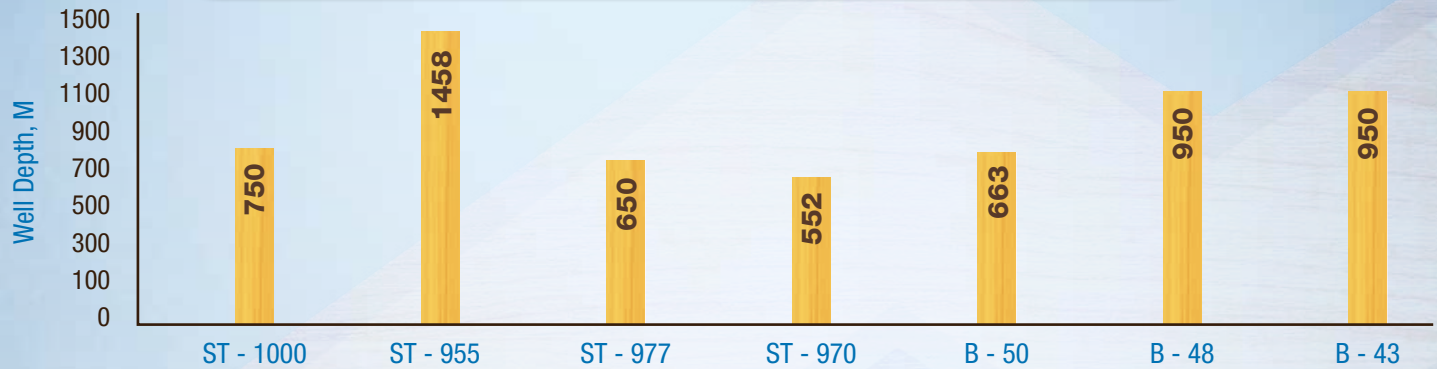
- ST-7 has been moved to West West Elminia area, rigged up and started drilling first water well on Oct 31st 2015.
- ST-2 has been moved to West West Elminia area, rigged up and started operation on Nov 30th 2015.
- ST-22 has been moved to El Farafra area, rigged up and started operation on Nov 11th 2015.
- ST-25 has been moved to El Farafra area, rigged up and started operation on Dec 10th 2015.
- Rig OGS-7 (650 hp ) has been moved to Elminia Area, started operation on Jan 5th 2016.
- Rigs Trust 101, Trust 102 and Trust 103 have been moved to West West El minia area, will be used to drill 26" hole and run 20" Csg only.
- Rig Modern Supply Chain has been moved to El Farafra area, will be used to drill 26" hole and run 20" Csg only.



### Drilled Water wells by each rig



### Drilled Water wells Average depth



### Looking Forward :

- While we achieved in 2015, we remain singularly focused on our future and the continued execution of our strategy in 2016. 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.





**Engineering**





## A VISION TO CLEAR SOLUTIONS

### Investment In Training & Development (T & D):

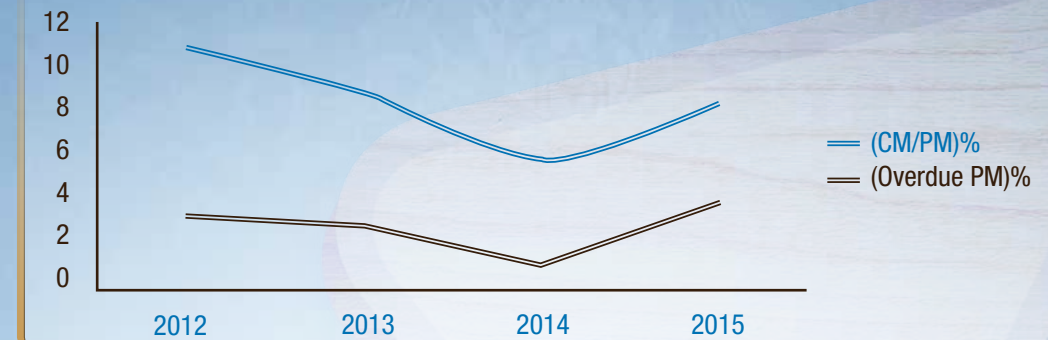
- As a part of engineering activity is to improve technical skills & qualification for all maintenance crew at rig sites.
- Engineering department implement training programs for all maintenance crew at rig site , in our training rooms & our workshop to be sure that all maintenance crew at rig sites theoretically & practically trained.

### Corrective Maintenance (CM) vs Preventive Maintenance (PM)

| Year | Preventive Maintenance (PM) | Corrective Maintenance (CM) | Overdue PM of Equipment |
|------|-----------------------------|-----------------------------|-------------------------|
| 2012 | 29875                       | 3324                        | 992                     |
| 2013 | 32850                       | 3029                        | 958                     |
| 2014 | 35942                       | 2103                        | 407                     |
| 2015 | 40520                       | 3463                        | 1618                    |

### Key Performance Indicators (KPI's)

| Sr. | Key Performance Indicators (KPI) | Year 2012 value | Year 2013 value | Year 2014 value | Current Value (Year 2015) |
|-----|----------------------------------|-----------------|-----------------|-----------------|---------------------------|
| 1   | CM / PM for Equipment            | 11%             | 9%              | 6%              | 8.5%                      |
| 2   | Overdue PM of Equipment          | 3.32%           | 2.90%           | 1.13%           | 4 %                       |



### Badr Workshop Overhauls:

#### 1- Heavy Equipment Overhauls:

1. 4ea Travelling block.
2. 4ea Crown block.
3. 3ea Drawworks.
4. 4ea Eaton.
5. 5ea Mud pump.
6. 4ea Double ram BOP 5000.
7. 1ea Shear ram BOP 5000.
8. 4ea Single ram BOP 5000.
9. 4ea Annular BOP 5000.
10. 4ea choke manifold.
11. 2ea Tesco Top Drive.
12. 2ea Varco Top Drive RLA.
13. 4ea Koomey unit.
14. 1ea Diesel Welding Machine Type: Big Blue 600 xCC.
15. Atlas Copco, compressor.
16. Air compressor SA45A.
17. Allison Transmission.
18. Backup Fire engine.
19. 4ea Mud cleaner.
20. 1ea Power tong.
21. 2ea workover Power tong.
22. 1ea Mud pump gearbox.
23. 1ea PTO (power take off).
24. 5ea Air winch.
25. 4ea Derrick air winch.
26. 1ea Man rider winch.
27. 2ea cellar pump.
28. 2ea purifier.
29. Prepared mud pump complete with chaidong engine for use in frafra zone.





## 2-Cat Engines Overhauls:

|             |                     |
|-------------|---------------------|
| Engine 3406 | 6 ea Major overhaul |
| Engine 3406 | 1 ea Top overhaul   |
| Engine 3512 | 1 ea Major overhaul |
| Engine 3512 | 5 ea Top overhaul   |
| Engine 3516 | 1 ea Top overhaul   |





**Project Achieved :**



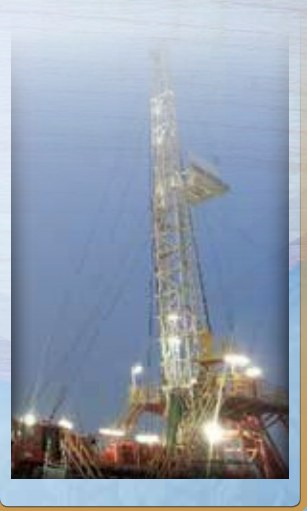
**ST-1 Hooper and shear pumps issues, repair under high viscous criteria**



**ST-10 Varco TD installation instead of Tesco TD “ST-6”**



**• ST-26 new rig commissioning and acceptance for operator Dana Gas**



**• ST-25 new rig commissioning and acceptance for operator Armed Forces**

**Camp Repair:**



**Renovation for (ST# 1,3,12,23) fly camps.**

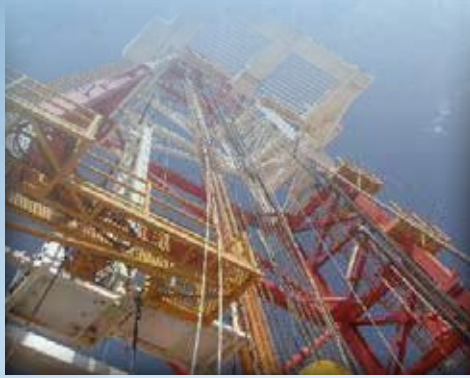


**Renovation for (ST# 1,3,23) mess hall & kitchen.**





## Managing the new build program



- **ST new rigs camps fabrication ( ST-14, ST-15, ST-16, ST-25 and ST26).**
- **ST-14 rig up 100% , waiting for acceptance upon client readiness.**
- **ST-15 rig up 10%.**
- **ST-16 ready for shipment from China.**





# **IT AND TELECOMMUNICATIONS**





## IT & Telecommunications

We are thinking different

### Objective:

The Department follows an overall organization strategy for successful adds value for our targeted company mission over the long run by consistently meeting the business requirement and focusing our efforts to meet our company business goals and achievements.



### Mission:

Developing our information technology policies, procedures, and practices that efficiently and effectively manage IT assets and meet the technology needs of the organization and committed to deliver an effective and efficient support service, helping users optimize the benefits derived from our solutions.



## Telecommunications, Systems & Networking

Tomorrow solutions have been implemented

### 2015's Achievements:

#### Migrating Antivirus End point solution to latest updated and advanced solution.

- Business security environments are more complex than ever before, at the same time, cybercriminals and hackers are using increasingly cunning and sophisticated methods to attack all sizes of businesses.
- Multi-layer defenses. Vulnerability scanning and patch management technologies help to eradicate vulnerabilities within our operating systems and application software, while data encryption helps to safeguard confidential business information.



#### Redesigning ST infrastructure information security adding new security elements and enhancing the exists as below.

- Reconfiguring the existing firewall with the most updated security strategies as a first layer of firewall.
- Implementing High Availability technology for the first layer of firewall using new identical hardware.
- Implementing second layer of firewall by using new different hardware brand with applying the latest updates security strategies recommendations and guidelines.
- Implementing Identity and Access Management solution to secure the physical layer of internal ST network through grand authentication, authorization and privileges to permitted devices only.

#### Enhancing CCTV systems in head office and Badr yard.

- Physical security became a major factor of business protection, SinoTharwa investing to enhance CCTV systems in Head Office and Badr yard by increasing and re-designing the distribution of cameras considering the required storage to reach the optimum life cycle of recorded data.

#### Implementing IPsec VPN tunnel to link Algeria Office with HQ Cairo Office.

- While there is no means for distances in the new world, IT department provide the solution to link the new office in Algeria with all SinoTharwa cloud, that's providing advanced features for Algeria office users .
- Using voice services with all ST sites all over the world with zero cost using AVAYA technology.
- Implementing internal servers and systems connected and synced with main systems in head office.
- All ST users on Algeria office and using all information's resources in all ST sites.
- Oracle application can be used from anywhere in ST cloud as a centralizes resource planning system.

#### Upgrading business data Backup System to latest technology considering ISO requirements in Head office , Jack Up and Badr sites.

- In order to redesign the backup system to meet our data volume expansion and providing the most security level of business data, IT department upgrade the backup system to the latest version to get a full compatibility with other running systems and design an offsite backup plan to keep a copy of backed up data in different physical local considering ISO requirement.





