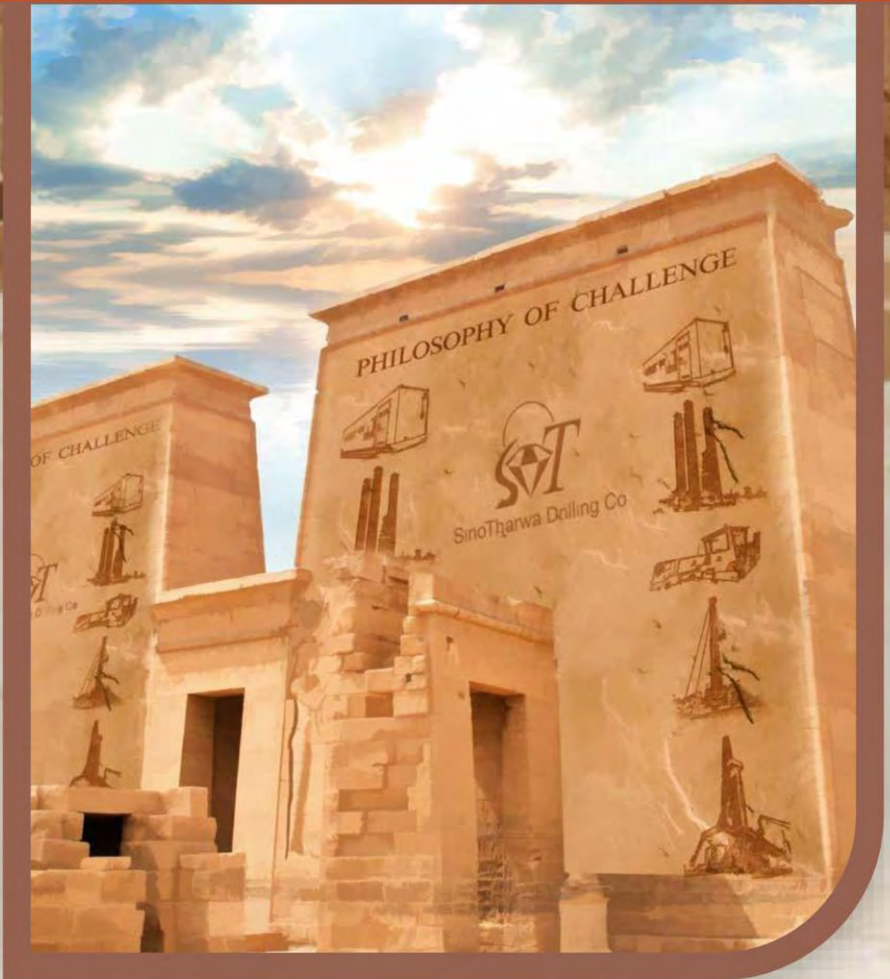




SINOTHARWA DRILLING CO.



2018

ANNUAL REPORT



SinoTharwa Drilling Co.

Annual Report 2018

HR DEPARTEMENT **TRAINING**

SinoTharwa Training presents a prime opportunity to expand the knowledge base of all its employees, the objective from SinoTharwa Training department is to identify the required training needs of our staff and fill the gap with a host of training methods for the welfare of the organization and employees on a whole.

Operation Training

We provide International technical courses to facilitate the daily technical duties and provide more practical knowledge for all operation staff to increase their efficiency at work.

Operation Courses	Ac. Hours	Pl. Hours
Basic well control	696	400
Advanced well control	180	180
Basic drilling engineering principles and practice	420	400
Advanced drilling engineering principles and practice	660	400
Drilling problems	540	400
Well completion and workover procedures	750	400
Stuck pipe prevention and fishing operation	570	400
Drilling Fluid School & Solid Control Equipment	510	400
Advanced casing & cementing design	600	400
Basic Bit Design and Dull Bit Grading	144	144
Rig Mathematics	864	400
Basic wireline	690	400
Painting	60	60
Casing and Drill Strings Design	720	390
IWCF	5040	4800
Well Sharp	600	600
Total Operation Training Hours	13,044	10,174

Engineering Training:

SinoTharwa Provide engineering training courses to increase the capabilities of all engineering staff & gain the required skills for improving the engineering process quality.

Engineering Courses	Ac. Hours	Pl. Hours
<i>On Job Training</i>	1350	1000
<i>Rig SCR control system</i>	300	300
<i>Varco Top Drive</i>	300	300
<i>Rig top drive system/VFD Control system</i>	48	48
<i>Mud pumps</i>	120	120
<i>Refrigeration & Air conditioning system</i>	138	138
<i>Draw works</i>	60	60
<i>Exxon Mobil (Mobil Serv)</i>	6	6
<i>Tesco Top Drive</i>	300	300
<i>Power generation system</i>	200	200
<i>3500C electronic Diesel Engine & ET course</i>	300	300
<i>3406C Diesel Generator course - MANTRAC Egypt</i>	300	300
Total Engine Training Hours	3,422	3,072

QHSE Training:

We provide a QHSE Training Course in order to develop a positive safety culture & promote proper safety procedures

QHSE COURSES	AC. HOURS	PL. HOURS
FIRST AID PRACTICE & BASIC LIFE SUPPORT	144	120
NIOSH (MEMBERS OF THE SAFETY COMMITTEE)	1632	120
CONFINED SPACE ENTRY	378	120
ENVIRONMENTAL IMPACT ASSESSMENT (EIA)	600	120
NORM HANDLING	504	120
ISPS	168	120
BOSIET	1008	810
FIRE FIGHTING TEAM MEMBER	378	120

EMERGENCY RESPONSE TEAM LEADER	300	120
GAS TESTING	144	120
MAN RIDING OPERATION	180	120
FORK LIFT TRUCK DRIVER	36	36
WORKING AT HEIGHT	780	120
ADVANCED H ₂ S IADC	132	120
SCAFFOLDING INSPECTION	330	120
RISK ASSESSMENT	288	120
OJT HSE TRAINING	17,920	16000
FOOD HYGIENE	660	660
WORK PERMIT & PROPER IMPLEMENTATION COURSE	150	120
RIG BASS	1470	1470
DEFENSIVE DRIVING	204	200
OCCUPATIONAL SAFETY & HEALTH SPECIALIST COURSE	504	504
TOTAL QHSE TRAINING HOURS	27,910	21,480

Actual Training Hours	44,376
Planned Training Hours	34,726

Others Training Programs “2018/2019”

OTHERS TRAINING PROGRAMS “2018/2019”

AC. HOURS

Integrated Training Program For Tool Pushers	3132
Integrated Training Program For Rigs Superintendent	450
QHSE OJT for newly hired staff	960
TOTAL TRAINING HOURS	4,542

Personnel:

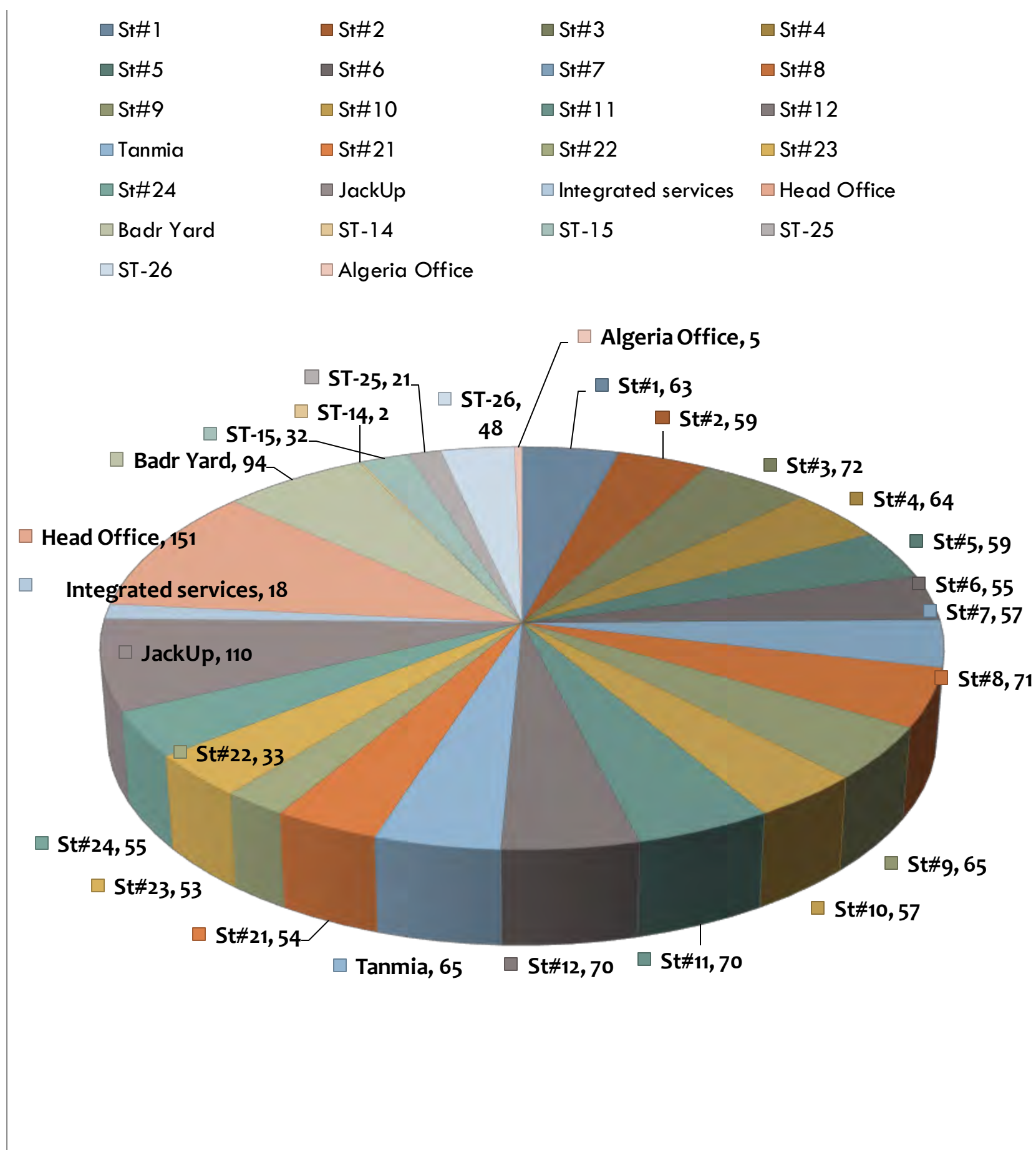
The personnel division complies with the entire governmental and legal requirements throughout coordination with labor and social insurance offices.

Overview on Activities of 2018:

1. Monitor and analyze the score of **2017 performance appraisal** for all staff.
2. Finalizing **annual medical exemption** of **2018** that related to social insurance authority was saved annually **EGP 3,200,000**.
3. Maintaining **the company organization chart** to ensure covering all departments needs to face the company new challenges in 2018.

2018 Manpower Highlights:

Location	No. of Employees
St#1	63
St#2	59
St#3	72
St#4	64
St#5	59
St#6	55
St#7	57
St#8	71
St#9	65
St#10	57
St#11	70
St#12	70
St#14	2
St#15	32
Tanmia	65
St#21	54
St#22	33
St#23	53
St#24	55
JackUp	110
St25	21
St26	48
Algeria Office	5
Integrated Services	18
Head Office	151
Badr Yard	94









Medical:

Medical insurance:

we have re-contracted GIG- Globe Med for medical service provision for rig site employees with increase of 7% only in spite of the massive increase of the medical services cost aiming to achieve stability of the Medical Service Provider

Medical Network:

As part of our plan to expand and improve Sinotharwa direct medical network, we have successfully added the following:

-  Dar Al Fouad hospital (Nasr city branch).
-  Shereen pharmacies.
-  Ezz El Din pharmacies.
-  Dental Experts
-  Maadi Dental Center
-  Active pest control co.

Medical procedures:

HCV Campaign response:

Corresponding with the presidential campaign for HCV, we have started the management plan for HCV positive cases starting from providing the best consultants till getting HCV free tests.

Modifying I Care System:



All monthly treatment of rig site employees are registered on Globe Med's online system (I Care System) through the SinoTharwa medical division allowing the rig site employee to receive his medication without waiting for approvals & facilitating the monthly treatment renewal every 3 months.

Special cases:

The company has continued its support for almost all exceeding family medical cases such as (chronic cases and major operations) through our special cases policy with an average cost of **304,414.16 EGP**

Medical Training:

We have started a medical training program for ST Rig crews and Rig physicians as follows:

-  ACLS & ATLS for the rigs' physicians
-  1st responder courses to the rig crew to increase awareness for first aid to the rig crews.

Fitness to work procedures:

We have started the fitness to work medical checkup program for specific Sinotharwa rigs aiming to cover all the remaining rigs through the next year.

General Services

Work permits:

Finalize the Issuance of 31 work permits for expat employees at the company head office & company different locations.

Company's building maintenance:

- ❖ Maintenance & follow up the company head office building & Guest house at Badr yard.
- ❖ Established the eighth floor for the company head office located in Maadi with all required equipment to consider & enable the working of a large number of employees.

Guest house at Badr yard :

The general services department provide all necessary services required for SinoTharwa's Guest House and offer a high standard of living style to all Sinotharwa employees.

Public Relation

Manage Travel Administration:

The Public department organize all the document and reservation for the Chinese expatriate staff , Algeria crew staff& jack up expatriate staff starting from their country home residence to the rig site & vice versa .

The public relation department organize all the documents and reservation for the company working staff Egyptians & Expatriate staff, business trips.

Protocols:

Egypt Air contract renewed for the 13th year with the permanent success & mutual cooperation. In the consequence & result of strengthen our relationship with our "partner of Success".

Meetings:

Organize Sinotharwa assembly meetings & board meetings during 2018.

Exhibition & Conferences:

Expanding our business and interacting in new markets is our target therefore we took part in MOC 2018 Exhibition with very creative booth reflecting our image , achievement & aims .

QHSE DEPARTEMENT

WE'RE SERIOUS ABOUT LEARNING LESSONS

INTRODUCTION:

The year 2018 represented an unusual and eventful chapter in the company's history. Faced with tough challenges due to severe external and internal factors that showing two fatalities and interruption of some rigs, although we continued to stick with the approach of faults & problems analysis and get benefits from lessons learned as well as pushing the quality, efficiency principles for restoring the QHSE culture.

The objective and still is to communicate the company's operating procedures and safety instructions to all workers in how to identify and manage risks associated with HSE through integrated safety rules that ensure that "safety first is actions and not just slogans".

The ability to manage operational risk safely builds on our experience in expecting the potential risks and how to analysis these risks & set the control measures to mitigate the occurrences, also including learning from incidents& sharing lessons learned with our interested parties to increase the awareness's.