## Technical Support

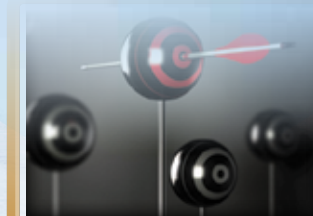
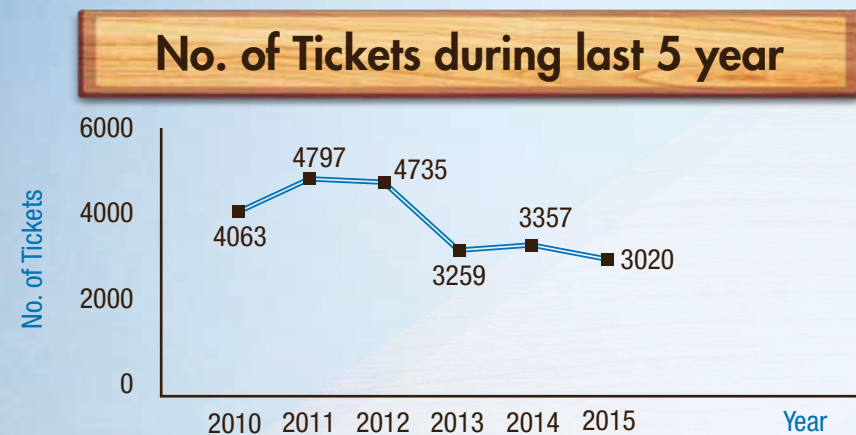
High performance has been delivered

### 2015's Achievements:

#### Migrating Service Desk application to latest version v9.0.

- Service Desk Plus is an ITIL ready IT help desk software with advanced ITSM functionality helps IT support teams deliver world-class services to end users with reduced costs and complexity, Reduce outages, improve agent productivity, meet SLAs, and manage the complete lifecycle of your IT tickets.

According to the enhancement in ST technologies and systems, number of 2015 tickets have been reduced as per the below graph.



#### Up to date End User Guideline.

- Frequently Update End User Guide to improve the productivity of our users by providing some technical guidance tips that can be done by the user and up-to-date user with the latest technology news over Monthly reports

#### Up to date IT Book.

- Regularly Update IT Book that Covering all IT and Telecom. Department Components, infrastructures, services and Configurations to be used as a model manual for IT staff.

Applying Automatically SLA Using Help Desk Application that define the priority levels of services to enhance our services quality.

Enhance and enrich solutions' knowledge base.



## Enterprise Resource Planning

Creativity is our duty

### 2015's Achievements:

#### 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:

- Start testing and updating Oracle R12 Payroll application.
- Start gathering data of Land Rigs for Enterprise Asset Management Application.
- Start testing new functions for the Budget in General Ledger Application.
- Define new Organizations for the Water-Well project and start creating transactions upon.
- Build customized business reports for fast actions and cost saving.
- Add new customized functionalities and build a business report for Security Department.
- Update the existing Approval Cycles according to many positions' amendments.
- Start the Analysis and Design phase for the new Algeria Approval Cycles (POs and Requisitions).

#### 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.

#### 3. Decision Support System:

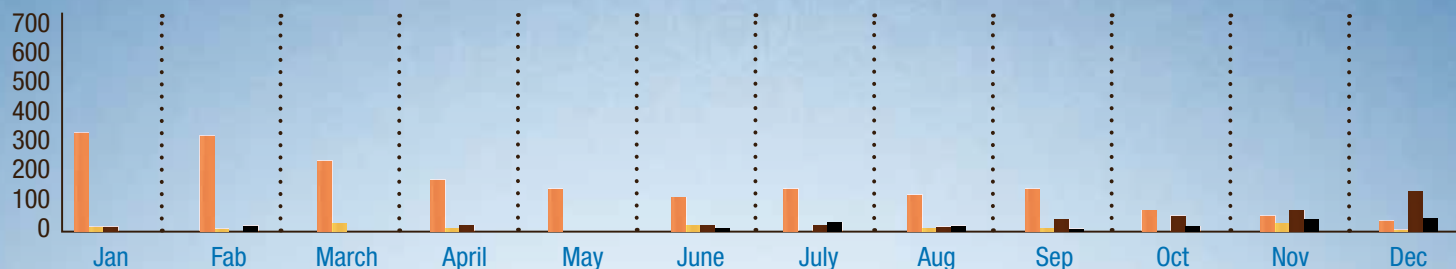
- ERP system provides a real-time view of the company's overall performance and provide the right information at the right time which helps managers to make proper decisions in a timely manner. This allows for better decision making and therefore ERP acts like a decision support system.

#### Achievements:

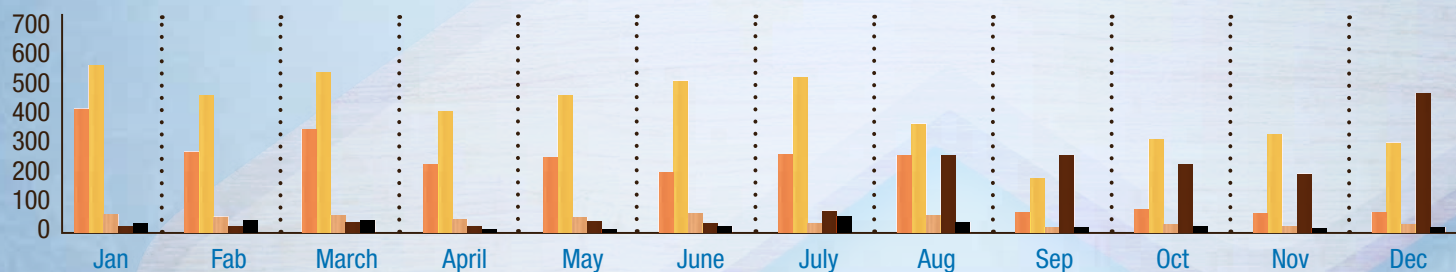
- Producing KPIs Reports on weekly and monthly basis.



## Purchase Orders KPIs for 2015 (graph)



## Requisitions KPIs for 2015(Graph)







**Procurement**





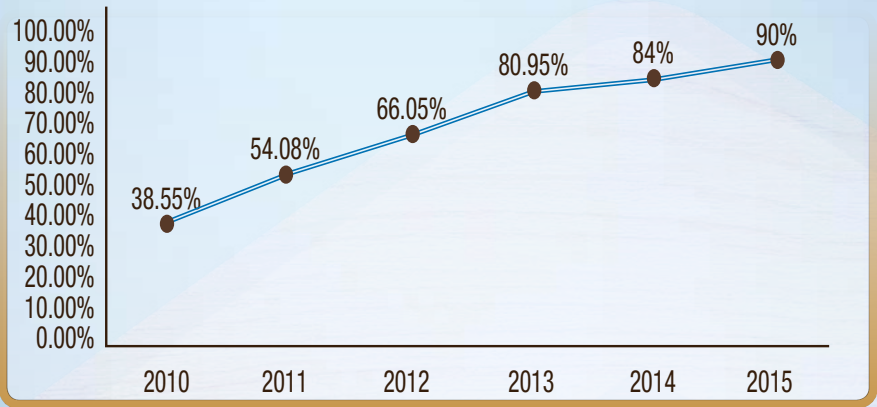
## Materials Planning

The Planning Function Is Responsible For Ensuring Materials Are Available For Running Operation, Maintain the Lowest Possible Level of Inventory & Plan Purchasing Activities,

**Mission :**  
Increase Fill Rate, Decrease Inventory Value and Increase Turnover Rate.

### Fill Rate

Reflect number of requisition lines covered through planned inventory. Without regard to Major Overhauls, Capital assets, new projects and services Requests, which are treated in another way requests We have Achieved 90% Fill rate During 2015 .  
The Below Chart Shows continues Increase of Fill Rate by Time

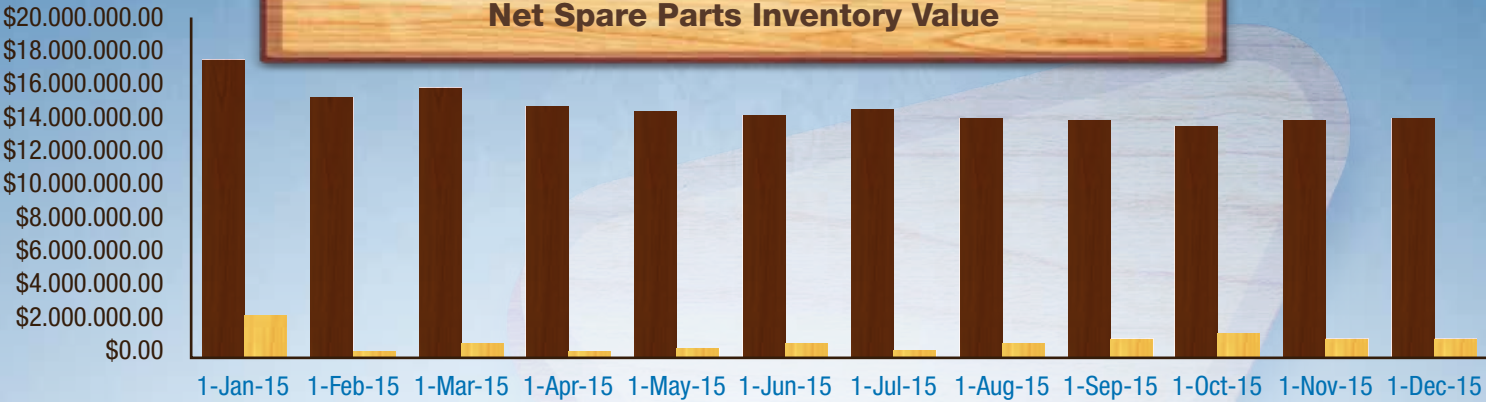


### Net Spare Parts inventory :

We have achieved 6% decrease in net spare parts inventory in 2015 as per below references.

| Month                     | 1-Jan-15        | 31-Jan-15       | 28-Feb-15       | 31-Mar-15       | 30-Apr-15       | 31-May-15       | 30-Jun-15       | 31-Jul-15       | 31-Aug-15       | 30-Sep-15       | 31-Oct-15       | 30-Nov-15       | 31-Dec-15       |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Net Spare Parts Value     | \$14,938,871.38 | \$17,421,608.60 | \$15,194,168.48 | \$15,757,718.21 | \$14,732,833.01 | \$14,421,148.51 | \$14,165,908.97 | \$14,507,727.12 | \$14,081,083.05 | \$13,852,607.28 | \$13,534,333.75 | \$13,880,887.70 | \$13,977,148.38 |
| Net Spare Parts Shrinkage | 0               | 2,482,737.22    | 255,297.10      | 818,846.83      | 206,038.37      | 517,722.87      | 772,962.41      | 431,144.26      | 857,788.33      | 1,086,264.10    | 1,404,537.63    | 1,057,983.68    | 961,723.00      |

### Net Spare Parts Inventory Value



**We Have Started Deployment Of DRP ( Distribution Requirement Planning ) During 2015 That Help To Better Management Of Inventory In The Below Areas:**

- Strategic Inventory Positioning: That Help to Place Inventory Items Within Reach Of Consumer.
- Demand Driven Planning: Takes Advantage of ERP System to Replenish Inventory Soon It Consumed.
- Highly Visibility and Collaborative Execution of Inventory Replenishment.