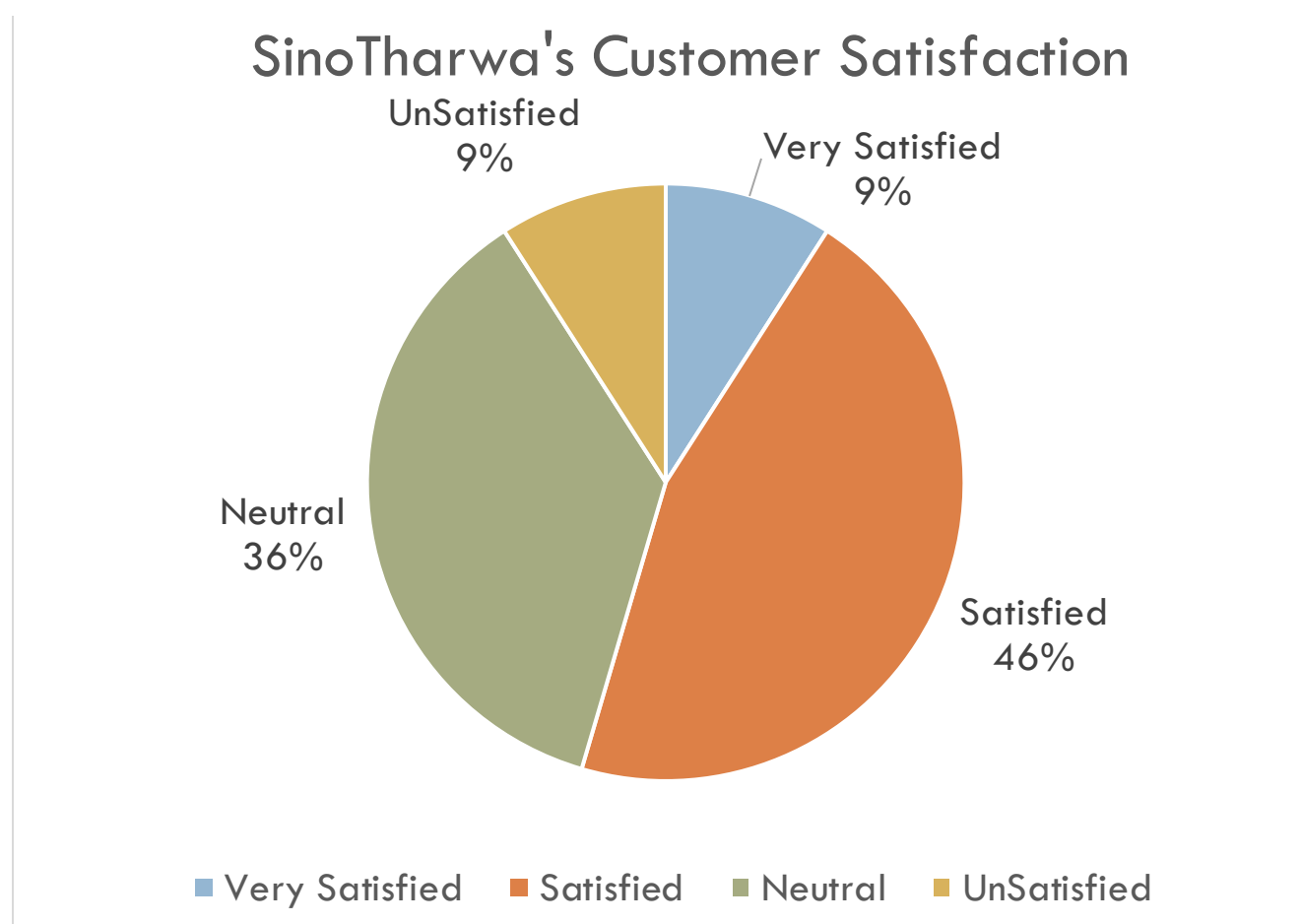
CLIENTS' SATISFACTION

Customer satisfaction and relationship management are key to a company's overall success. While factors such as quality, expertise, technology and innovation continue to play critical roles, customer satisfaction and relationship management are determining factors in retaining client business. In an effort to focus more on the customer, Sinotharwa implementing static customer satisfaction surveys for evaluating the quality and performance of Sinotharwa activities and process by collecting feedback from the customer representative for each rig.

Also as a part to comply with ISO 9001:2015, clause 9.1.2 requires an organization to monitor customers' perception of the degree to which their needs and expectations have been fulfilled, Clause 5.1.2 requires that the focus on enhancing customer satisfaction maintained.

CUSTOMER SATISFACTION CONCLUSION:

After maintain a customer satisfaction survey in the end of 2018 for all Sinotharwa's clients in each rig, most of customers satisfied with our service and activities which reflected the health of our QHSE-MS. Also, some gaps identified between the company activities and the customers' needs and expectations, those gaps added in the concentration of the QHSE plan for 2019 to continual improvement.



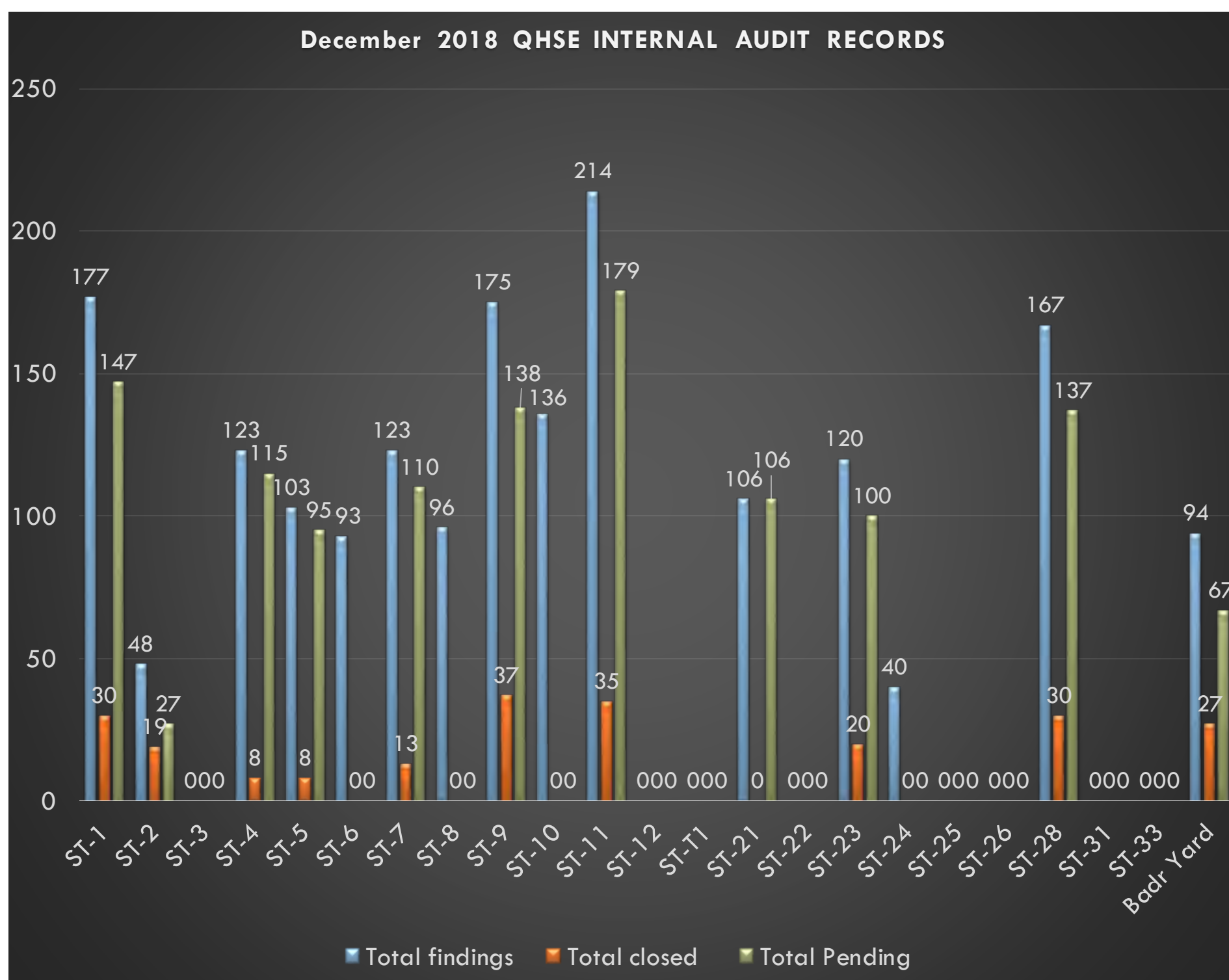
INTERNAL AUDITING

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve Sinotharwa's operations. It helps the company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of ST-QHSE Management system.

Also as a part to comply with ISO 9001:2015, clause 9.2.1 requires an organization to conduct internal audits at planned interval to provide information on whether the QHSE management system. And OHSAS 1800:2007 Clause 4.5.4 the company shall establish and maintain an audit program and procedures for periodic QHSE MS audits.

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.

The role of the company auditing team do not stop by recording observations, findings and non-conformities but extends to close monitoring and frequent follow up till 100 % compliance by checking & confirming that all actions in place and in order to ensure the client requirements, terms and conditional operational ones and the ones related to HSE are well implemented.



CORRECTIVE / PREVENTIVE ACTION TRACKING SYSTEM (CAR/PAR)

The system of corrective / preventive measures of nonconformity is a recovery tool to activate the safety system because it receives information as a result of the application of various programs of proactive and reactive practices.

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.

RIG	ST-1	ST-2	ST-3	ST-4	ST-5	ST-6	ST-7	ST-8	ST-9	ST-10	ST-11	ST-12	ST-T1
TOTAL ITEMS	957	43	156	462	437	319	554	535	133	160	434	234	435
CLOSED ITEMS	610	33	38	280	258	74	296	293	64	62	346	143	276
OPEN ITEMS	334	10	118	175	177	237	258	210	69	98	81	91	159
CANCELLED ITEMS	13	0	0	7	2	8	0	32	0	0	7	0	0
CLOSURE %	65%	77%	24%	62%	59%	26%	53%	61%	48%	39%	81%	61%	63%

RIG	ST-21	ST-22	ST-23	ST-24	ST-25	ST-26	ST-28	BAHARI-1
TOTAL ITEMS	238	91	298	158	366	310	75	87
CLOSED ITEMS	177	47	48	48	183	210	26	61
OPEN ITEMS	61	44	250	110	183	100	49	26
CANCELLED ITEMS	0	0	0	2	1	0	0	0
CLOSURE %	74%	52%	16%	32%	50%	68%	35%	70%

SERVICE PROVIDERS MANAGEMENT

Contractors and suppliers are keys to Sinotharwa business performance, and QA Team evaluate their capabilities and efficiency and follow up the performance of the companies that fall under the category of high risk during the contract period to ensure the implementation of quality system, security, safety and environmental protection.

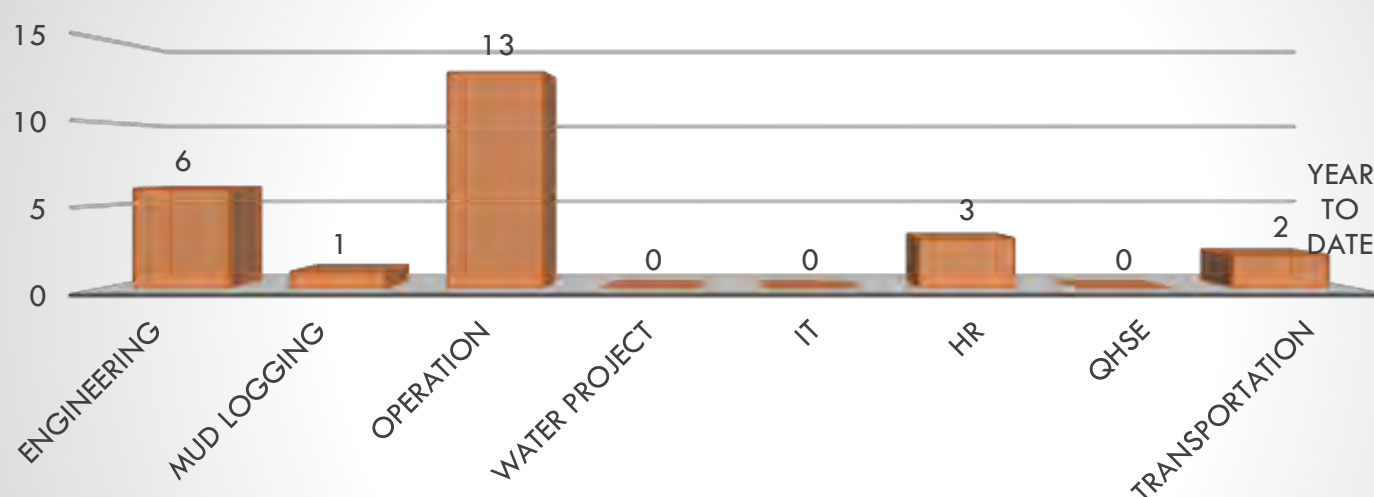
In order to ensure that all parties performing services on behalf of the company including contractors, vendors...etc. are competent enough and capable to handle all demands in effective & professional manner, all were subjected to pre-contracting assessments process which aims to come up with a clear 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)

Systematic review of contractor's processes and their programs is in place and used to ensure compliance with Sinotharwa requirements. A simple questionnaire to extended review for insuring that QHSE program is implemented prior contract.

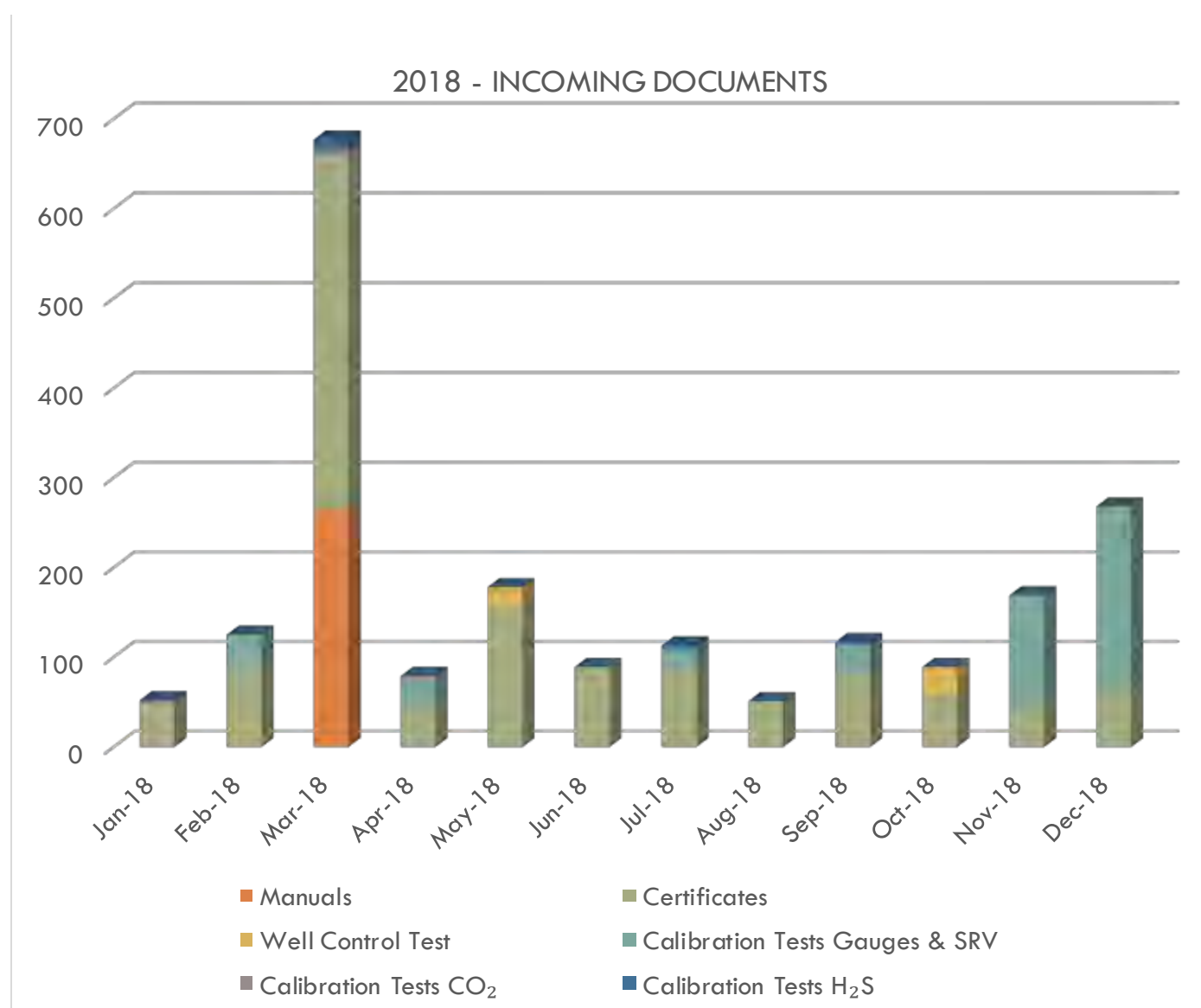
SUB-CONTRACTORS QHSE EVALUATION IN THE YEAR 2018



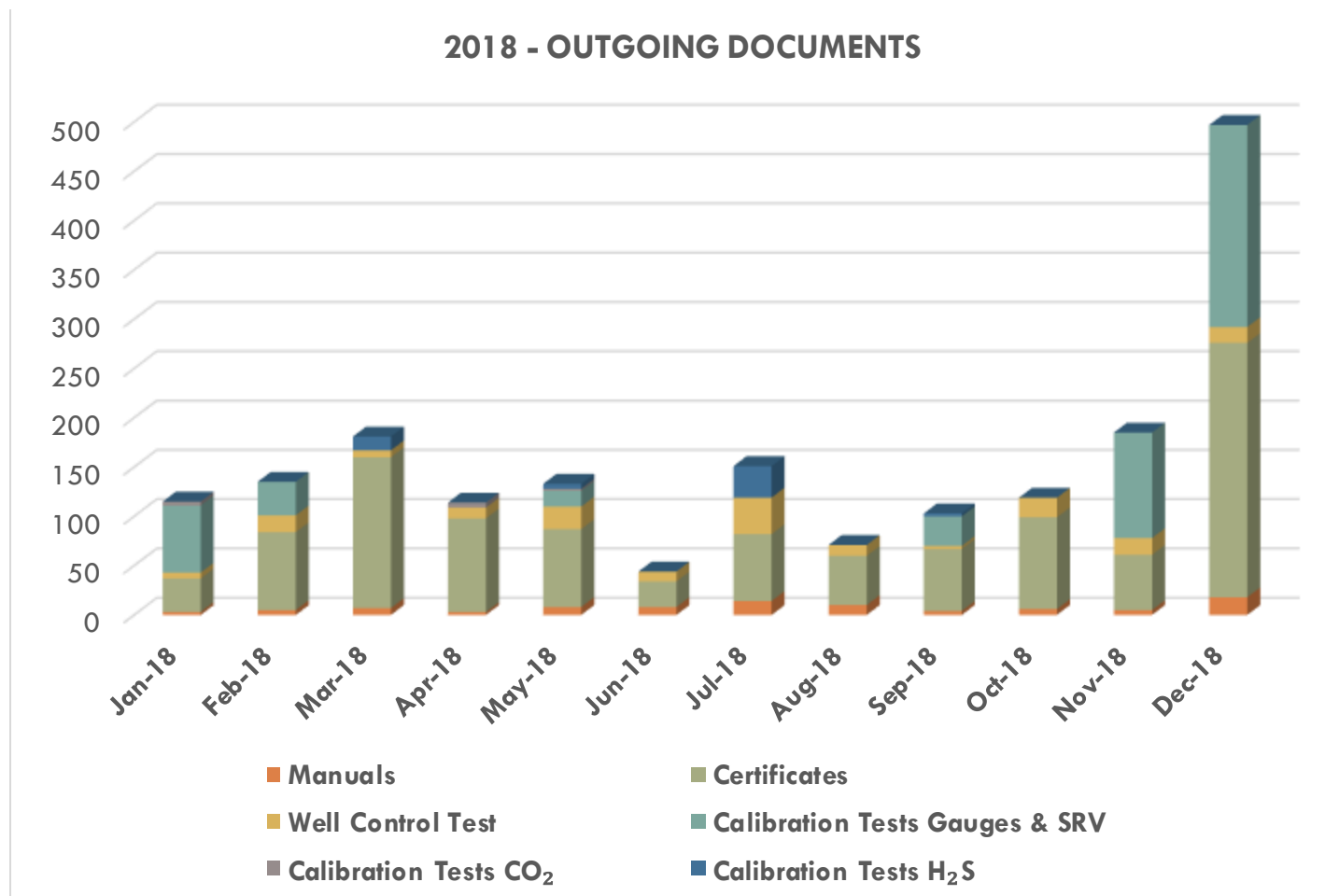
The Below chart show the Assessment on different Sub-contractors pre-contracting in 2018.

Documents Control

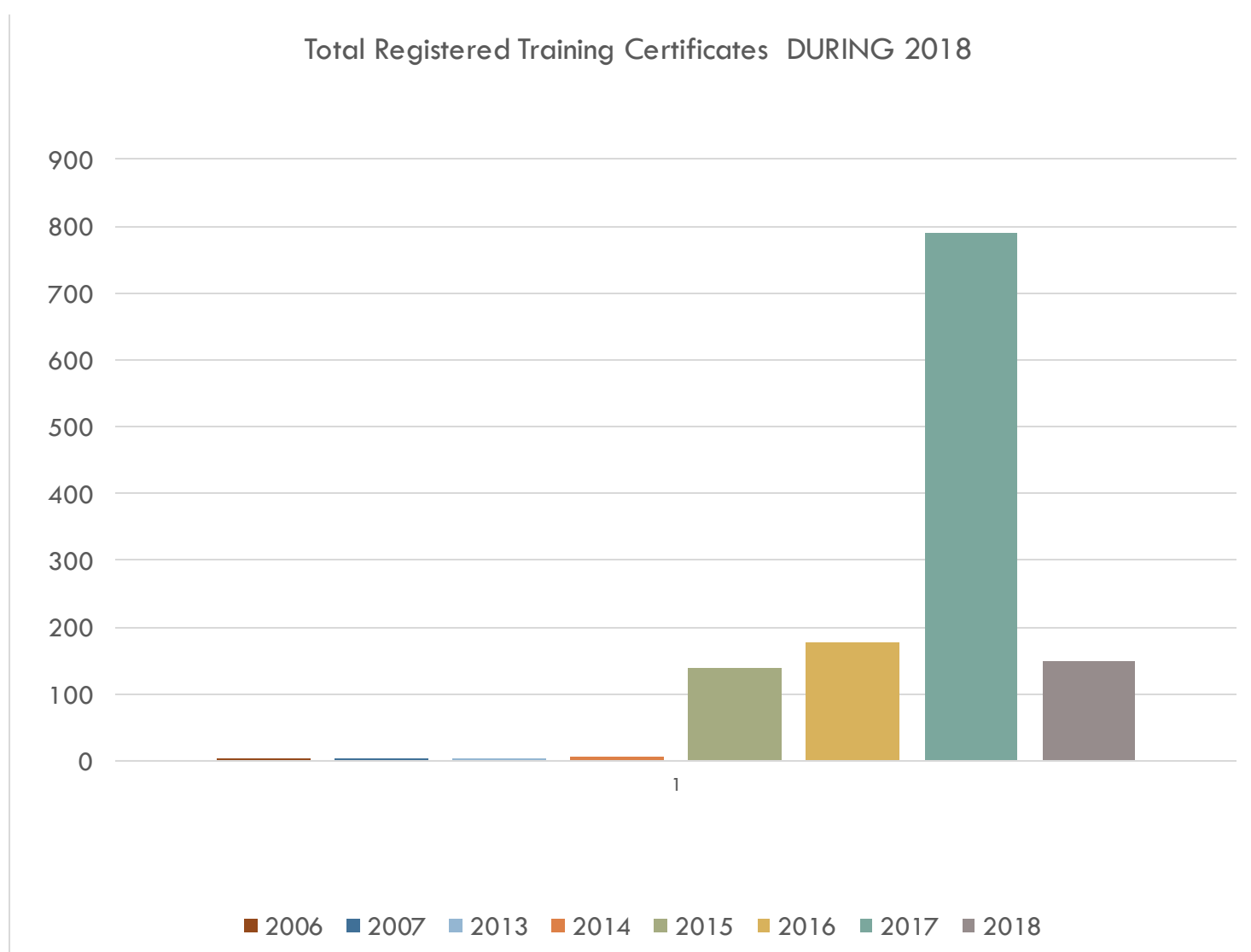
Document Control describes methods used for the control, distribution and identification of ST documents, to ensure that appropriate documents are maintained to current issue and that latest issues are distributed to the personnel involved, Documents Control shall apply to all controlled document, uncontrolled documents, engineering drawings, contract documents and electronic data.



2018– ST Documents Transactions "Incoming Docs"



2018– ST Documents Transactions" Outgoing Docs"



Employees Training Profile Project Progress During 2018

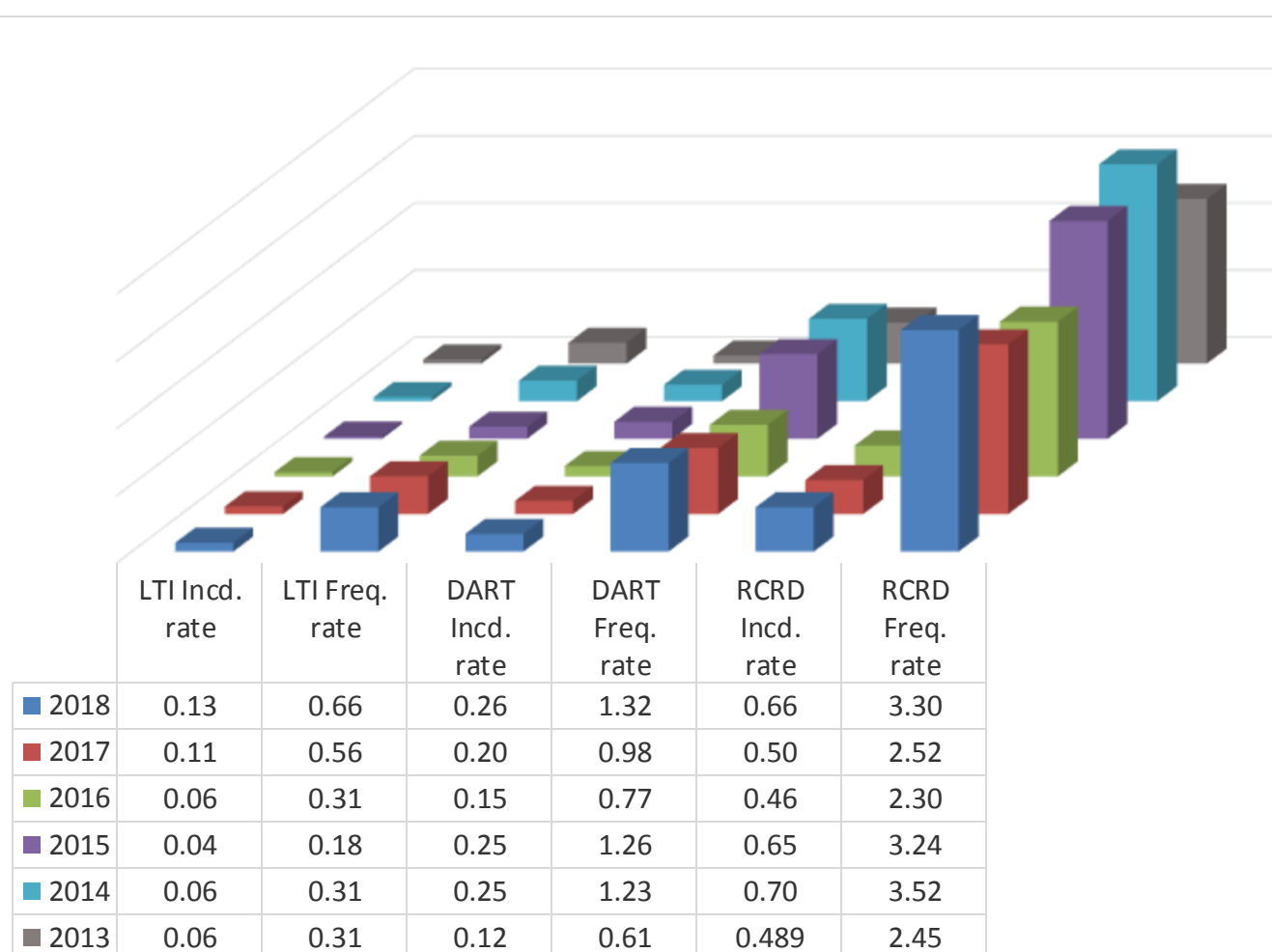
2018 WORK INJURY STATISTICS & BENCHMARKING

Providing a safe working environment for our employees and sub-contractors is of fundamental importance to Sinotharwa. Occupational safety across our operations is managed at an organizational level through the relevant Sinotharwa's QHSE MS

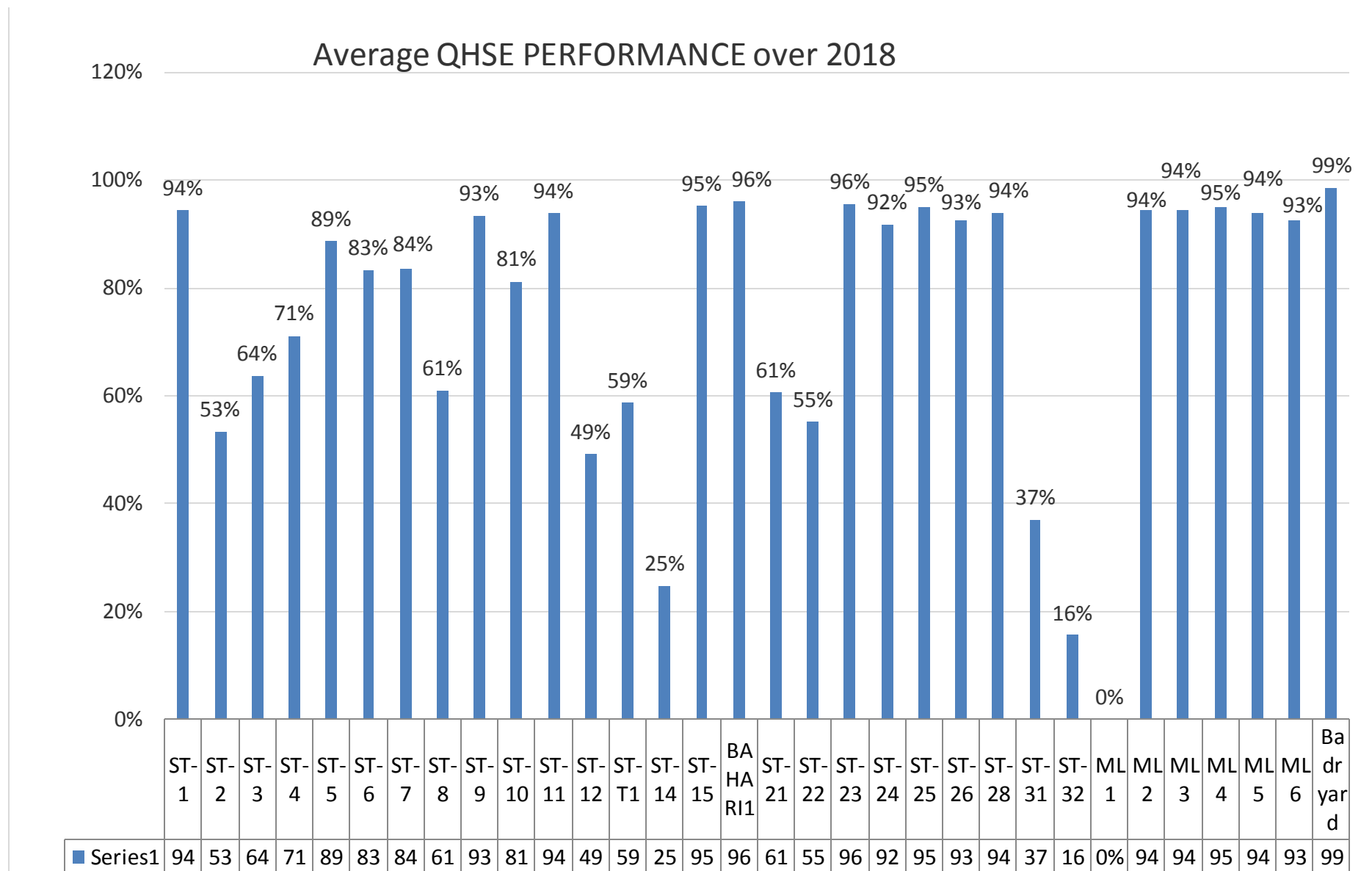
which established based on ISO specification compliance of: OHSAS 18001 – ISO 9001.2015 – ISO14001.2015.