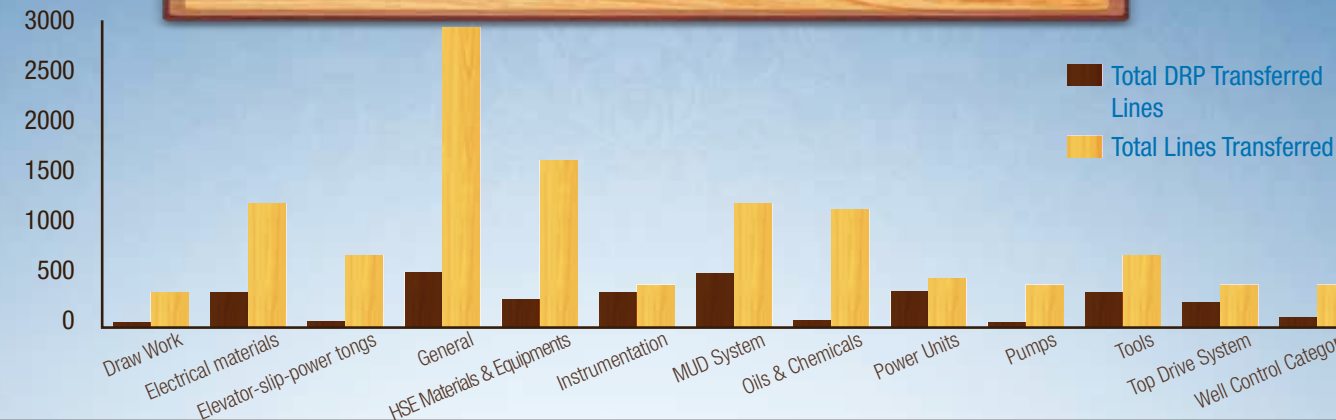
Total Transfers Based on DRP Was 1293 Lines. The Percentage of Transferred lines based on DRP to Total Transfers Was 12% as per below.

### DRP Transfer per Category

| Category                  | Total Transfers As Per DRP | Total Lines Transferred | Percentage |
|---------------------------|----------------------------|-------------------------|------------|
| DRAW WORK                 | 12                         | 145                     | 8%         |
| ELECTRICAL MATERIALS      | 86                         | 1055                    | 8%         |
| ELEVATOR-SLIP-POWER TONGS | 4                          | 497                     | 1%         |
| GENERAL                   | 341                        | 2823                    | 12%        |
| HSE MATERIALS &EQUIPMENTS | 57                         | 1457                    | 4%         |
| INSTRUMENTATION           | 100                        | 220                     | 45%        |
| MUD SYSTEM                | 324                        | 1053                    | 31%        |
| OILS & CHEMICALS          | 11                         | 987                     | 1%         |
| POWER UNITS               | 178                        | 286                     | 62%        |
| PUMPS                     | 1                          | 209                     | 0%         |
| TOOLS                     | 112                        | 493                     | 23%        |
| TOP DRIVE SYSTEM          | 66                         | 171                     | 39%        |
| WELL CONTROL CATEGORY     | 1                          | 197                     | 1%         |
| Grand Total               | 1293                       | 10535                   | 12%        |



### DRP Transfer Per Category



### Purchasing

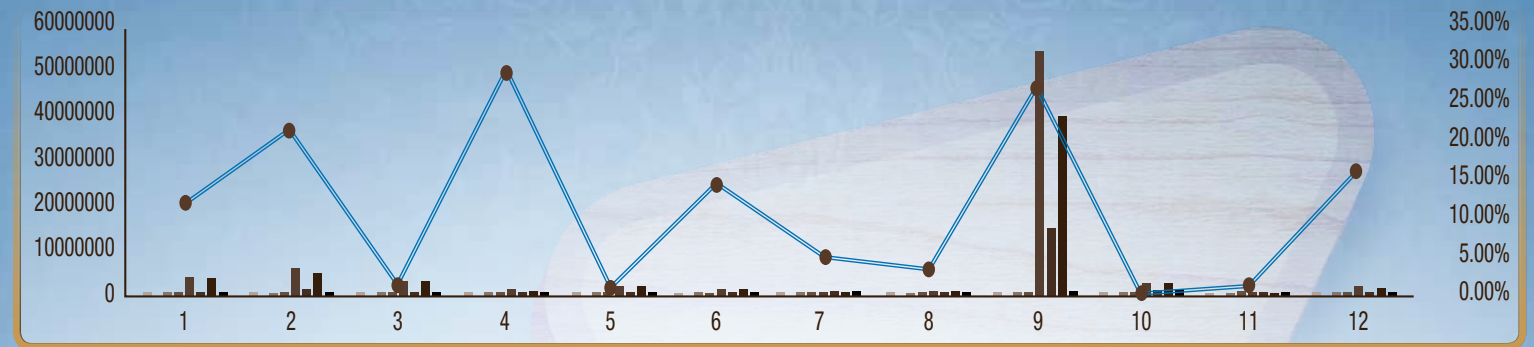
Purchasing Division seeks to purchase the goods and services for stakeholder departments through requests for proposals, bids, and quotes with the best delivery for these specific requirements supported by capable vendors to adhere supplying the materials and make services with high quality standard on Time.

Purchasing Manager, Supervisor and Buyers evaluate suppliers on the basis of price, quality, service support, availability and reliability in Domestic and foreign Market.

- Ensure smooth work flow & commitment our Operation's needs.
- Ensure implement Iso Quality standard across all Purchase Functions.
- Continue sourcing strategy and vendor management to enhance our Company requirements on Time.
- Challenge the Urgent Cases on Time.

### Purchasing KPI

| Procurement Team |                                  | 2015         | 2015         | 2015         | 2015         | 2015         | 2015         | 2015       | 2015       | 2015          | 2015         | 2015       | 2015         |
|------------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|------------|---------------|--------------|------------|--------------|
| #                | Procurement KPIs                 | Jan          | FEB          | Mar          | Apr          | May          | Jun          | Jul        | Aug        | Sep           | Oct          | Nov        | Dec          |
| 1                | Number of items Sourced          | 2,210        | 2,813        | 1,061        | 397          | 1,197        | 1,164        | 454        | 532        | 365           | 298          | 246        | 241          |
| 2                | # of PO awarded                  | 480          | 330          | 231          | 125          | 208          | 117          | 105        | 199        | 139           | 52           | 97         | 68           |
| 3                | Total value awarded              | 4,095,402.75 | 5,881,009.55 | 2,918,362.47 | 1,002,668.00 | 1,886,142.64 | 1,233,599.30 | 655,015.36 | 870,781.72 | 54,058,525.07 | 2,466,190.45 | 383,285.16 | 1,733,953.80 |
| 4                | Total Discount value             | 499,351.16   | 1,275,258.70 | 32,469.21    | 295,507.49   | 13,742.96    | 182,032.08   | 33,454.52  | 28,160.59  | 14,798,130.46 | 1,815.14     | 4,687.49   | 272,166.98   |
| 5                | Net awarded Value for Pos        | 3,596,051.59 | 4,605,750.85 | 2,885,893.26 | 707,160.51   | 1,872,399.69 | 1,051,567.22 | 621,560.84 | 842,621.13 | 39,260,394.61 | 2,464,375.31 | 378,597.67 | 1,461,786.82 |
| 6                | Number of negotiation approach   | 740          | 727          | 124          | 36           | 27           | 737          | 39         | 36         | 27            | 15           | 8          | 32           |
| 7                | % of cost saving per negotiation | 12.19%       | 21.68%       | 1.11%        | 29.47%       | 0.73%        | 14.76%       | 5.11%      | 3.23%      | 27.37%        | 0.07%        | 1.22%      | 15.70%       |



Increases in purchase orders with values of year 2015 due to Water well and Algeria projects in our Business

### Follow-Up

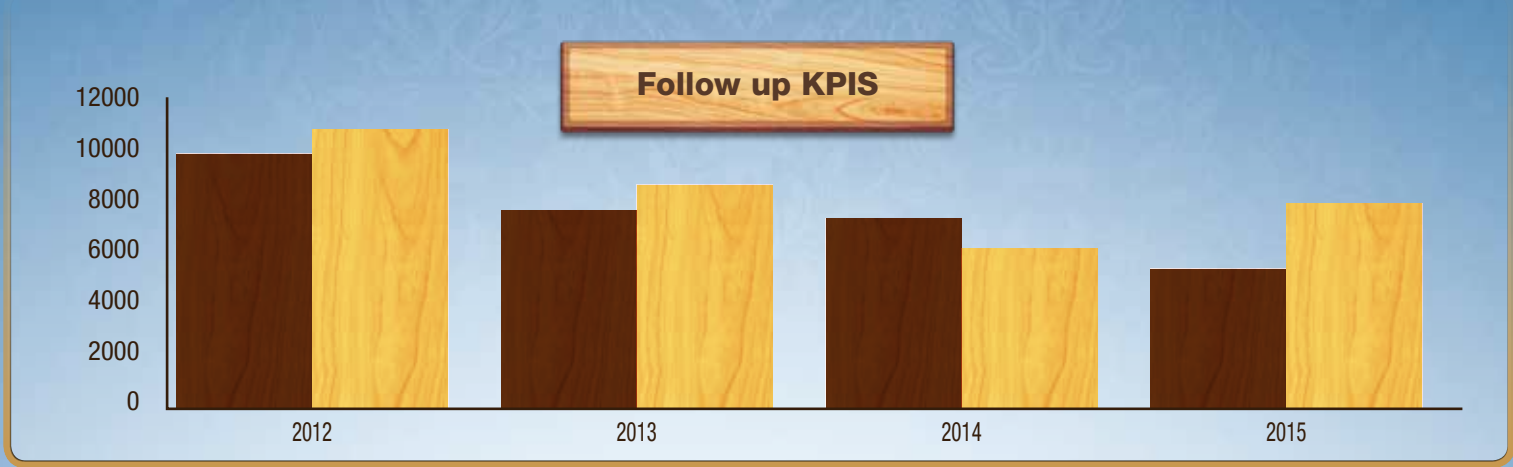
Follow up division 2015 adhered to comply supply chain processes internally and externally, beside measuring performance and reporting the supply chain performance. Share information with all stakeholders internally & externally. To work on the development of the customer relationship management & the supplier relationship management. The follow up section is divided into different process:

- External follow up.
- Urgent cases.
- Supply chain performance measure and reporting.
- New Rigs Project

### KPI comparing with 2012, 2013, 2014, 2015

| Follow up KPIs          | 2012  | 2013  | 2014   | 2015 |
|-------------------------|-------|-------|--------|------|
| Total Promised          | 11823 | 10301 | 10096  | 9000 |
| Number of Po# Delivered | 11435 | 9845  | 7123   | 8622 |
| Number Of Net Due Items | 0     | 0     | 1840   | 378  |
| Percentage              | 97%   | 96%   | 93.71% | 96%  |
| Percentage              | 97%   | 96%   | 93.71% | 96%  |





## Logistics

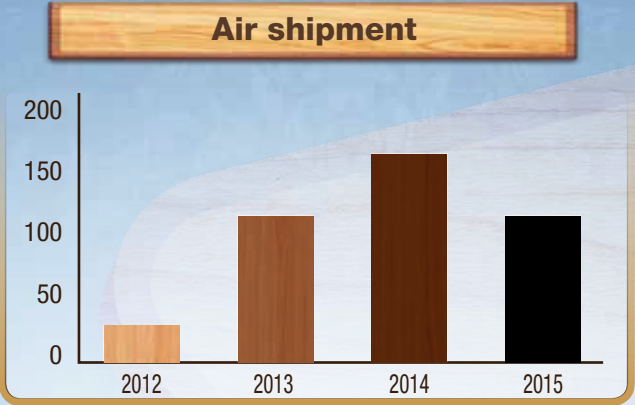
Logistics mainly focuses on less expensive with the exact time the best quality of services, which is the most important thing in our mission in order to avoid errors and costs in our Framework and maximum profitability of the company.