The responsibility for ensuring the proper implementation of these operational standards and the availability of enough resources & support throughout the provision of trained and suitably qualified personnel rests with senior company management and safe working environment. Third parties and top management also conducts periodic site visits and audits. The responsibility for safety extends to all our employees, who are required to ensure that all governing safety rules and operating procedures are followed.

Occupational safety is also managed at a corporate level by the individual HSE committees that are in place across sinotharwa's sites and operations. The majority of these committees have joint management / labor representation. Our overall safety performance with regard to work injuries over the last five years is shown in the table below. Unfortunately, Sinotharwa recorded includes two fatalities for two from our colleagues and other two lost time incidents during 2018.



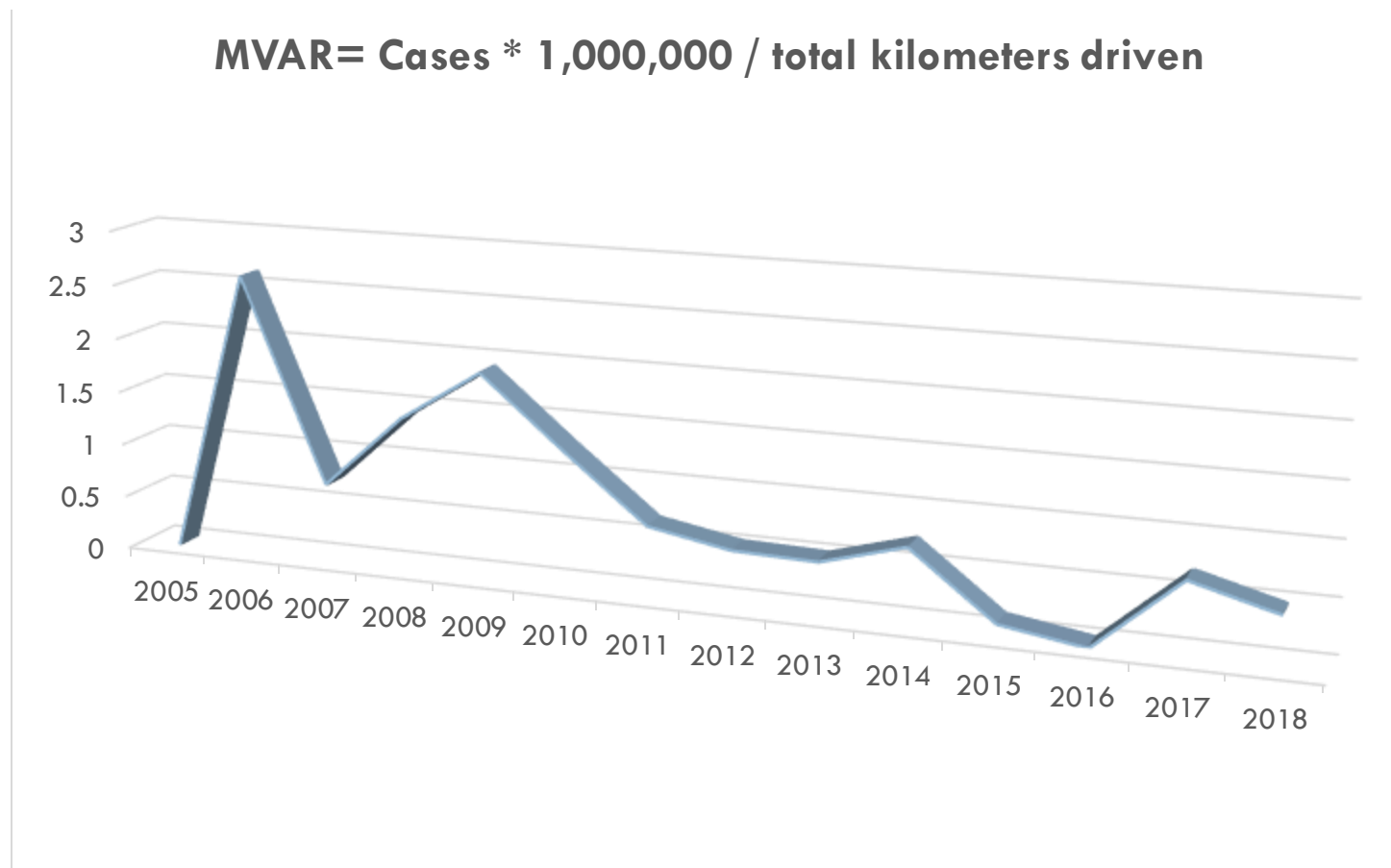
Sinotharwa's 2018 Total Recordable Incident Rate (TRIR) was 0.66 reflects a recognized increasing from that reported in 2017 and earlier years, and for this high recordable incident rate, the QHSE total performance during 2018 was the worst comparing with the company previous trend.



2018 MOTOR VEHICLE ACCIDENTS RATE ALONG SINOTHARWA YEARS (MVAR)

Controlling the fleet safety has been always a big challenge and can't be a part from our core values and mission. Also as a part to comply with local traffic laws, and OHSAS 18001:2007, Sinotharwa established accident statistics program that include MVAR and tracked it for continual improvement.

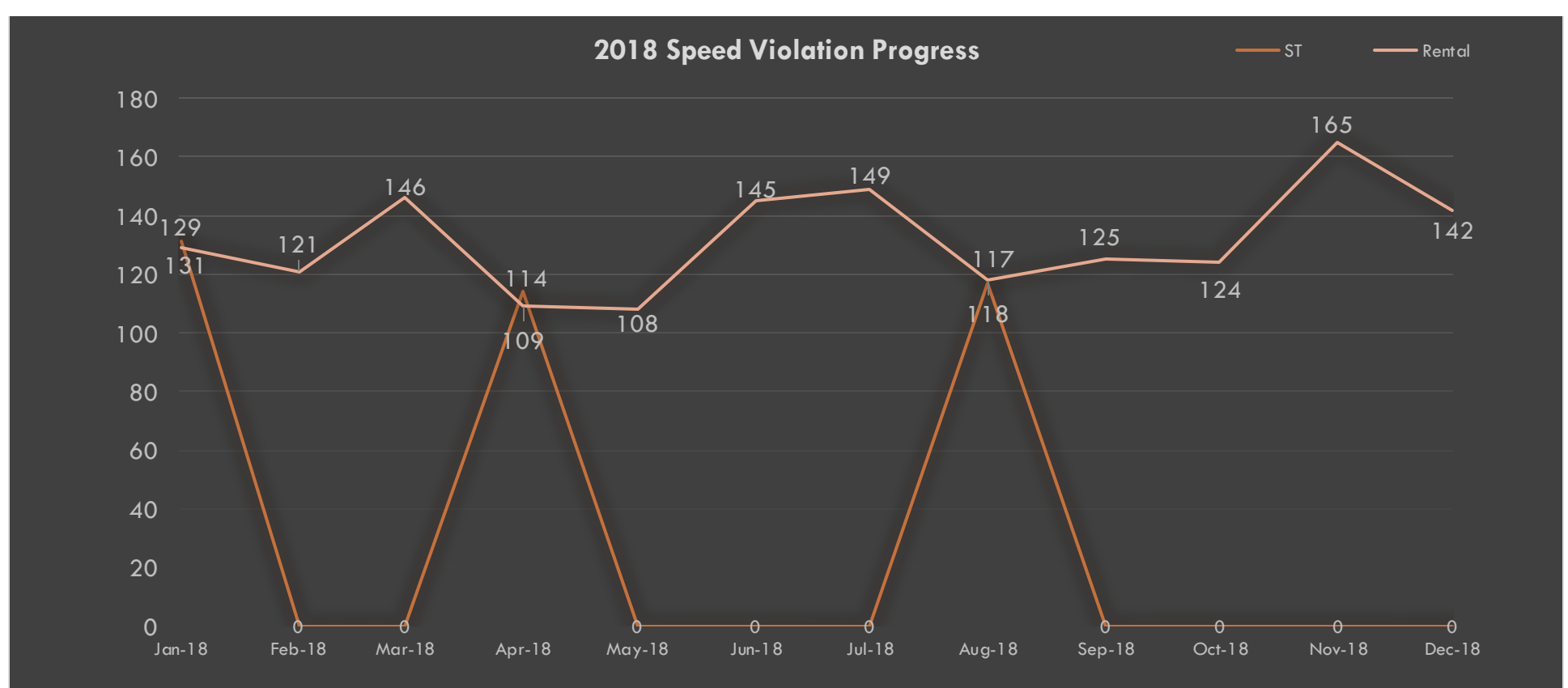
Compared to 2017, the accidents reported have been decreased. Sinotharwa will continue to work to improve road safety for our staff and sub-contractors by trying to change the behavior of the workforce to comply with the strict company rules regarding speed limits and the use of seat belts. Below figure represents our history records for vehicle accidents.



Fleet Vehicle Tracking and E-Fleet Management System

Vehicles Fleet Management System is a system that allows the companies to monitor their valuable cargo, the vehicles and personnel (passengers) on roads at any time.

The system operation is based on the principle of transmission of the information obtained from GPS satellites over the units installed on the vehicles, to a center over the GSM/ GPRS together with various sensor etc. information collected from the vehicle and provision of such information to the users over the Internet & By collecting this information, we will find out the vehicles that are in violation of the approved speeds and thus facilitate the disciplinary action provided.









ENVIRONMENTAL PROTECTION

Sinotharwa environmental protection procedures, these procedures stem from Sinotharwa believe of having zero discharge on Onshore & offshore operations with respect to the applicable laws, regulations, standards best practices and guidelines. This procedure is based on initial steps which revolves around Sinotharwa environmental management system.

All International and Local/National Environmental Legislation related to the operations of the company must be complied with all locations which must maintain and periodically update a register of all appropriate Environmental Legislation; the purpose of this policy is to ensure review and compliance with Environmental legislation and other requirements relevant to the Company's operations.

Stem from Sinotharwa believes, a contract had been established a contract with the Energy and Environment Research Center (E2RC) to execute the environmental measures and the required measurements which will be execute at all Sinotharwa fleets will be as followed:

-  sound level (noise)
-  Light intensity.
-  Respire able particulate concentration
-  Heat stress.
-  Gases and vapor indoor.
-  Exhaust stack gases emission from generator

Environmental Measures were executed at ST#9&ST-11 and Badr Yard and it was at the acceptable limits.

Environmental events during 2018

World Water Day:

An international day to celebrate freshwater was recommended at the 1992 United Nations Conference on Environment and Development (UNCED). The United Nations General Assembly responded by designating 22 March 1993 as the first World Water Day.

Each year, World Water Day highlights a specific aspect of freshwater.

In 2015, World Water Day has the theme "Water and Sustainable Development".

In 2016, the theme is "Water and Jobs,"

In 2017 "Wastewater"

In 2018 "Nature for water"

World Earth Day

World Earth Day is celebrated every year as an annual event by the people all across the world on 22nd of April in order to increase

The awareness among people about the environment safety as well as to demonstrate the environmental protection measures.

First time, the world earth day was celebrated in the year 1970 and then started celebrating annually on global basis by almost 192 countries.

So, kindly find the attached file which show some important notes about this day and how to make Earth day every day.

2018 COMPANY QHSE ACHIEVEMENTS & AWARDS

Sinotharwa drilling company been awarded by the following international certificates after external audit during 2018:

1. Passed the surveillance audit ISO 14001:2015 certification regarding Environmental Management System & ISO 9001:2015 Certification regarding Quality Management System. After achieved the transition from 2008 to 2015.

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



OPERATIONS DEPARTEMENT

Our Mission

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

Our Business Strategy

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

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

The key elements in our strategy are as follows:

1. Commitment to provide customers with safe and effective operations
2. Combine high-Tech and advanced drilling units with experienced and skilled employees.
3. Continue to develop our fleet with onshore & offshore rigs.
4. Develop our strong position in the offshore drilling in both deep & shallow waters as well as onshore areas.
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	Sea Dragon	Desouq	Not Active
ST-3	Bomco, China	2006	2000	20,000	Available	Petrobel	Abu rudies	Not Active
ST-4	Bomco, China	2007	2000	20,000	Available	Khalda	Fagora	Not Active
ST-5	Bomco, China	2007	1500	16,000	Available	Agiba	Meleiha	Active
ST-6	Bomco, China	2007	1500	16,000	Available	Agiba	Meleiha	Not Active
ST-7	Bomco, China	2008	1000	12,000	Available	Agiba	Meleiha	Not Active
ST-8	EPHH	2008	1500	16,000	Available	Agiba	Meleiha	Not Active
ST-9	EPHH	2007	2000	20,000	Available	GPC	Ras Gharib	Active
ST-10	EPHH	2008	1500	16,000	Available	Apache	El-Razak	Not Active
ST-11	Bomco, China	2008	2000	20,000	Available	Petroshahd	Shahd	Active
ST-12	Bomco, China	2008	2000	20,000	Available	Agiba	Fagora	Active
Tanmia -1	EPHH	2011	1500	16,000	Available	Norpetco	W.Abo Snnan	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	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	Not 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	Khalda	El Salam	Active
ST-25	SJ Petroleum , China	2014	650	12,000	Khalda	El Salam	Active
ST-26	SJ Petroleum , China	2014	650	12,000	Petrobel	Abu Rudies	Active
ST-27	SJ Petroleum , China	2016	650	12,000	Not Yet	-	Not Active
ST-28	SJ Petroleum , China	2016	550	10,000	Petrobel	Abu Rudies	Active
ST-29	SJ Petroleum , China	2016	550	10,000	Not Yet	-	Not Active

C- Land Work over pulling units:

Rig	Manufacturer	Year of Built	HP	Max. Drilling Depth W/5" DP, ft	Operator	Location, Field	Status
ST-30	SJ Petroleum , China	2016	550	5,000	Not Yet	-	Not Active
ST-31	SJ Petroleum , China	2016	550	5,000	Qarun	Karama	Not Active
ST-32	SJ Petroleum , China	2016	550	5,000	Not Yet	-	Not Active
ST-33	SJ Petroleum , China	2016	550	5,000	Not Yet	-	Not Active
ST-34	SJ Petroleum , China	2016	550	5,000	Not Yet	-	Not Active
ST-35	SJ Petroleum , China	2016	550	5,000	Not Yet	-	Not Active
ST-36	SJ Petroleum , China	2016	550	5,000	Not Yet	-	Not Active

D- 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 based on the dates when the units began operations:

Unit type	Land Rigs						Offshore Rigs	Total
	2000 HP	1500 HP	1000 HP	650 HP	550 HP	Pulling units	2000 HP	
2005	1	-	-	-	-	-	-	1
2006	-	1	-	-	-	-	-	1
2007	2	-	-	2	-	-	-	4
2008	2	4	1	2	-	-	-	9
2009	1	-	-	-	-	-	-	1
2010	-	-	-	-	-	-	-	-
2011	-	1	-	-	-	-	1	2
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	1	2	-	2	-	-	-	5
2015	-	-	-	-	-	-	-	-
2016	-	-	-	1	2	7	-	10
2017	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-
Total	7	8	1	7	2	7	1	33

Total 33 Rigs

Factors Affecting our Results of Operations

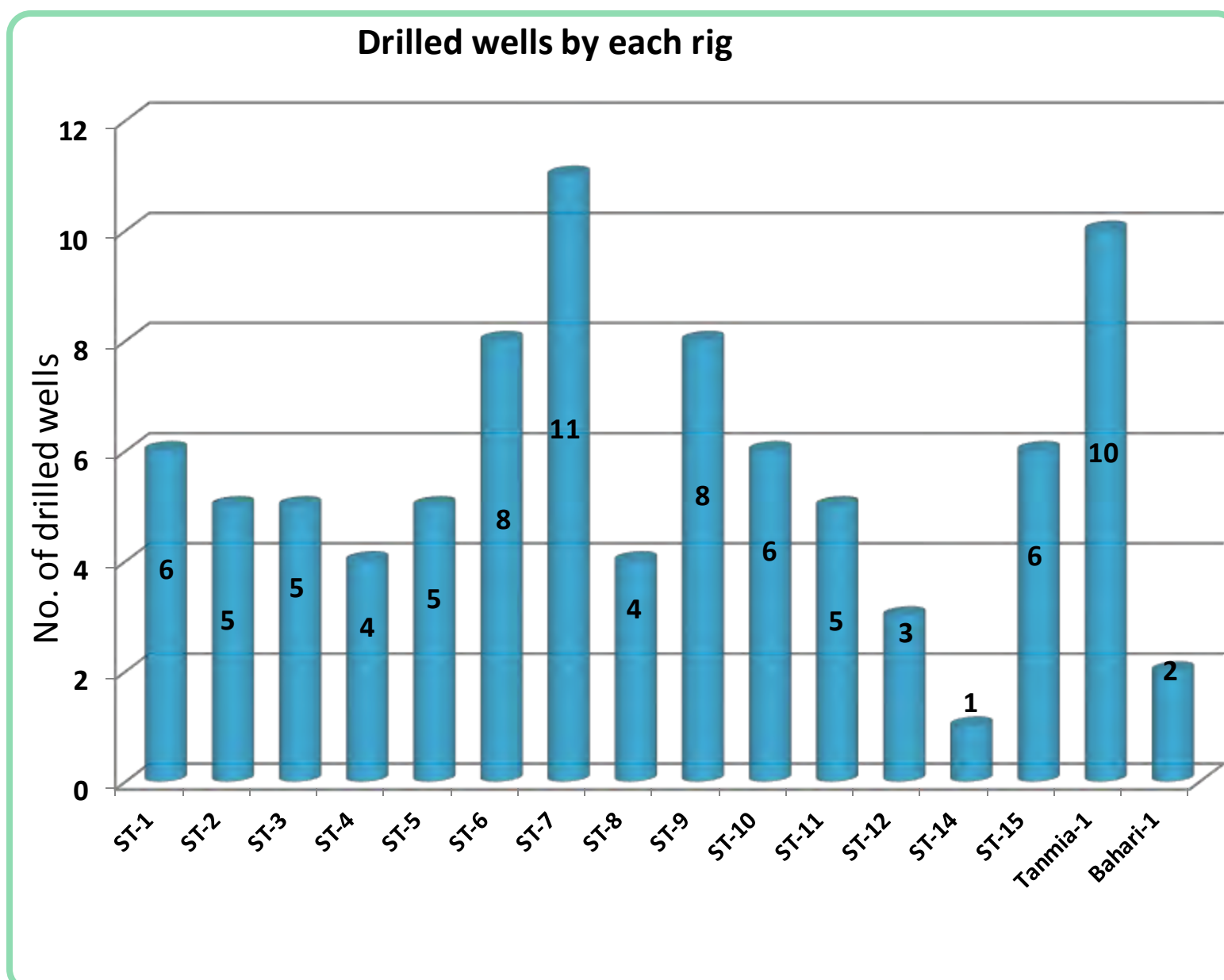
The principal factors which have affected our results since 2005 and are expected to affect our future results of operations and financial position include:

-  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.

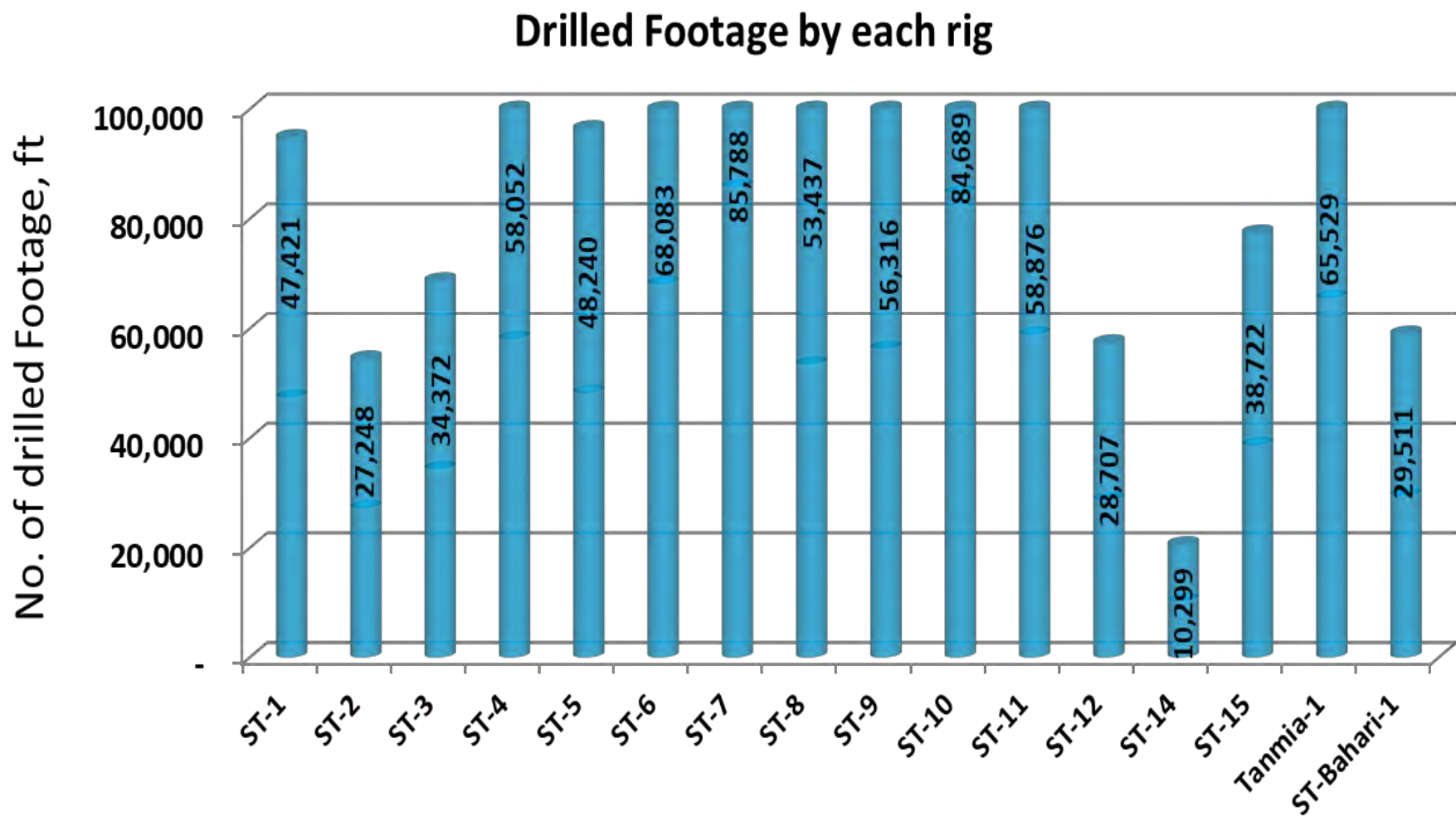
2018 Strategic Measurements:

In 2018 the following actions, among others, were the direct result of implementing our strategy:

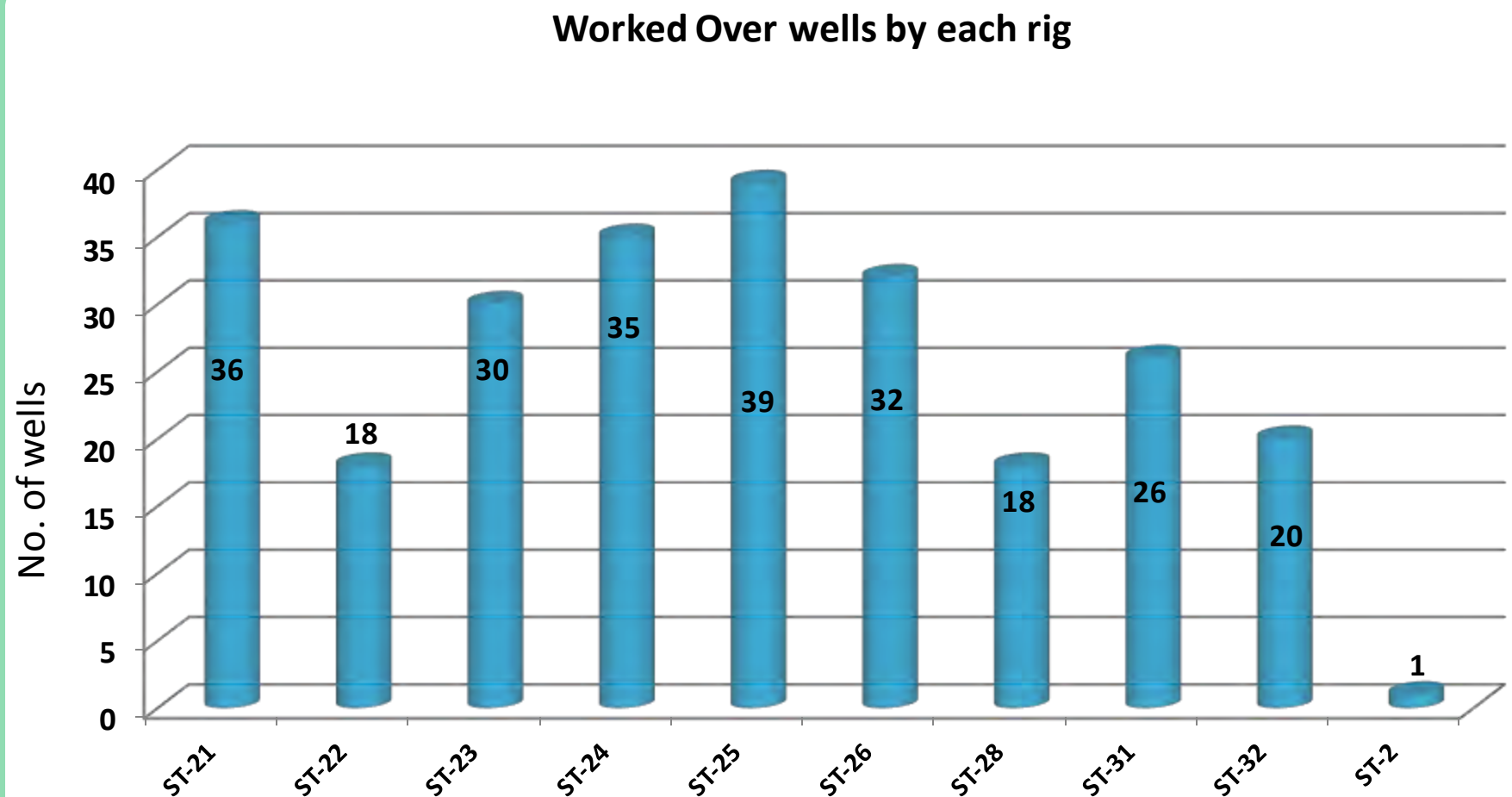
- 1- Average rigs utility (Excluding move & maintenance time) **98.63 %**.
- 2- Average rigs utility (Including move time only) **94.62 %**.
- 3- Average rigs utility (Including move & maintenance time) **92.76 %**.
- 4- Total working (operating) days: **6,280 days**.
- 5- Total drilled wells during 2018: **89 wells**.



6- Total drilled footage during 2018: 795,290 ft.



7- Total work over wells during 2018= 255 wells.

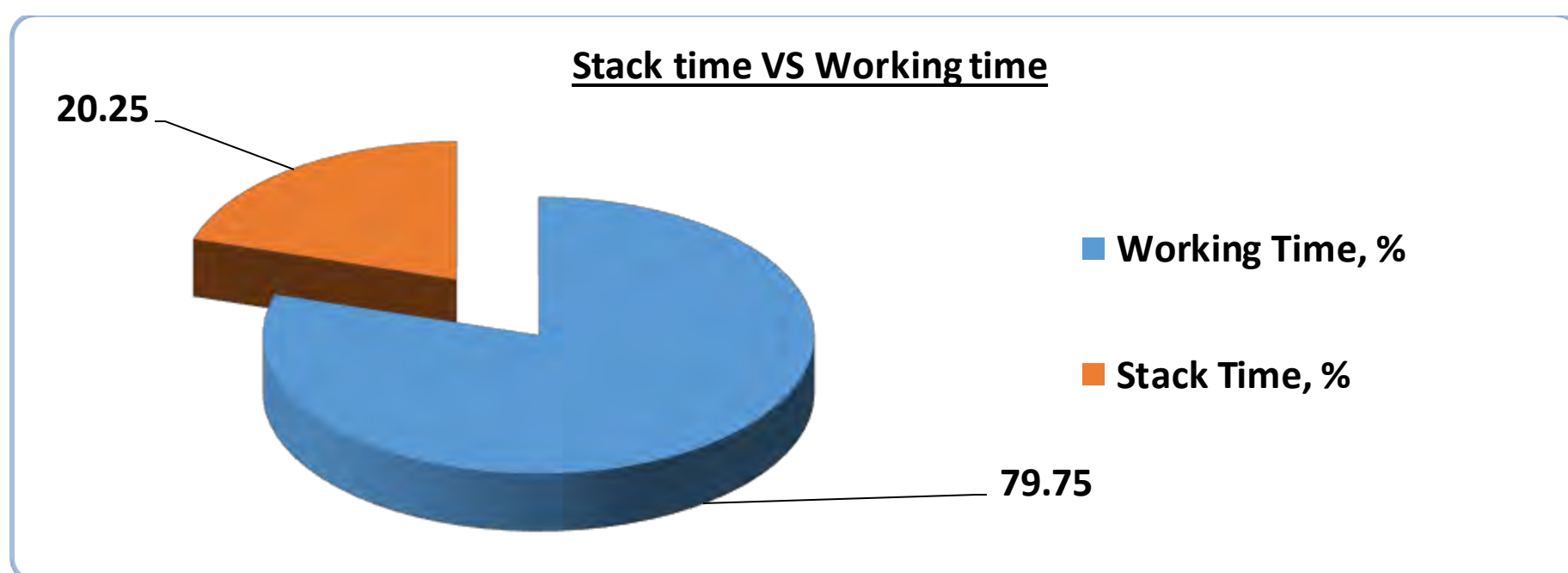


8- Provide training in a wide range of drill rig operations and procedures.