## Vision and mission

**Reduce Freight Costs or Cut Freight Expenses by Optimizing Order Quantity (collect shipments and containerization )**  
 Optimize logistics by focusing on using the most efficient use of air, land and ocean modes of Transportation “Choosing the Best Mode depends on shipment priority”  
 Increase speed for customs cycle times, and squeeze control of the supply chain while reducing time in transportation, Inventory and order fulfillment  
 Reduce the costs of customs clearance and transport through: Accelerate customs cycle times to avoid any additional fees or demurrage

## Logistics achievements

- 121 Shipment Via Sea
- 149 shipment Via Air
- 221 Customs Declaration in extract time
- 234 Request for Quotation sent to freight forwarders
- 82 Custom Renewal
- 87% from all shipment shipped in plan time
- In March, 2015 we shipped Solid Control system , Caravans and spare parts for ST#14 , shipped from Egypt to Algeria
- In June, 2015 we shipped Solid Control system , Caravans and spare parts for ST#15 , shipped from Egypt to Algeria



| Air Shipment      | 2012 | 2013 | 2014 | 2015 |
|-------------------|------|------|------|------|
| # of Air Shipment | 44   | 109  | 158  | 149  |



| Sea Shipment      | 2012 | 2013 | 2014 | 2015 |
|-------------------|------|------|------|------|
| # of Sea Shipment | 43   | 75   | 117  | 121  |



## Warehouses & Stock Control

The scope of controlling goods is to make a chain between buying goods, storing as standard storing, ending with on time delivering by perfect conditions to assure that the supply chain process in an integrative system, also to supplying high reactivity which affects company reputation

Stock control is responsible to serve the operation to keep it running

Stock control is responsible to delivering high quality of supplying of the cooperate with both operation and maintenance

### Main Objective

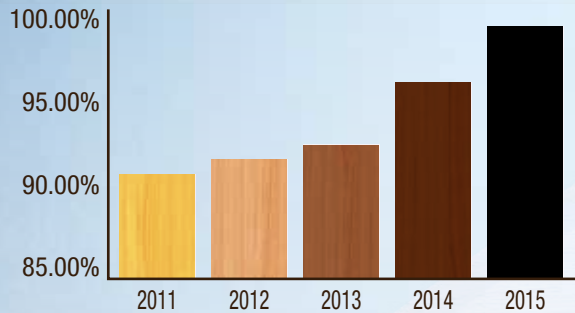
Storing and inventory control

Quality assurance

Improving division efficiency

Improving Performance man power

### 20 / 80 Random Audit

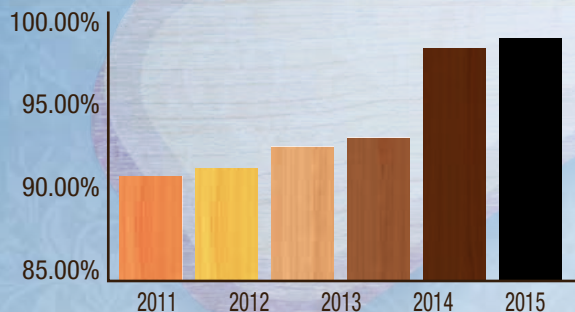


### 20 / 80 Site Random Audit

One of the most important goal is to improve the inventory data accuracy. During the last five years we achieved some improvement in the inventory data accuracy to reach 98.58 % as per the following chart:

| Year       | 2011   | 2012 | 2013   | 2014   | 2015   |
|------------|--------|------|--------|--------|--------|
| Percentage | 90.30% | 92%  | 93.50% | 97.70% | 98.58% |

### Annual Inventory Data Accuracy Results



### Annual Inventory Data Accuracy Results

Annual Inventory Data Accuracy Results, Data accuracy percentage trend

| Year       | 2010  | 2011   | 2012 | 2013  | 2014 | 2015   |
|------------|-------|--------|------|-------|------|--------|
| Percentage | 91.2% | 91.30% | 94%  | 95.6% | 98%  | 98.57% |





**CONTRACTS**



### Mission:

Securing contracts validity to all SinoTharwa Rig fleet was the main target of 2015 in order to efficiently persist and survive through the terrible worldwide oil price crisis.

### Objectives:

- Review SinoTharwa services contracts for achieving the peak cost optimization values in harmony of having an equivalent quality of the provided services.
- Issuing domestic tenders and Inquires for adding new services contracts along with the best provided prices as well as quality standards offered in the market.
- Compensating the Oil crisis influence on SinoTharwa income, through expanding its activities in the water wells drilling project.
- Secure and maintain our current drilling Contracts with the highest rates available.
- Launch in new markets for our Land Drilling and Work-Over Rigs both in the national and international markets by contributing in several offers and tenders to seek long term contracts.
- Kickoff our operations in Algeria with the highest performance.

### Drilling Section:

Ever Since SinoTharwa Contracts Department has the full willingness to brighten the company's reputation in the Drilling Market both domestically & internationally by offering Competitive Technical & Commercial Proposals to secure its current Rig fleet as well as acquire new drilling contracts for Onshore and Offshore Rigs.

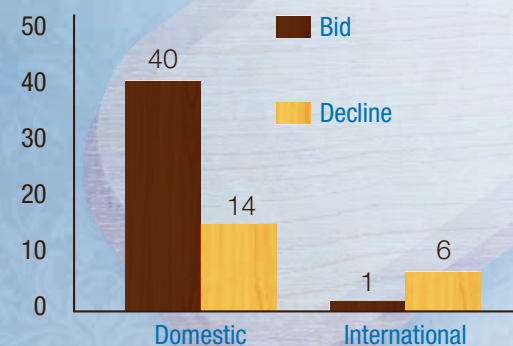
In 2015, SinoTharwa continue its international expansion by bidding in several tenders and inquiries as well as prequalification invitations for Oil and Gas Companies working in Algeria, Kuwait and Saudi Arabia.

#### 1- OnShore :

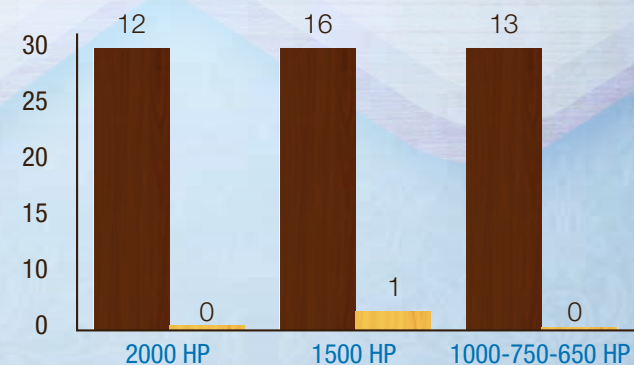
Tenders & Inquires:

During 2015, we participated in 41 tenders and inquiries and declined in 20 tenders and inquiries due to the non-availability of the required rigs or the short term contracts duration.

### Tenders & Inquiries Participation



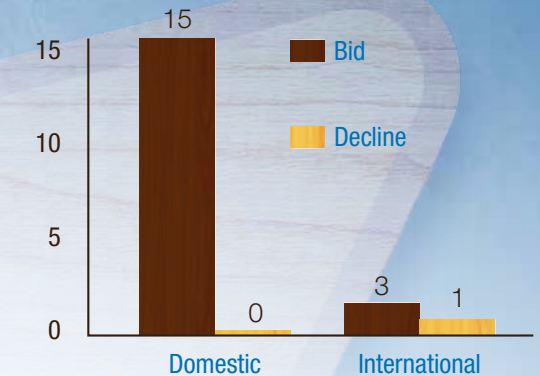
### Onshore Drilling Participation



#### 2- Off-Shore :

Since Bahari-1 Jack up contract with GUPCO duration was to be expire at the end of March 2016, we participated in 1 tender and other 17 offer and inquiries and declined to bid in only 1 international tender due to its short contracts duration and the high cost incurred compared to the contract duration.

### Tenders & Inquiries Participation



#### 3- SinoTharwa in Algeria:

The Contracts department started its challenge to contract all services required to support drilling Operations for Rigs ST-14 & ST-15 contracted for two years firm and two years optional with Groupement Timimoun, In Algeria. In order to select the most competitive contractors in the Algerian market, the Contracts Department has selected its suppliers and contracted 5 services providers by the following three means based on the urgency of the services:

1. Multinational Current Contractor: our VSAT service providers in Egypt has been contracted in Algeria in order to link all SinoTharwa offices and Rigs to ease the internal communications, which is the sole contractor that can link all our communications system.
2. Offers: Three offers were collected from the best service providers in the Algerian market for the following services and Contracts have been signed with the most competitive submitted offers:
  - Tubular Inspection, NDT, Calibration for Rig instrumentation Equipment, Pressure testing and lifting Gears inspection Services
  - Machine Shop Services
  - Outsourcing and Training services
3. Tenders: The Contracts Departments has launched a tender in Algeria for the Catering and Housekeeping services in order to select the most competitive service providers with the best Quality meeting SinoTharwa Standards, and a contract has been signed with the tender successful bidder.

### Drilling Section:

SinoTharwa is facing a big challenge with the terrible drop in the Oil prices worldwide, in 2015, the Contracts department main goal was to sustain its market share in the Egyptian market through negotiating our rates to maintain our current contracts through extensions as well as contracting our expired contracts. We had set a minimal negotiation plan in order to maximize our profitability as well as to keep our long-term relationship with our current contractors during the crisis phase.



### Extended contracts

| Rig      | Company                        | Contract Extension |
|----------|--------------------------------|--------------------|
| ST-1     | Belayim Petroleum Company      | Two years firm     |
| ST-3     | Belayim Petroleum Company      | Two years firm     |
| ST-4     | General Petroleum Company      | One year firm      |
| ST-6     | Khalda Petroleum Company       | 6 months firm      |
| ST-8     | Agiba Petroleum Company        | One year firm      |
| ST-9     | PetroAmir assigned to GPC      | One year firm      |
| ST-10    | Khalda Petroleum Company       | One year firm      |
| ST-12    | Belayim Petroleum Company      | Two years firm     |
| ST-21    | Agiba Petroleum Company        | One year firm      |
| ST-23    | Belayim Petroleum Company      | One year firm      |
| Tanmia-1 | Petro Silah Petroleum Company  | One year firm      |
| Bahari-1 | Gulf of Suez Petroleum Company | 7 months firm      |

### New Contracts

| Rig   | Company                      | Contract Duration                   |
|-------|------------------------------|-------------------------------------|
| ST-5  | Petro Amir Petroleum Company | One year firm                       |
| ST-11 | Belayim Petroleum Company    | One well firm and one well optional |
| ST-26 | Wastani Petroleum Company    | Six months firm                     |

### Expired contracts

| Rig   | Company                         | Expired date                            |
|-------|---------------------------------|---|
| ST-2  | Wadi El Sahal Company           | One year firm ended on 18 November 2015 |
| ST-5  | Gabal El Zeit Petroleum Company | 3 wells firm ended on 3 July 2015       |
| ST-7  | Petroshahd Company              | 2 Wells released on 14 July 2015        |
| ST-10 | Khalda Petroleum Company        | 1 year firm ended on 30 May 2015        |
| ST-22 | Qarun Petroleum Company         | 1 year firm ended on 28 February 2015   |
| ST-22 | Petroshahd Company              | 2 Wells released on 11 November 2015    |
| ST-24 | Badr ElDin Company              | Expired on 21 December 2015             |

### Terminted Contracts

| Rig   | Company                         | Termination Date         |
|-------|---------------------------------|--------------------------|
| ST-2  | Qarun Petroleum Company         | Terminated in March 2015 |
| ST-5  | Khalda Petroleum Company        | Terminated in March 2015 |
| ST-11 | East AbuSenan Petroleum Company | Terminated in April 2015 |

### 4- Mud Logging Services :

SinoTharwa plan is to acquire a bigger market share in the mud logging services in Egypt; accordingly, we have participated in 11 mud logging tenders. In addition, we are planning to add 5 new mud logging units after being awarded a tender of Qarun Petroleum Company.