Operating time VS Stack time during 2018:

- Total Stacking time = 1,595 days.
- Operation time = 6,280 days.
- Total time = 7,875 days

**** above without taking in consideration non-owned rigs(Tanmia-1) & pulling units (ST-31 & ST-32).**



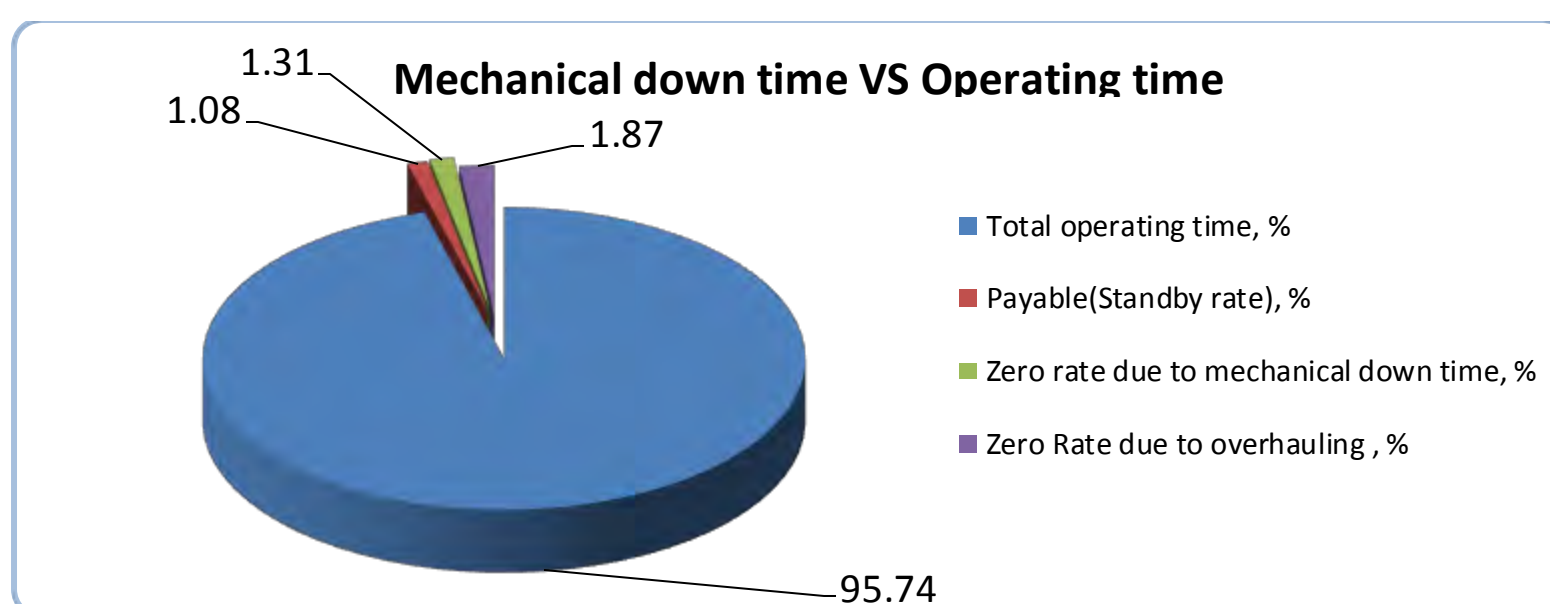
2018 Rigs Utilities:

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	90.57	94.16	5.84	3.60	6	8.19
ST-2	215	93.54	95.79	4.21	2.25	5	6.98
ST-3	226	94.06	97.23	2.77	3.17	5	7.46
ST-4	221	82.50	87.52	12.48	5.03	4	9.26
ST-5	305	91.14	95.26	4.74	4.12	5	8.53
ST-6	310	87.99	93.60	6.40	5.61	8	8.08
ST-7	315	90.30	95.48	4.52	5.18	11	7.49
ST-8	229	95.01	98.43	1.57	3.42	4	8.01
ST-9	365	94.68	96.62	3.38	1.93	8	6.88
ST-10	314	97.36	98.65	1.35	1.29	5	6.83
ST-11	365	92.75	95.42	4.58	2.67	6	7.63
ST-12	156	99.64	99.64	0.36	0.00	3	6.00

Tanmia-1	257	90.54	97.38	2.73	6.84	10	7.76
ST-14	113	96.14	99.87	0.13	3.73	1	9.58
ST-15	365	97.23	100.00	0.00	2.77	6	7.68
ST-21	225	91.64	100.00	0.00	8.36	36	1.52
ST-22	187	89.93	95.76	4.24	5.83	18	1.61
ST-23	348	93.49	99.38	0.62	5.89	30	1.69
ST-24	365	93.25	97.09	2.91	3.85	35	1.40
ST-25	365	94.97	99.30	0.70	4.33	39	1.41
ST-26	365	92.02	99.87	0.13	7.85	32	1.90
ST-28	210	91.98	99.11	0.89	7.13	18	1.83
ST-31	148	92.75	97.27	2.73	4.52	26	1.26
ST-32	79	96.38	100.00	0.00	3.62	20	1.14
ST-Bahari-1	352	95.82	95.82	7.08	0.00	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, %	Zero Rate due to Overhauling, %
163,125.5	156,179.0	6,946.5	1,754.5	2,137.0	3,055.0
	95.74 %	4.26 %	1.08 %	1.31 %	1.87 %

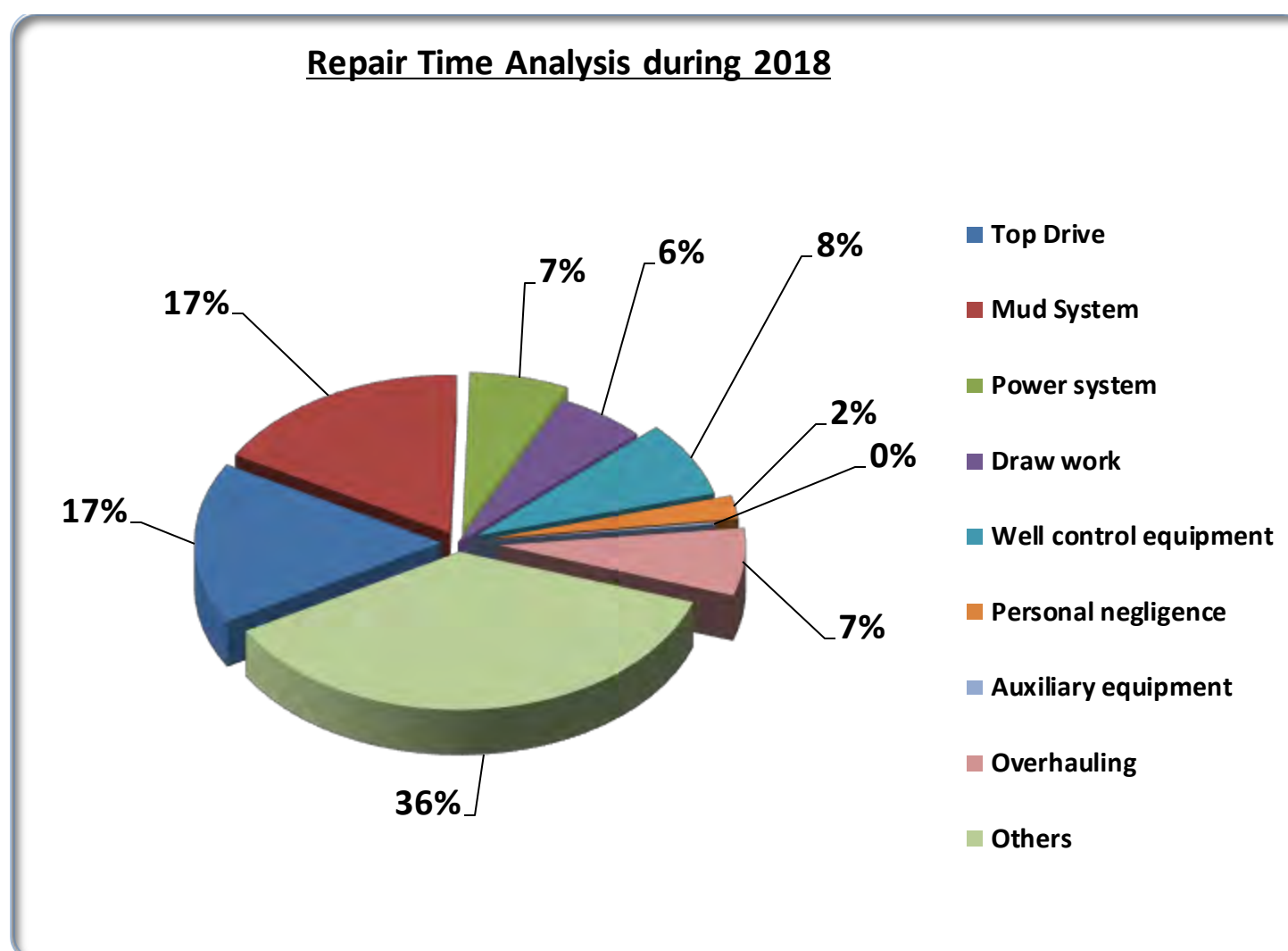


Repair time analysis during 2018:

Rig	Top Drive	Mud System	Power System	Draw works	Well Cont. Equipment	Personnel Negligence	Aux. equipment	Over hauling	Others	Total
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ST-1	159.5	14.5	25.5	87.5	52	2.5	0	192	55	588.5
ST-2	28	62	0	2	19	20.5	0	0	190.5	322
ST-3	16.5	16	8.5	5.5	3.5	31	12.5	96	76.5	266
ST-4	15	661	74.5	27	117	9.5	0	0	21	925
ST-5	159.5	25.5	0	5	78	9	0	0	204.5	481.5
ST-6	77	53	7	4	0	53	1.5	192	181	568.5
ST-7	63.5	28	3.5	12	0	0.5	0	0	343	450.5
ST-8	45.5	16.5	7.5	0	0	2.5	0	0	112.5	184.5
ST-9	334	36.5	1	2.5	1	0.5	0	0	2	377.5
ST-10	52	11.5	15.5	3.5	156.5	0	0	0	13	252
ST-11	65.5	57	42.5	123.5	0	0	0	0	176	464.5
ST-12	41	11.5	0	2	0	3	0	0	8	65.5
ST-14	13.75	0.5	0	0	0	0	0	0	0	14.25
ST-15	25.25	0.5	0	0	0	0	0	0	3	28.75
Tanmi a-1	49.5	2.5	0	20.5	13	1	0	0	139.5	226
Bahar i-1	4.5	2	2.5	0	0	0	0	0	602.5	611.5
ST-21	0	0	9.5	0.5	0	0	0	0	0	10
ST-22	0	98	3	46.5	41.5	9	0	0	52.5	250.5
ST-23	0	3	28	32.5	10	0	0	0	49	122.5
ST-24	0	43	195	0	1.5	5	0	0	70	314.5
ST-25	0	54.5	31	3.5	9.5	6	0	0	44	148.5
ST-26	0	0	0	9	19	8	0	0	9	45
ST-28	0			25.5	15				37.5	78
ST-31	0	0	0	0	0	2.5	0	0	129	131.5
ST-32	0	1.5	0	0	0	0	0	0	18	19.5
Total	1150	1198.5	454.5	412.5	536.5	163.5	14	480	2537	6946.5

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



Actions taken to realize the above achievements:

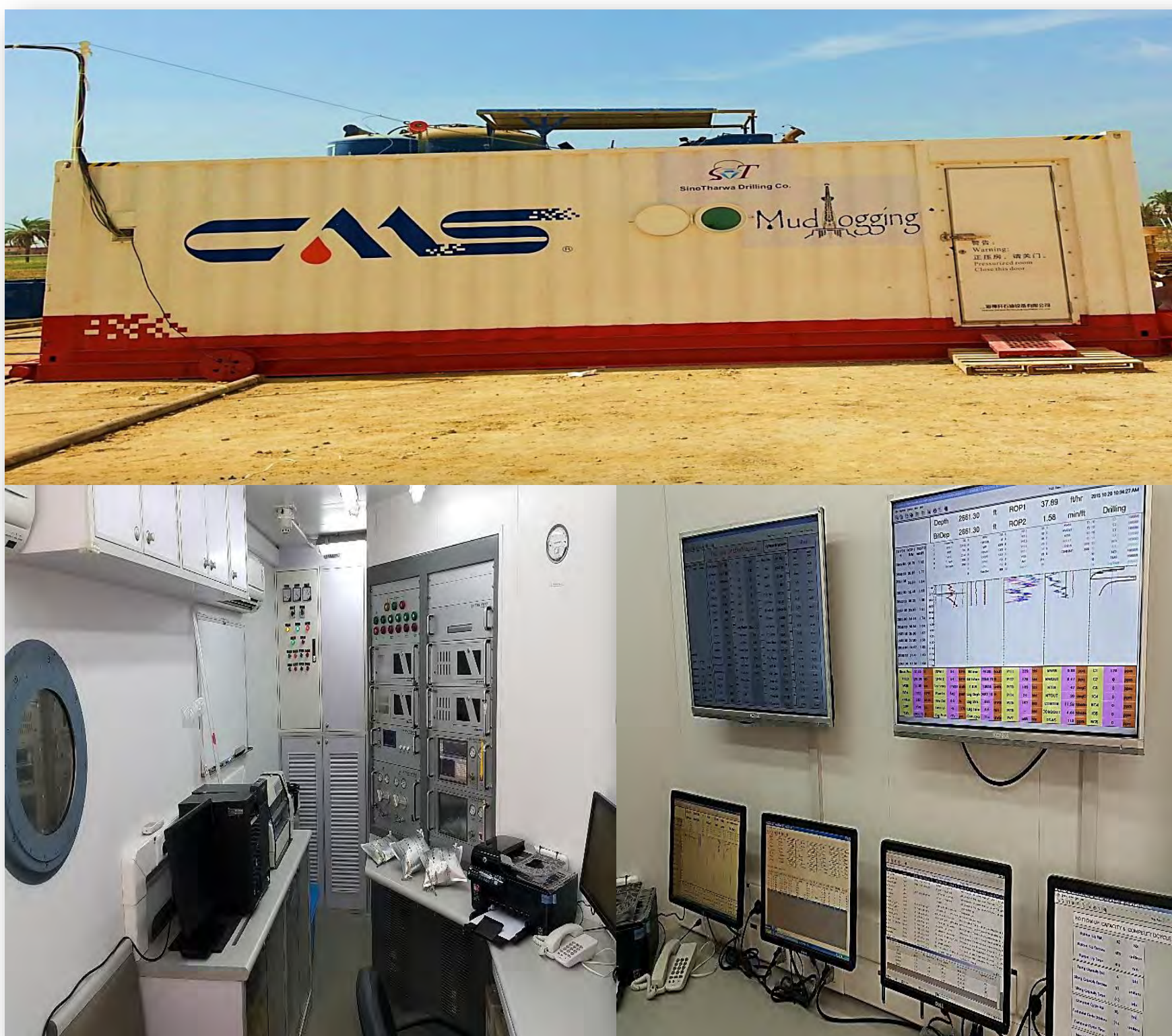
- 1- Follow up maintenance schedule to minimize rig repair.
- 2- Visit and auditing all rigs to improve maintenance and close gaps.
- 3- Optimizing cost by transfer material and spare parts from rig to another and minimize orders.
- 4- Cover all rig needs (material and spare parts).
- 5- Follow up &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

Looking Forward

While we achieved in 2018, we remain singularly focused on our future and the continued execution of our strategy in 2019. 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.