One of the units is contracted to PetroSilah Petroleum Company ending May 2016, the second unit has been contracted with PetroSilah upon being awarded in a tender for to 2 years firm, and the 3rd unit is contracted with Mansoura petroleum Company and its contract has been extended for two years firm.



5- Water Well project:

In 2015, The Ministry of Petroleum and Mineral Resources has signed a protocol with the Ministry of Water Resources and Irrigation to cooperate on drilling 500 wells in the area of West Minya, to make use of the underground water for irrigation. And based on the protocol signed, the Egyptian General Petroleum Corporation (EGPC) signed an agreement in August 2015 with the Ministry of Water Resources and Irrigation to carry out the project, where the EGPC assigned SinoTharwa all its obligations related to the drilling water wells project.

The contracts Departments was committed to support the drilling activities in the Water wells Projects by finalizing the agreement related the rental Rigs and the provided Services in the Egyptian Market; accordingly, we have launched a dry steel Rigs tender in order to rent the best Rigs with the most competitive prices to meet the Water Wells Project requirements. In Addition, 10 other service tenders and moves have been issued in order to support the drilling projects such as Running casing, hammering, location Preparation, wire logging, rigs move, casing move, catering, cementing, camps rental ...etc.).

In Order to accelerate the progress for the water wells drilling project and fulfill the obligations assigned from both ministries Petroleum and Irrigation, SinoTharwa had decided to carry out the required operations through assigning its own rigs.

Project Assigned Rigs are as follows:

| Rig   | Commencement date |
|-------|-------------------|
| ST-2  | 18 November 2015  |
| ST-7  | 6 October 2015    |
| ST-22 | 20 October 2015   |
| ST-25 | 14 November 2015  |

Services Section:

In accordance to the drop of the Oil Prices which negatively affected the drilling operating rates, SinoTharwa reacted to this decline by revising all its current services contracts to reach its cost optimization plan by applying the maximum discounts with the same provided quality. After ten years of existence in the Egyptian market, SinoTharwa succeeded to build a strong relationship with its contractors and many of them accepted to support SinoTharwa in the above mentioned cost optimization.

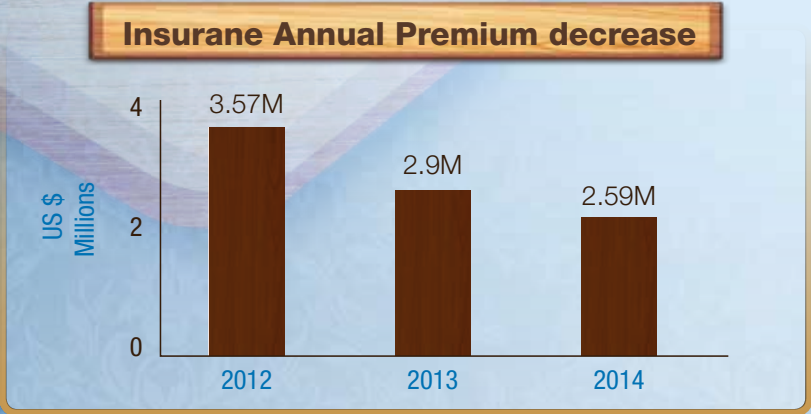
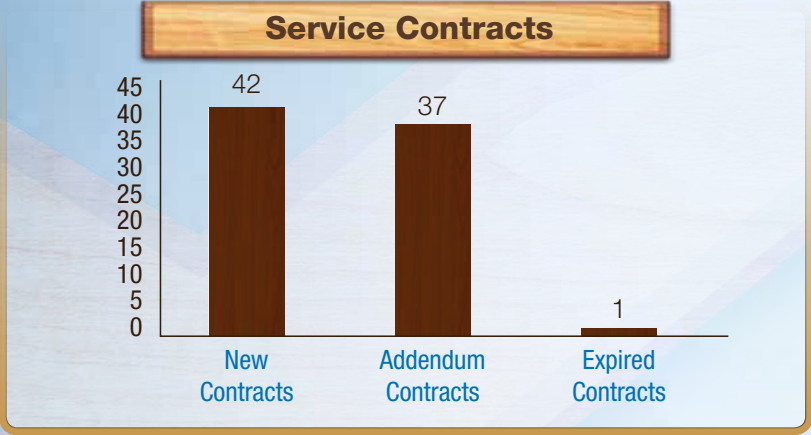
On the other hand, SinoTharwa had obtained new services contracts with the best market prices and best quality through issuing tenders domestically as well as contracting with new suppliers offering the same quality of current Suppliers with lower prices.

1- Service Tenders:

As one of the contracts Department objectives is to support other departments to select the best contractors with the best quality and cost to perform required services. Since the quality of the current Cleaning Service provider has declined and did not meet SinoTharwa Standards, a Tender for Cleaning Services for SinoTharwa Cairo Main Office Building & Badr Yard took place in order to select the best service provider as per SinoTharwa QHSE standards.

2- Service Contracts:

Contracts department is keen to improve the efficiency of the contract process starting from the service request till the contract signature in order to provide the required service in the right quantity, quality, price and delivery time. Through the year, 42 new contracts had been issued with different service providers (Location Preparation, Guards, Machine shop, Instrumentation, transportation, Fresh water supply .... etc.) After being accepted by the QHSE department as well as the user department. Other 37 contracts had been amended either to increase a service on the current contract as per the user department request or to decrease the current contract prices as a part of SinoTharwa cost optimization plan.



Insurance Section:

Insurance:

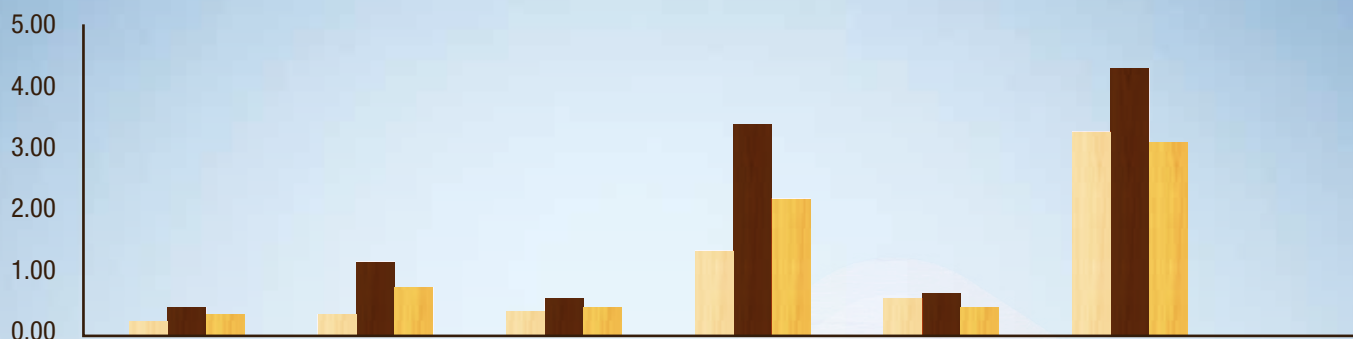
One of our main objectives is to protect and insure SinoThawra's assets and operations through appropriate and adequate insurance coverage to alleviate potential risks.

SinoTharwa accomplishes zero claim records since the beginning of SinoTharwa operations in 2005 by its continuous enhancement in SinoTharwa QHSE management system which enabled 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.

In order to reach the best cost optimization strategy in the insurance aspects for applying the best rates available in the insurance Market, SinoTharwa decided to get several offers to be able to negotiate and determine the best rates for year 2016.



## SINOTHARWA VS IADC RECORDS FOR YEAR 2015 (Till Nov.2015)



|                        | LTI Incd.<br>rate | LTI Freq.<br>rate | DART Incd.<br>Rate | DART Freq.<br>rate | RCRD Incd.<br>Rate | RCRD Freq.<br>rate |
|------------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| <b>SinoTharwa</b>      | 0.04              | 0.18              | 0.25               | 1.26               | 0.65               | 3.24               |
| <b>Africa Combined</b> | 0.27              | 1.33              | 0.65               | 3.27               | 0.84               | 4.20               |
| <b>Industry TOTAL</b>  | 0.18              | 0.91              | 0.40               | 2.01               | 0.63               | 3.14               |





**Finance**





## Financial Highlights

Amount Presented in Million USD

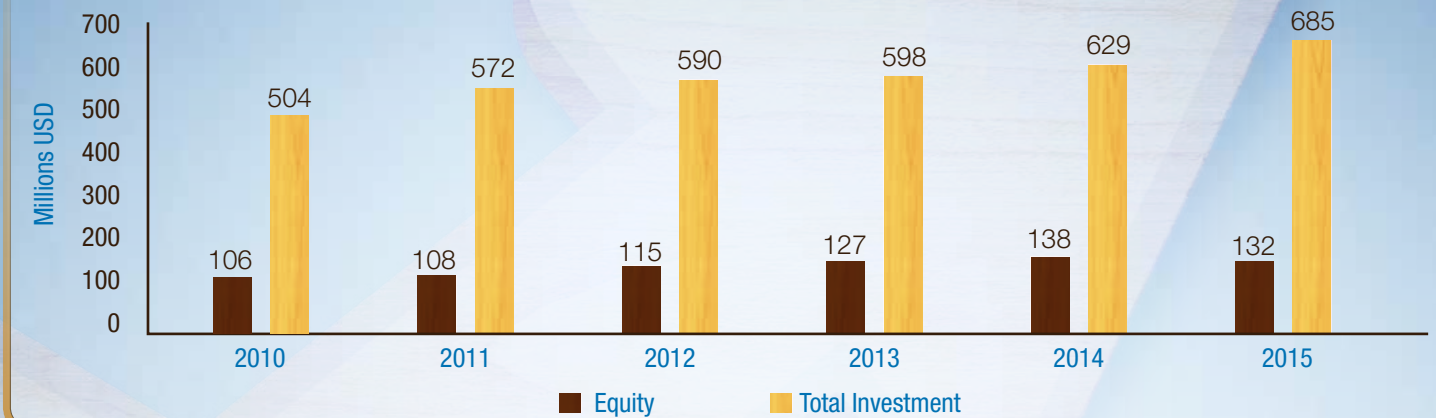
| Description                                  | 2015   | 2014   | 2013   |
|--|--------|--------|--------|
| Revenue                                      | 116.64 | 146.71 | 143.53 |
| Net Profit                                   | 0.49   | 17.64  | 16.05  |
| Shareholders Equity                          | 132.26 | 138.28 | 126.98 |
| Total Capital Investment                     | 685.24 | 629.21 | 598.20 |
| Fixed Assets                                 | 594.10 | 583.39 | 578.54 |
| Accumulated Depreciation                     | 206.38 | 177.36 | 144.17 |
| Project Under Construction                   | 73.19  | 31.10  | 7.82   |
| Inventory                                    | 29.42  | 27.20  | 22.34  |
| Receivables                                  | 18.24  | 16.66  | 25.94  |
| Debtors                                      | 14.67  | 12.91  | 13.86  |
| Operating Expenses                           | 89.30  | 98.32  | 96.01  |
| Collection                                   | 129.90 | 157.83 | 142.92 |
| Interest Payment (Included Capital Interest) | 18.48  | 18.20  | 19.79  |
| Installments Paid                            | 34.23  | 45.49  | 42.81  |

| Description               | 2015  | 2014   | 2013   |
|---------------------------|-------|--------|--------|
| Return On Investment Rate | 0.09% | 3.46%  | 3.05%  |
| Return On Equity Rate     | 0.36% | 13.30% | 13.25% |
| Financial leverage        | 3.01  | 2.67   | 3.03   |

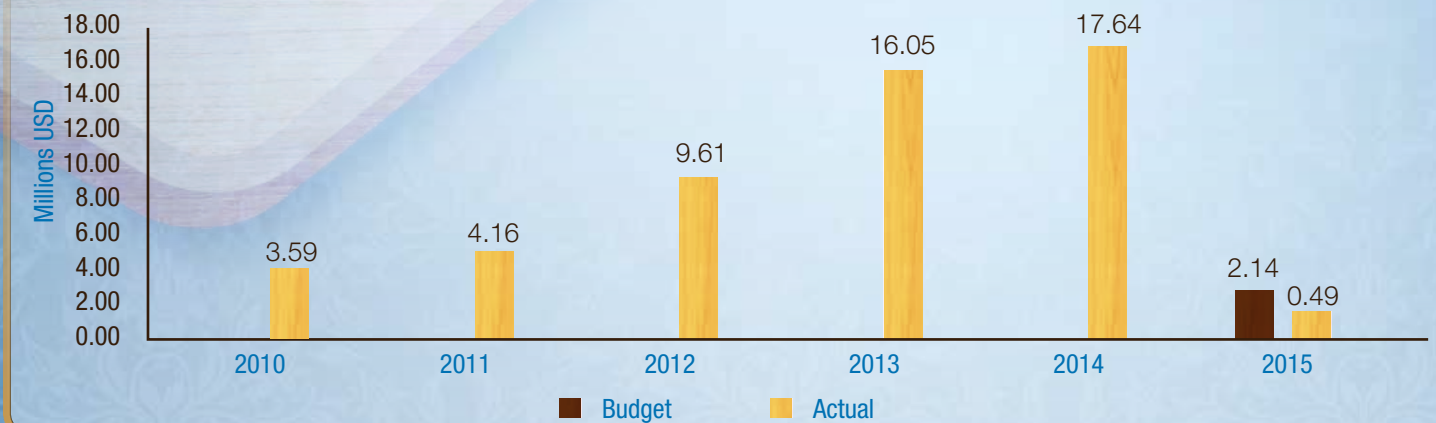


## Financial Situation

### Company's Development Share Holders Equity Vs. Total Investment



### 2010- 2015 Net Profit







## Independent Auditor's Report



MOSTAFA SHAWKI & CO

*Translation of Auditors' Report  
Originally Issued in Arabic*

### INDEPENDENT AUDITOR'S REPORT

To the Quota Holders of Sino Tharwa Drilling Company

"A Limited Liability Company Private Free Zone"

#### Report on the Financial Statements

We have audited the accompanying financial statements of Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone", which comprise the balance sheet as of December 31, 2015, 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.

133 MOHAMED FARID STREET, BANK MISC TOWER, P.O. BOX 2093, CAIRO 11318, EGYPT  
Tel: (02) 2391 7299 - 2390 1890 Fax: (02) 2393 9430  
E-mail: mshawki@mshawki.com www.mazars.com.eg www.mshawki.com



## Independent Auditor's Report



MOSTAFA SHAWKI & CO

*Translation of Auditors' Report  
Originally Issued in Arabic*

#### 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, 2015, 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, March 1, 2016  
MAZARS  
Dr. Ahmed Shawki  
Accountants & Auditors  
MAZARS MOSTAFA SHAWKI

ST Sino Tharwa Drilling Co.





## Balance Sheet as of 31 December 2015

(Amounts Expressed in US Dollar)

| Description                              | 31/12/2015   | 31/12/2014   |
|--|--------------|--------------|
| <b>Long Term Assets</b>                  |              |              |
| Fixed assets                             | 387,719,102  | 406,026,586  |
| Projects under construction              | 56,719,865   | 25,447,919   |
| Inventory of fixed asset spare parts.    | 16,474,279   | 5,649,594    |
| Total Long Term Assets                   | 460,913,246  | 437,124,099  |
| <b>Current Assets</b>                    |              |              |
| Inventory                                | 29,418,184   | 27,198,183   |
| Accounts receivables                     | 18,239,637   | 16,661,024   |
| Debtors and other debit balances         | 14,670,627   | 12,914,782   |
| Cash and cash equivalent                 | 7,631,559    | 13,042,918   |
| Total Current Assets                     | 69,960,007   | 69,816,907   |
| <b>Current Liabilities</b>               |              |              |
| Bank Overdrafts                          | 50,275,717   | 52,719,502   |
| Loans annuities due within a year        | 48,966,992   | 59,132,585   |
| Creditors and other credit balances      | 43,050,467   | 23,802,656   |
| Transaction with Related Parties         | 17,429,661   | 11,575,420   |
| Provisions                               | 328,254      | 321,122      |
| Total Current Liabilities                | 160,051,091  | 147,551,285  |
| Working capital                          | (90,091,084) | (77,734,378) |
| Total Investments – Financed as Follows: | 370,822,162  | 359,389,721  |
| <b>Quota Holders Equity</b>              |              |              |
| Capital                                  | 80,000,000   | 80,000,000   |
| Legal reserve                            | 7,737,856    | 5,973,501    |
| Retained earnings                        | 44,027,678   | 34,664,989   |
| Net Profit for the year                  | 491,771      | 17,643,553   |
| Total Quota Holders Equity               | 132,257,305  | 138,282,043  |
| <b>Long Term Liabilities</b>             |              |              |
| Long term loans                          | 238,564,857  | 221,107,678  |
| Total Long Term Liabilities              | 238,564,857  | 221,107,678  |
| Total Investment and Long Term assets    | 370,822,162  | 359,389,721  |



## Income Statement For The Year Ended 31, December, 2015

(Amounts Expressed in US Dollar)

| Description                       | 31/12/2015  | 31/12/2014  |
|-----------------------------------|-------------|-------------|
| Operating revenue                 | 116,640,416 | 146,712,331 |
| <b>Deduct:</b>                    |             |             |
| Operating expenses                | 89,295,362  | 98,318,694  |
| Gross Profit                      | 27,345,054  | 48,393,637  |
| <b>Add:</b>                       |             |             |
| Credit Interest                   | 3,888       | 1,977       |
| Other revenue                     | 82,671      | 51,700      |
| Net capital gain                  | 112,353     | 0           |
| Currency differences gains        | 489,972     | 228,951     |
| Provisions no longer required     | 229,650     | 400,247     |
| Impairment return                 | 0           | 250,000     |
| <b>Deduct:</b>                    |             |             |
| General & administrative expenses | 10,292,757  | 11,023,682  |
| Net Capital Loss                  | 0           | 112,496     |
| Financing expenses                | 16,016,962  | 17,998,547  |
| Fixed asset depreciation          | 1,147,487   | 1,073,753   |
| Board of directors' allowances    | 77,829      | 64,412      |
| Provisions made during the year   | 236,782     | 101,897     |
| Bad debts                         | 0           | 1,308,172   |
| Net Profit for the year           | 491,771     | 17,643,553  |





## Cash Flow Statement For The Year Ended 31, December, 2015

(Amounts Expressed in US Dollar)

| Description  | 31/12/2015   | 31/12/2014   |
|--|--------------|--------------|
| <b>Cash Flow from Operating Activities:</b>                |              |              |
| Net profit for the year                                    | 491,771      | 17,643,553   |
| <b>Adjustments</b>   |              |              |
| Fixed assets depreciation                                  | 32,047,614   | 35,213,860   |
| Provisions made during the year                            | 236,782      | 101,897      |
| Provision no longer required                               | (229,650)    | (400,247)    |
| Impairment   | 0            | (250,000)    |
| Bad debts  | 0            | 1,308,172    |
| Capital(gain)  | (112,353)    | 112,496      |
| Operating Profit before changes in working capital         | 32,434,164   | 53,729,731   |
| <b>Working Capital Changes</b>                             |              |              |
| (Increase) Decrease in inventory                           | (2,220,001)  | (4,860,337)  |
| (Increase) Decrease in accounts receivable                 | (1,578,613)  | 8,216,008    |
| (Increase) Decrease in debtors and other debit accounts    | (1,755,845)  | 943,510      |
| Increase (Decrease) in creditors and other credit accounts | 19,247,811   | (5,506,770)  |
| Increase (Decrease) in Transaction with Related Parties    | 5,854,241    | (3,296,706)  |
| Net Cash Flow from operating activities                    | 51,981,757   | 49,225,436   |
| <b>Cash Flow from Investing activities</b>                 |              |              |
| Proceed from sale of fixed assets                          | 312,628      | 740,875      |
| (Payments) for purchase of fixed assets                    | 0            | (5,848,778)  |
| (Payments) for projects under construction                 | (45,212,351) | (25,155,196) |
| Increase in inventory of fixed assets spare parts          | (10,824,685) | 0            |
| Net Cash Flow (used) for Investment Activities             | (55,724,408) | (30,263,099) |
| <b>Cash Flow from Financing Activities</b>                 |              |              |
| (Payment) from long term loan                              | (34,226,855) | (45,488,679) |
| Proceed from Installment for long term loan                | 41,518,441   | 23,605,870   |
| Paid profit dividends                                      | (6,516,509)  | (6,344,007)  |
| Net (decrease) Cash Flow from Financing Activities         | 775,077      | (28,226,816) |
| Net in cash and cash equivalent                            | (2,967,574)  | (9,264,479)  |
| Cash and cash equivalent beginning balance                 | (39,676,584) | (30,412,105) |
| Cash and cash equivalent ending balance                    | (42,644,158) | (39,676,584) |
| <b>Cash and Cash equivalent represent</b>                  |              |              |
| Cash and cash equivalent                                   | 7,631,559    | 13,042,918   |
| Bank overdrafts  | (50,275,717) | (52,719,502) |
| Current Cash Balance                                       | (42,644,158) | (39,676,584) |

### Non cash flow:

Cash flow did not include 13,940,405 USD is non-cash transaction represented in the value of measurable spare parts (Inventory of fixed asset).