MUD LOGGING SERVICES:

- Sinotharwa started the Mud Logging project since 2012 as Integrated Services. Today, Sinotharwa own a Six Mud Logging Units and need to add more units to continue as a strong competitor.
- Sinotharwa registered in EGPC, EGAS, GANOPE, GUPCO KHALDA, Qarun, Bapetco, Agiba and Petrobel, Alamein, WASCO, BAPETCO,...etc as Mud logging contractor.
- Sinotharwa have contracts for the six units with GUPCO, PETROBEL, QARUN, PETROSILAH, ALAMAIN till 2020.
- This Year, Sinotharwa share in tender with WASCO and to continue with strong competition, We need to support our services with at least four units.

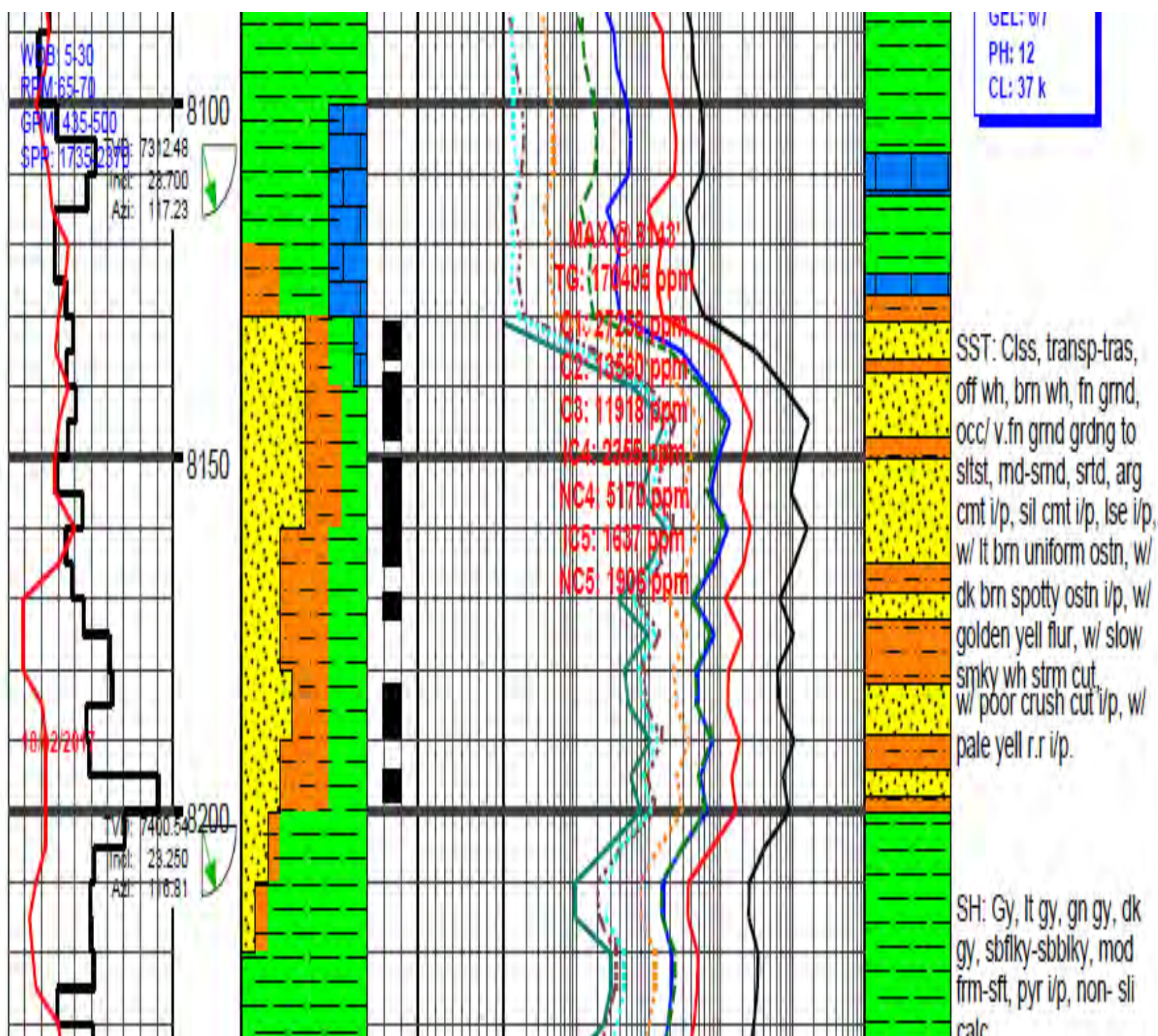




N.SILAH DEEP 2-5 **FORMATION EVALUATION LOG**



PENETRATION RATE WEIGHT ON BIT	DEPTH (FT) SHOES & CORES	LITHOLOGY CUTTINGS	OIL SHOWS	CALCIMETRY	GAS DATA IN PPM TOTAL GAS		INTERPRETED LITHOLOGY	DESCRIPTIONS REMARKS
					10	1000000		
WEIGHT ON BIT 0 Klbs 50 PENETRATION RATE 0 min/5ft 25					10	1000000		
					METHANE (C1)	1000000		
					10	1000000		
					ETHANE (C2)	1000000		
					10	1000000		
					PROPANE (C3)	1000000		
					10	1000000		
					I. BUTANE (i C4)	1000000		
					10	1000000		
					N. BUTANE (n C4)	1000000		
					10	1000000		



ENGINEERING DEPARTEMENT

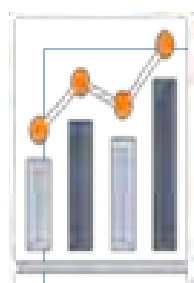
ENGINEERING STARATIC PLAN:



REDUCE NPT



COST OPTIMIZATION



KPI

Reduce NPT

Unplanned events can cripple any drilling program. With the high cost of exploration wells, minimizing these events and more effectively predicting what lies ahead can pay huge dividends by helping operators stay on budget.

Engineering plan is To help meet the ever increasing challenges of enhance the capability of our Equipment by implementing new ways which guides to Reduce NPT.

Sinotharwa Engineering Dept. applies a strong maintenance system to improve & enhance Equipment lifetime by daily strong monitoring.

This well plan, delivered by experienced engineers whom capable of measuring and optimize All Drilling Equipment to reduce NPT and minimize drilling risk.

Sinotharwa Engineering dept. has succeeded to access a software solutions to help reduce NPT and field planning cycle times, engineer cost-effective designs and reduce NPT.

Sinotharwa Engineering dept. offers preventative maintenance packages to enhance the performance and reliability of the fleet throughout the in-service life cycle.

As we have succeeded in 2018 to minimize the down time of Mud pump , Power System & well control & Achieve 40 % over 2017 & by raising maintenance Alerts for awareness and prevent any sudden failure.

Cost optimization:

Sinotharwa Engineering Dept. experience in the enhancement of preventive maintenance plans, as well as in the evaluation and quantification of their fulfillment, ensures the optimization of daily maintenance operations.

Moreover, we make better use of available resources by Evaluating them according to the necessary activity levels, with a clear impact on the reduction of costs in Repairs & Overhauls.

Sinotharwa Engineering Dept. has succeeded to optimize cost of repairs & overhauls by using the available recourses which reflected on the operational level by making new contracts with a new vendors and also repurpose the old junk in order to save cost of repairing, time impact against operation & buying a new Asset.

Over past year apply schedule preventive maintenance program for all sinotharwa fleet for ABB & Siemens drives saving almost 650,000 USD using the minimum recourses with our team.

Complete overhaul for Tesco Top drive with the available recourses at the company.

Deal with Mantrac to overhaul 8 Gen-set 3512 & 2 Gen-set 3516 in jack-up Bahari to perform the overhauls with free Manpower fees.

KPI:

Sinotharwa Engineering Dept. has succeeded in Applying KPI system to our employee which clarifies performance Expectation for our role in the company.

Applying KPI has improved the performance of our maintenance team to know what sort of conversations you need to be having with each team member in order to manage and coach them effectively.

Engineering Dept. provides objective measures of performance by arranging weekly meetings & 1-on-1 meetings to ensure consistency of performance, and consistency of outcomes.

Engineering Dept. promotion based on KPI & by serving the company goals with Monthly Employee Motivation as Man of the Month system has been applied in 2018 for a good integrity competition between employee which will serve the company policy and will reflect on the company reputation.

Preventive Maintenance scope:

The Company's decision was to use a Standardized Preventative Maintenance System which is flexible enough to adapt with various types of rigs, personnel and equipment.

Preventative Maintenance is applied for both the critical and the non-critical equipment to achieve the company's requirements.

BENEFITS OF PREVENTIVE MAINTENANCE

- ✚ Minimized asset failure and breakdowns
- ✚ Reduced downtimes
- ✚ Safety
- ✚ Improved production
- ✚ Prolonged assets productive life



With Preventative Maintenance System, equipment is monitored and reports are made and documented, thus an equipment history is performed to assure a very efficient evaluation for each equipment and its performance.

Moreover we did succeed to run jack-up with oracle maintenance system & in process to activate the system in all the fleet in 2019

on optimal maintenance schedules that maximize machine uptime using adaptive intelligence and machine learning & reduce down time.

Maintenance Overview:

- ✚ Oracle issue already uploaded in some ST Rigs data and now proceed with the other rigs and preparing to start some rigs to preparing to go live & already done for some rigs .
- ✚ Review SinoTharwa tracking system For Major Equipment (Well control-Top Drive-Power System-hoisting Equipment).
- ✚ Follow with Badr Workshop 2018 overhaul tracking system.

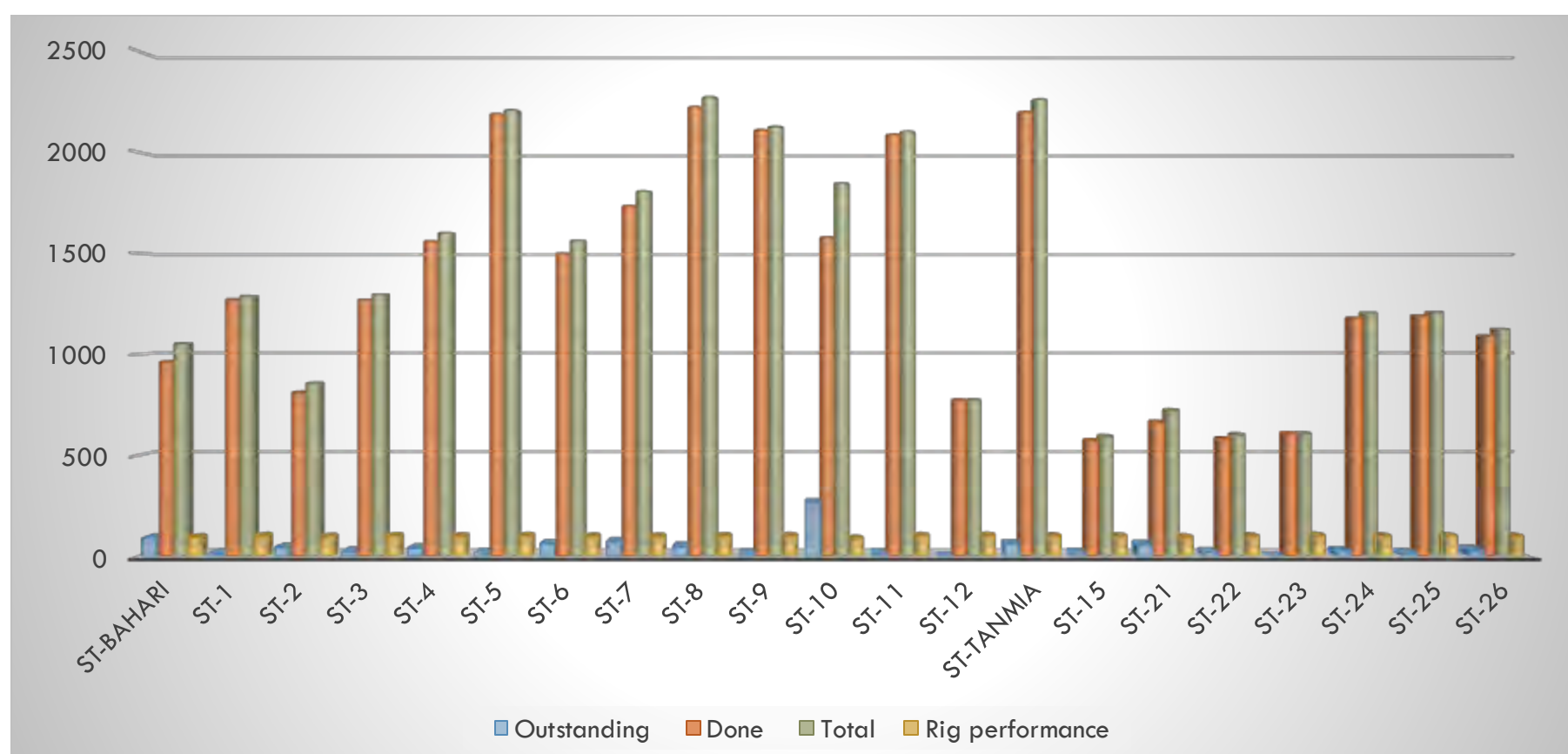
- ✚ Follow with All Rigs All Safety Equipment check List to be Monitor on Daily Basis.
- ✚ Follow and Support ST Rigs for the Electric systems standard Violation & grounding system.
- ✚ Prepare a new contract with new vendors for service, Calibration & Repair and Fabrication.
- ✚ Follow the outstanding Maintenance and oil sample tracking
- ✚ Reducing unplanned downtime
- ✚ Working on engineering budget.
- ✚ Follow rig's weekly maintenance.
- ✚ Sinotharwa Rigs' Lubes Reconsideration Study
- ✚ Working on Oil Study for tender preparation.
- ✚ Support sinotharwa rigs in 2018 Internal & External Audit's .