## Changing in Quota Holders Equity Statement For The Year Ended 31, December, 2015

(Amounts Expressed in US Dollar)

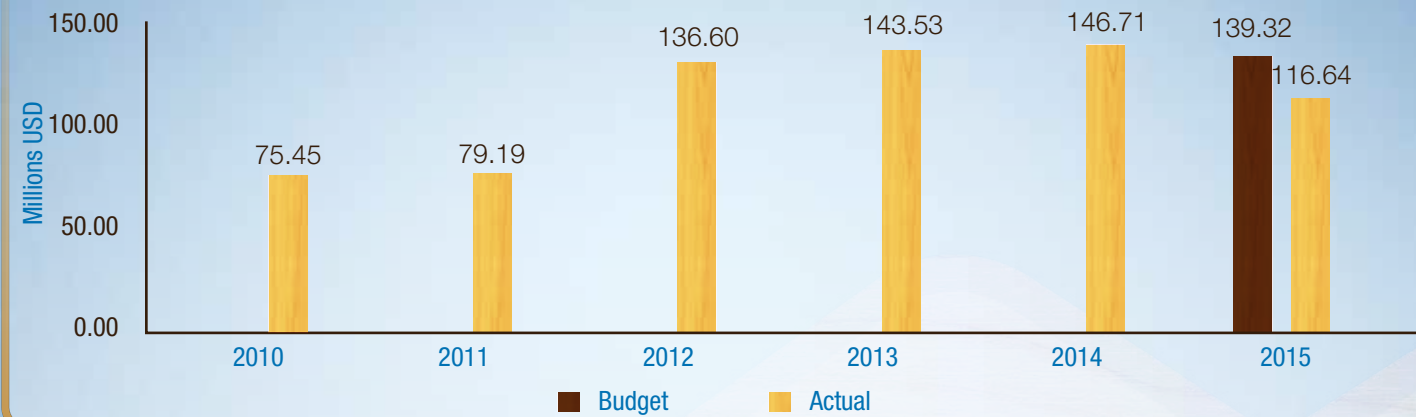
| Description                                     | Capital    | Legal Reserve | Retained Earnings | Net Profit   | Total       |
|---|------------|---------------|-------------------|--------------|-------------|
| Quota holders equity as at 1 January 2014       | 80,000,000 | 4,368,708     | 26,565,847        | 16,047,944   | 126,982,499 |
| Dividends of profit 2013                        | --         | --            | (6,344,009)       | --           | (6,344,009) |
| Transferred to legal reserve & Retained Earning | --         | 1,604,793     | 14,443,151        | (16,047,944) | --          |
| Net profit for the year                         | --         | --            | --                | 17,643,553   | 17,643,553  |
| Quota holders equity as at 31 December 2014     | 80,000,000 | 5,973,501     | 34,664,989        | 17,643,553   | 138,282,043 |
| Quota holders equity as at 1 January 2015       | 80,000,000 | 5,973,501     | 34,664,989        | 17,643,553   | 138,282,043 |
| Dividends of profit 2014                        | --         | --            | (6,516,509)       | --           | (6,516,509) |
| Transferred to legal reserve                    | --         | 1,764,355     | --                | (1,764,355)  | --          |
| Transferred to Retained Earning                 | --         | --            | 15,879,198        | (15,879,198) | --          |
| Net profit for the year                         | --         | --            | --                | 491,771      | 491,771     |
| Quota holders equity as at 31 December 2015     | 80,000,000 | 7,737,856     | 44,027,678        | 491,771      | 132,257,305 |





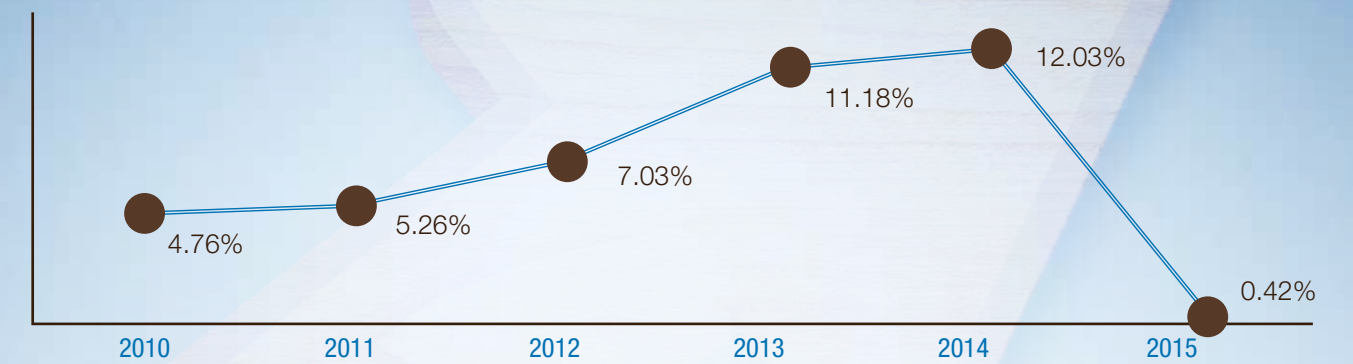
## Financial Situation

### Total operating revenue

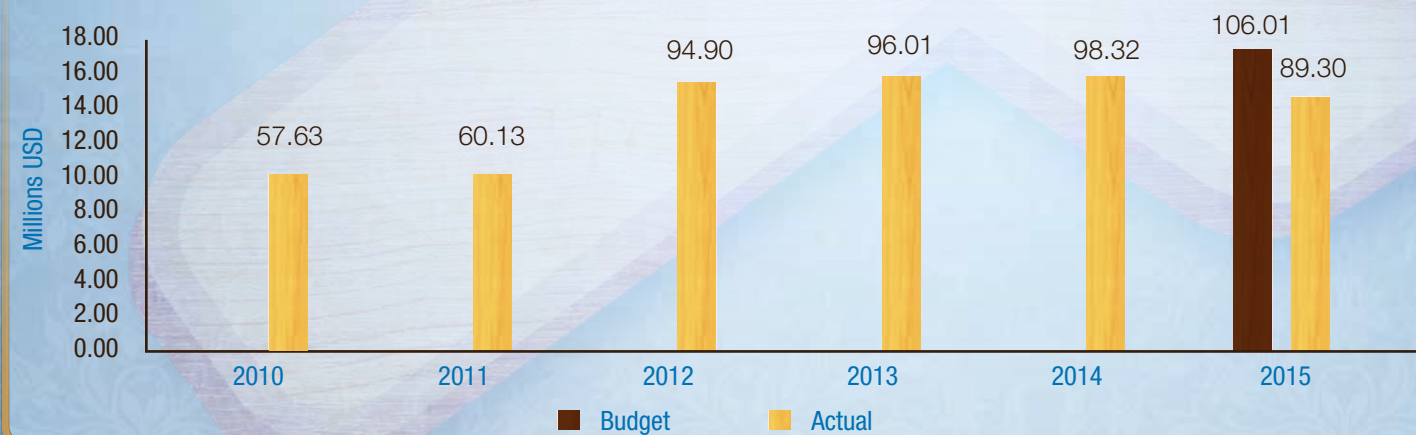


## Financial Situation Ratios

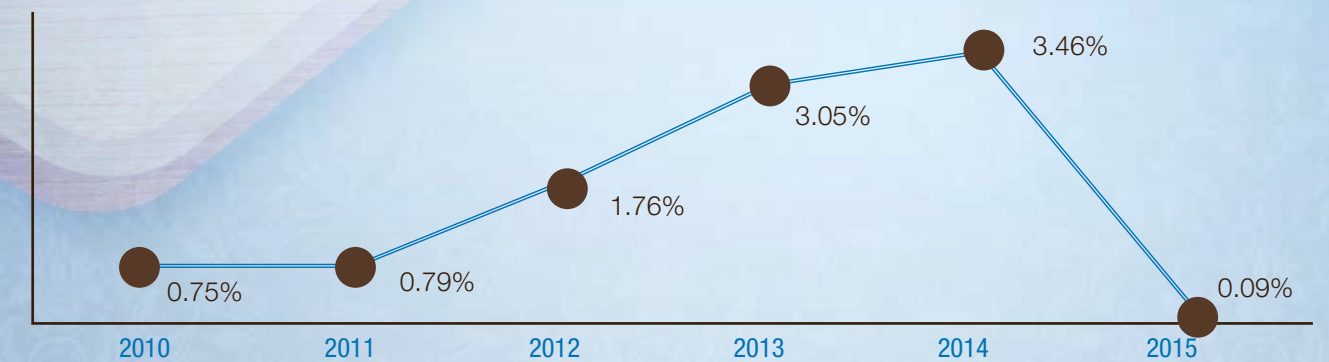
### Profit Margin



### 2010- 2015 Operating Cost



### Return On Investment

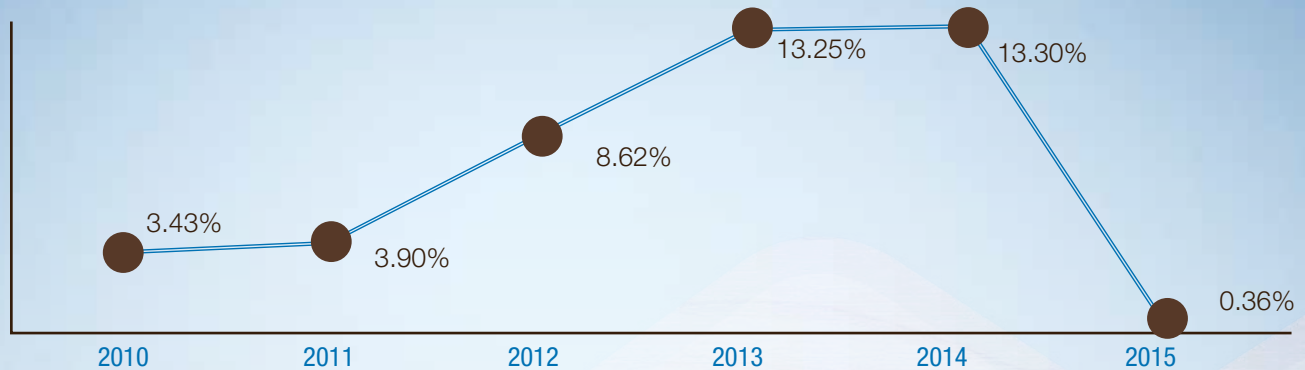




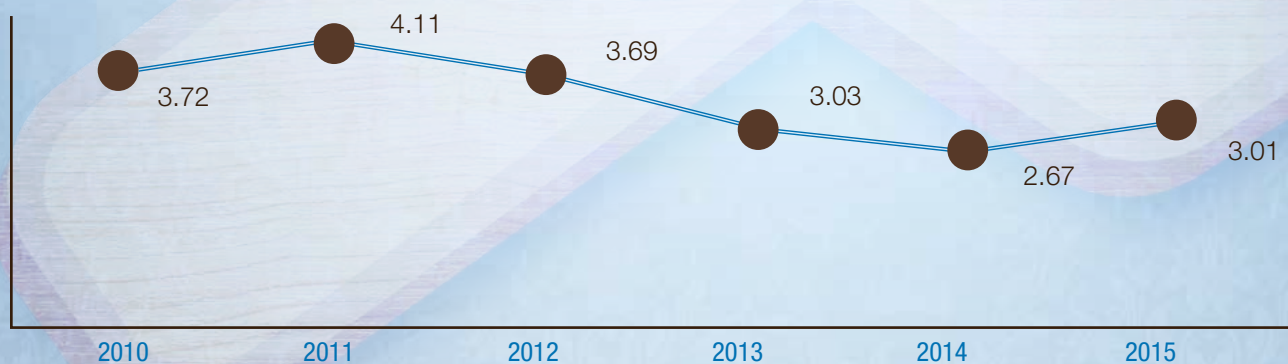


## Financial Situation Ratios

### Return On Equity



### Financial leverage







**Transportation**



Introduction:

SinoTharwa mainly relies on transportation activities from Cairo base to rig sites and from rig sites to Cairo base and between rig sites, and rig moves as well. Egypt has its share of bad roads, high speeds low traffic enforcement.

Our vision:

Providing the best transport system which is safe, reliable, efficient, environmentally friendly and satisfying to both users and operators.

Our mission:

Commitment to provide customers with safe and effective operation combine high technology and advanced fleet units with experienced drivers.Keeping on fleet development to develop our strong position in the logistics perform all maintenance request required for all cars comply with safety rules.

Company car’s fleet:

Sinotharwa owns 32 cars in different locations all over Egypt.



Crew change Bus’s

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

All companies buses provide model 2015.

Successfully saved more than 15% by new planning for crew change.

Maintenance

More effective & efficient agreements with authorized car maintenance centers to make cars periodic maintenance and any other repairs to insure the highest quality of maintenance for the company cars also we take into consideration that the maintenance centers should be nearby rig location to save time and don’t make drivers suffer from tired and don’t expose them to long distance driving.

Car Maintenance

- Every month we make service for more than 10 cars we make service for complete check on it and repair parts that needed to be repaired
- And here’s monthly report for rig car maintenance

|    |               |               |            |            |   |
|----|---------------|---------------|------------|------------|---|
| 40 | 716           | Nissan xtrail |            |            | changing(front grill+ front bumper+front head light+fog light+flasher light+side fenders+front hood+timing belt+motor base+rear bumper+tail light)  |
| 28 | نقل ط ن ب 247 | pickup        |            | 8/10/2015  | changing 4 original injector +internal changing + repair hand cost  |
| 37 | ي ن ص 971     | pickup        |            | 1/10/2015  | making leather seat cover for (front seat + back seat+doors+ground) + plastic cover for seats   |
| 53 | 381           | crewcap       |            | 12/10/2015 | Front brake pad+ rear brake pad+ rear disc brake+ hand repair cost  |
| 24 | 538           | crewcap       |            | 17/10/2015 | Wind screen washing motor+ wind screen wipers+ engine repair + repair hand cost   |
| 10 | 216           | crewcap       | 5/10/2015  | 5/10/2015  | Engine oil+ oil filter + fuel filter + brake pad check +( front + back) wheel bolts installation  |
| 42 | 846           | crewcap       | 19/10/2015 | 12/10/2015 | Hydraulic jack + tire changing tool   |
| 47 | 3196          | pickup        | 19/10/2015 | 15/10/2015 | Hydraulic jack + tire changing tool   |
| 21 | 465           | CREWCAP       |            | 18/10/2015 | Brake pad bolts+ hub oil seal + spring+ stabilizer bolt bushing + spring bushing + control arm bushing + rim + hydraulic jack + hand cost repair  |
| 32 | 973           | crewcap       | 28/9/2015  | 17/10/2015 | Car body repair work + wind screen wipers + hub oil seal + timing belt + timing belt bearing + engine belts + air filter + thermostat + hand brake wire + oil filter + engine oil + gearbox oil + Differential gear oil |



## Junk cars

- From months ago we had 3 junk cars
- We take these cars and do all our effort to return them back to road
- And now they are completely changed and comply with safety rules and now in company fleet

### First we take this crew cap from junk



### From front view



### And now it completely changed



### Then we take Nissan x trail also from junk



### From inside



### From side view



### From its back



### After repair



## Drivers

- Safe driving
- Nowadays fatalities related to road accident came on top of the list of reasons for accidental deaths from there the importance of conduction of this awareness campaign came up under the slogan of "Driver safely for all" showing how to drive a vehicle safely and how to deal with road hazards And what Driver's might face during a journey awareness for highlighting important driving techniques like speed control, safe following distance, hydroplaning control ... etc.
- We have 48 SinoTharwa drivers and 16 out source drivers
- All company drivers and out source drivers are well trained and they have defensive driving course

## License & Insurance

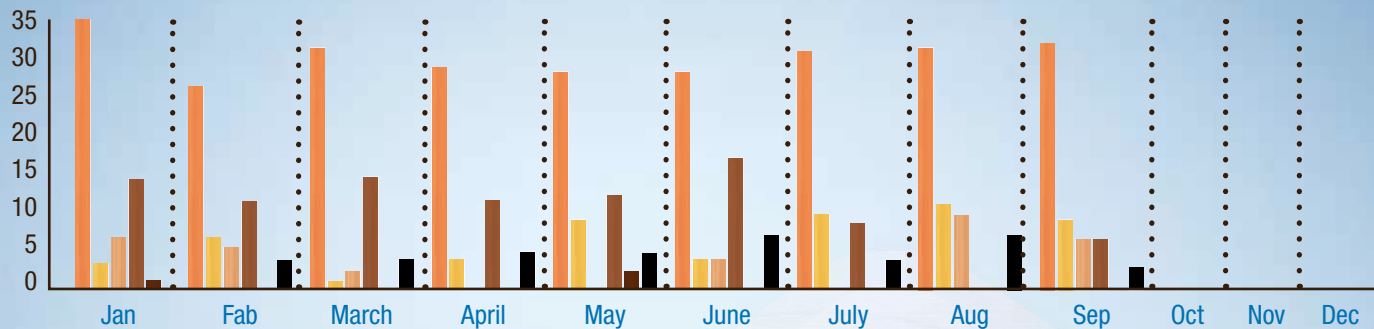
- We added this section at the last quarter of 2015 by Sinotharwa staff so we can make control on car license and its insurance and renew it in a short time so we save money and time.



## Badr Yard logistics

We are providing equipment and All means of necessary transport which comply with terms of QHSE to the highest level so as to ensure the good and safe level of service and easy provide mobility from Badr Yard to 20 Rigs in different location at all over Egypt. All our duty to achieve high level of service.

## Monthly Trips



| Trip /Month   | Jan | Feb | March | April | May | June | July | Aug | Sep | Oct | Nov | Dec |
|---------------|-----|-----|-------|-------|-----|------|------|-----|-----|-----|-----|-----|
| Standby 4ton  | 35  | 28  | 32    | 30    | 29  | 29   | 31   | 33  | 33  |     |     |     |
| Rental 4ton   | 3   | 6   | 1     | 4     | 9   | 4    | 10   | 11  | 8   |     |     |     |
| Rental 10ton  | 6   | 5   | 2     | 0     | 0   | 4    | 0    | 10  | 6   |     |     |     |
| Standby 10ton | 15  | 12  | 15    | 11    | 13  | 17   | 8    | 0   | 6   |     |     |     |
| Low boy       | 1   | 0   | 0     | 0     | 2   | 0    | 0    | 0   | 0   |     |     |     |
| Pick up       | 0   | 4   | 4     | 5     | 5   | 7    | 4    | 7   | 3   |     |     |     |

## Transportation team

We are working hard day and night to keep the transportation department always in progress so that we can make control on all SinoTharwa fleet.





**Legal**





## Litigations

- **Judgments in favor of the company**
- **Judgments against the company**
- **The deliberating cases**



| Court Case During 2015 | Judgments in favor of the company | Judgments against the company | Overdue PM of Equipment |
|------------------------|-----------------------------------|-------------------------------|-------------------------|
| 32                     | 9                                 | 0                             | 23                      |

|                                 |    |
|---------------------------------|----|
| Investigation Cases During 2015 | 20 |
| Reviewed Contracts              | 11 |

### Other Legal Issues

- Authentication of Company Assembly & Board Members minutes .
- Registration at Egyptian federation for construction & Building contractors.
- Modifications for the Company's Articles of Association by adding underground water well drilling to the company's activity.
- Legal registration for the company branches outside The Arab Republic of Egypt.
- Disputes committee following up.

### Earned & Saving

| Earned Dues   | Saving Dues   |
|---------------|---------------|
| 250000 .00 \$ | 1,324,442 EGP |





**Mud Logging**





## Mud Logging Services:

- Sinotharwa started the Mud Logging project since 2012 as Integrated Services.
- Sinotharwa registered in EGPC, EGAS, GANOPE, GUPCO and KHALDA, Qarun, Bapetco, Agiba and Petrobel as Mud logging Contractor.
- The First unit was started the operation with the first client PetroSilah since May 2013 in El Fayoum with 100% Profitability.
- The second mud logging unit started operations with El Mansoura Oil Company in Nile Delta on March 2014. The contract renewed till 2018.
- By the end of 2015, Sinotharwa won a tender of three Mud Logging units with Qarun Petroleum Company and the Third mud logging unit started operations at the end of December 2015.
- We purchase another THREE new Mud Logging Units because we are the winner with Qarun and we share in Mud Logging tenders with Petrobel, Petro Amir, Petro Darra and Petro Shad.







**Water Wells**





## Water wells project

### Introduction

And also it is one of the most influential factor in solving the population problem steady Therefore, the attention of the state was headed for the desert areas to ease pressure on the Nile Valley. Apart from the River Nile waterway is considered groundwater as the main and sole supplier of development so it is necessary to use this resource and assess the viability under current operating and receiving conditions taking into account the projected population growth and increasing water needs in several areas (industry, agriculture and population).

Under the fruitful and constructive cooperation between the Ministry of Water Resources and Irrigation represented in the groundwater and the Ministry of Petroleum and Mineral Resources, the water sector represented by the Egyptian General Petroleum Corporation .. Based on the desire of the Ministry of Water Resources and Irrigation to benefit from the Ministry of Petroleum and Mineral Resources experience in the implementation of the first phase of drilling deep wells reclamation area (million and half acres) on groundwater as a first stage.

Assigned to SinoTharwa for the drilling and construction of a number (500) with depth  $\pm 750$  mtr underground well west of Minya region worth up to one billion, one hundred and twenty five million pounds

On other hand, it was agreed between the armed forces/water management and SinoTharwa for drilling 15 deep Wells ( $\pm 1000$  mtr) in Frafra "Shall Baraka" region as first stage with primary cost 36,750,000

### Target

- Execute and complete drilling for 500 ( $\pm 750$ ) wells in Minya region within one year starting from 27<sup>th</sup> of October, 2015.
- execute & complete drilling for 15 well, depth ( $\pm 1000$  mtr) in Frafra within 6 month as first stage.

### Plan steeps

- Issued contract to purchase new 20 rigs with capacity 350-450 HP capable to drill up to 1500 mtr depth
- Plan to rent  $\pm 10$  rigs from local market to cover our plan till new rigs arrival, started by own oil drilling rigs in both area (2 rig per area)
- Construct  $\pm 32$  km rods in Minya region & 5km in Frafra
- Prepared 23 EA rig location @ Minya with total area  $\pm 230,000$  sure meter
- Prepared 4 EA rig location @ Frafra with total area 40,000 square mtr
- Construct  $\pm 210$  cubic mtr reinforced concrete underneath the rigs substructures
- All material needed for project ordered through tenders and 1st shipment delivers to site including (csg pipes, drill bits, chemical,...)
- Apply service agreement and contract for service related to project (logging, cementing, running casg, fuel & water supply, rods construction, ...)

### Achievement

- Three (3) wells @ Minya region had been finished
- Two (2) well @ Frafra had been finished
- Rent 4 EA rigs from local market, and other under process





10 years and growing





NOTE

Handwriting practice lines consisting of 20 horizontal dashed lines.