Rigs Outstanding analysis:

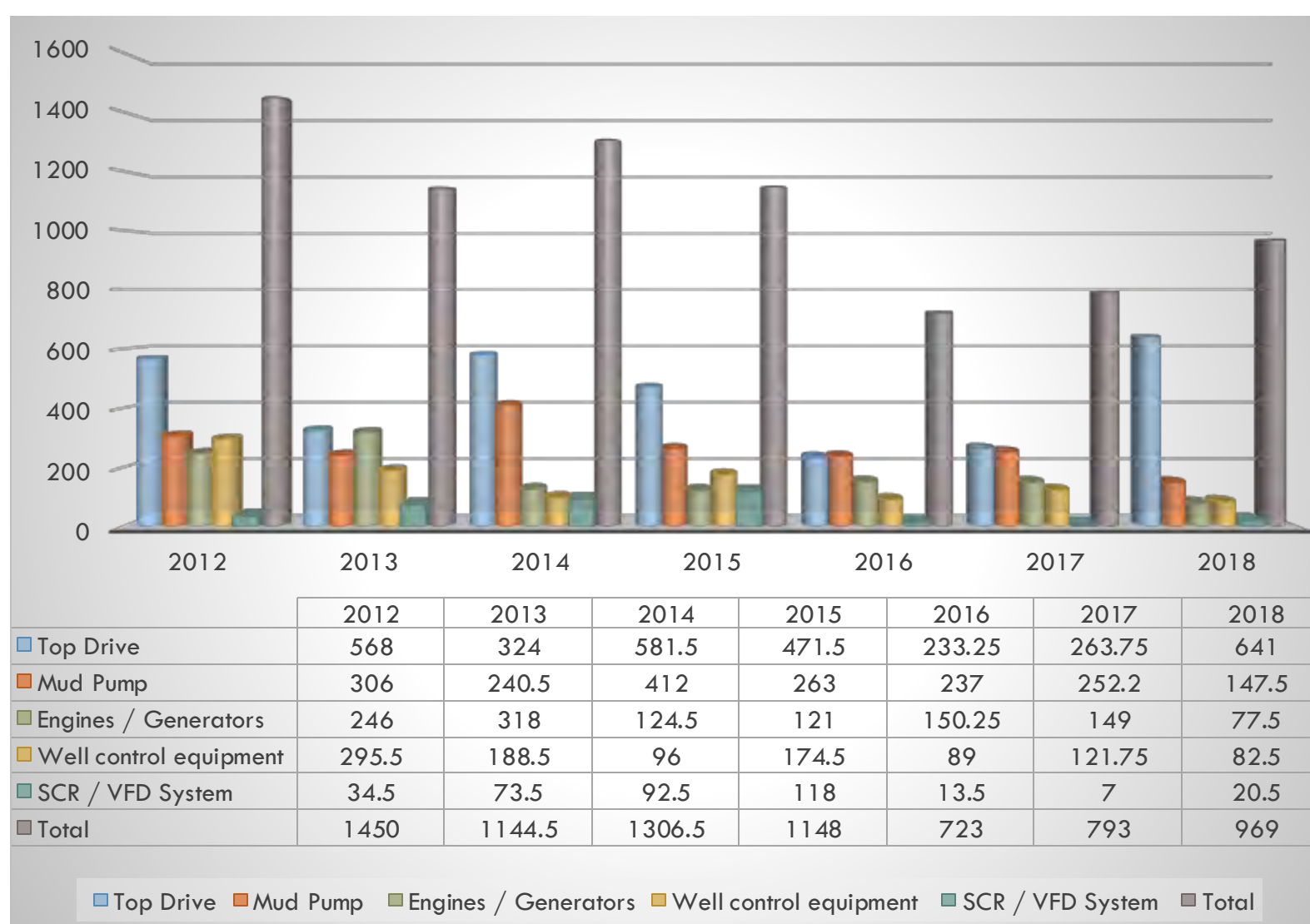
Rig	ST-Bahari	ST-1	ST-2	ST-3	ST-4	ST-5	ST-6	ST-7	ST-8	ST-9	ST-10	ST-11	ST-12
Outstanding	90	16	45	25	41	19	63	72	49	16	267	15	0
Done	961	1272	809	1270	1559	2189	1499	1734	2224	2110	1579	2087	770
Total	1051	1288	854	1295	1600	2208	1562	1806	2273	2126	1846	2102	770
Rig performance %	91.43	98.75	94.7	98	97.43	99	96	96	98	99	85	99	100

Rig	ST-Tanmia	ST-15	ST-21	ST-22	ST-23	ST-24	ST-25	ST-26
Outstanding	62	18	58	21	0	25	17	33
Done	2200	571	663	579	606	1180	1191	1090
Total	2262	591	721	600	606	1205	1208	1123
Rig performance %	97	97	92	96.5	100	97	98	97



EQUIPMENT DOWN TIME

In 2018 the repair time has been 40 % reduced from the last year however



Technical Office AR-18

- Issue 7 Maintenance Alerts in 2018 & reached 42 Total Alert to improve the uptime of the equipment and awareness for any sudden failure .
- Support sinotharwa rigs with new compressors .
- Weekly & Monthly survey for Sinotharwa Rigs to monitor the performance .
- Deal with Mantrac to overhaul 9 Gen-set 3512 & 2 Gen-set 3516 in jack-up Bahari to perform the overhauls with free Manpower fees.
- Audit Preparation & support.
- Support ST-rigs in Top Drive RLA problems.
- Follow BOMCO overhaul & parts Required.
- Follow well control Re-certification.
- Modifying some of electrical codes description.
- Provide Technical Support to all Sinotharwa rigs through problems troubleshooting, and local fabrication for some of the required out of stock items.
- Updating Equipment lube's Chart
- support Sinotharwa rigs to order API standard man rider.
- Collect rigs critical items to minimize rigs Repair Time.
- Following the needed critical items for the rigs.
- Technical Study for oil analysis & change the interval of sampling hours in order to enhance the life time of the equipment and prevent any sudden failure
- Develop pragmatic cost optimization initiatives that are impactful and implementable for overhauls.
- Monthly tips to improve technicality & Efficiency
- Review Strategic Items of Mechanical Parts Plan for 2019
- KPI (Key Performance Indicator) for all key maintenance performance
- Held courses in our training session and in the rig site to improve technicality of our maintenance team.
- Complete overhaul for Tesco Top drive with the available recourses at the company.

Audit Committee – Scope of Responsibility

Internal audit

- As the Company was listed in 2005, the Audit Committee is currently in the process of implementing a framework where it will regularly monitor and review the effectiveness of our internal audit function, the annual internal audit plan, all reports from the internal auditor and the management's responsiveness to any findings or recommendations of the internal auditor, ensuring that there is open communication between the different functions and that the internal audit plan is aligned to the business's key risks. The Audit Committee is also in

the process of implementing a framework where it will hold regular meetings with the internal auditor.

External audit

- The Company's external auditors conduct their work in accordance with International American Petroleum Institute API . The Audit Committee discusses any problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary) and to assist in the resolution of any disagreements or difference.
- The Committee is primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of the external auditor. The Committee will regularly review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards. The Committee is also responsible for developing and implementing a policy on engaging the external auditor should the Company require non-audit services.

Audit Committee attendance and meetings: Under its terms of reference, the Audit Committee is required to meet at least two times and hold a meeting with the Team Members



INVESTMENT IN TRAINING & DEVELOPMENT (T&D)

As a part of Engineering activities is to improve technical skills & qualification for all maintenance crew at rig sites.

- Engineering department implemented Training program in 2018 for all maintenance crew at rig site, in our training Center & our workshop to be sure that all maintenance crew at rig sites theoretically & practically trained

Course Name	Attendance
Rig Bass	23
Power Generation System	15
On Job Training	51
Mud Pumps	3
3406C Diesel Generator	10
3500C electronic Diesel Engine & ET	10
SCR Courses	19
Draw Works	10
Rig top drive system/VFD Control system	8
Varco top drive	2
Tesco Top Drive	7
Basic Hydraulic	6
Defensive driving	4
Bosiet	14
Refrigeration & Air condition system	12
Fork Lift Truck Driver	2
Members of occupational safety and health committees	12
Hazard identifications, Rigging hardware, Confined space & H2S awareness, Chemical handling, Manual Handling	5
TOTAL	213

Engineering Courses	Ac.	Pl.
	Hours	Hours
On Job Training	1350	1000
Rig SCR control system	300	300
Varco Top Drive	300	300
Rig top drive system/VFD Control system	48	48
Mud pumps	120	120
Refrigeration & Air conditioning system	138	138
Draw works	60	60
Exxon Mobil (Mobil Serv)	6	6
Tesco Top Drive	300	300
Power generation system	200	200
3500C electronic Diesel Engine & ET course	300	300
3406C Diesel Generator course - MANTRAC Egypt	300	300
TOTAL Training Hours	3422	3072

2018 Achievements Summary

- ✓ Over past year apply schedule preventive maintenance program for all sinotharwa fleet for ABB & Siemens drives saving almost 650,000 USD using the minimum recourses with our team.
- ✓ Complete overhaul for Tesco Top drive with the available recourses at the company.
- ✓ Deal with Mantrac to overhaul 9 Gen-set 3512 & 2 Gen-set 3516 in jack-up Bahari to perform the overhauls with free Manpower fees.
- ✓ we have succeeded in 2018 to minimize the down time of Mud pump , Power System & well control & Achieve 40 % over 2017 & by raising maintenance Alerts for awareness and prevent any sudden failure.
- ✓ Algeria SOS Activation
- ✓ Training Seminar with Exxon Mobil , Chevron & Total.
- ✓ increase the amount of oil sample bottles (Exxon Mobil) from 500 to 1100 bottles a year starts and will be increased in 2019 up to 2000 bottles
- ✓ Technical study for cost saving due to ODI Extension for delvac MX15W-40.

- ✓ Succeeded to manufacture a new block control system with an equal efficiency of the new system.
- ✓ Succeeded to get SOF for ST-Bahari (NOV Equipment) & did Assist to get a new contract with a new client (Dragon Oil).

Top Drive Achievements:

- ✓ ST-team managed to get a great deal for a new comer top drive to increase the competition between Top Drive Manufacture with a lease to purchase payment terms over 3 years with a grace period of 1 year .
- ✓ FAT test of 1st unit already done and same currently under shipping process .
- ✓ Add new features to 1st unit during test to increase redundancy such as another PLC system as spare – HMI inside VFD room & replace air conditioners with high ambient to be (-30 to 60c) instead of 45c .

Benefits

- ✓ Increase the competition between all Top drive Manufacture
- ✓ To negotiate with both OEM to get a good deal for installment base for overhauls of old units .
- ✓ We succeeded to get a new vendors with API license to overhaul & Re-certificate old top drive units (Tesco & Varco) with lower cost than the OEM with enhanced payment plan .
- ✓ We succeeded to rent one of our Top drive (Tesco ECI-900) to petrol service company with daily rate 2000 USD.
- ✓ Open a rental section in Sinotharwa starting with Top Drive which will reflect on sinotharwa reputation in the market.

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JH Top Drive	
Model	Maufacture
Model	DQ70BSQ-JH
Manufacture	JH
Load Capacity	500 ton
power	603HP*2
Rotary speed	0~220r/min



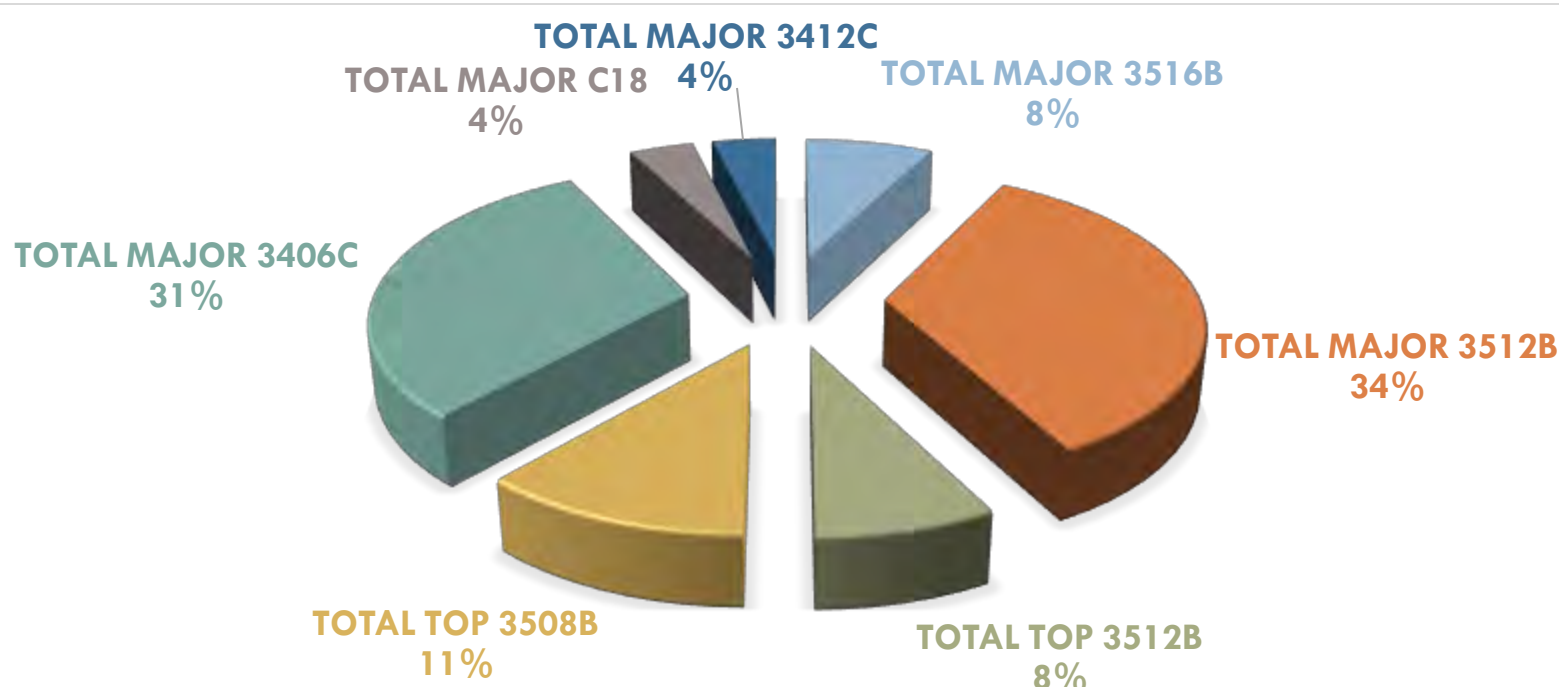


Power system achievement FOR 2018:

- ✓ TWO MAJOR OVERHAUL FOR CAT 3516 OFFSHORE JACKUP
- ✓ NINE MAJOR OVERHAUL FOR CAT 3512 LAND RIG
- ✓ THREE TOP OVERHAUL FOR CAT 3512 LAND RIG
- ✓ THREE TOP OVERHAUL FOR CAT 3508 LAND RIG
- ✓ EIGHT MAJOR OVERHAUL FOR CAT 3406 LAND RIG
- ✓ ONE MAJOR OVERHAUL FOR CAT C18 WORKOVER
- ✓ ONE MAJOR OVERHAUL FOR CAT 3412 WORKOVER



ITEM	QUANTITY
TOTAL MAJOR 3516B	2
TOTAL MAJOR 3512B	9
TOTAL TOP 3512B	2
TOTAL TOP 3508B	3
TOTAL MAJOR 3406C	8
TOTAL MAJOR C18	1
TOTAL MAJOR 3412C	1



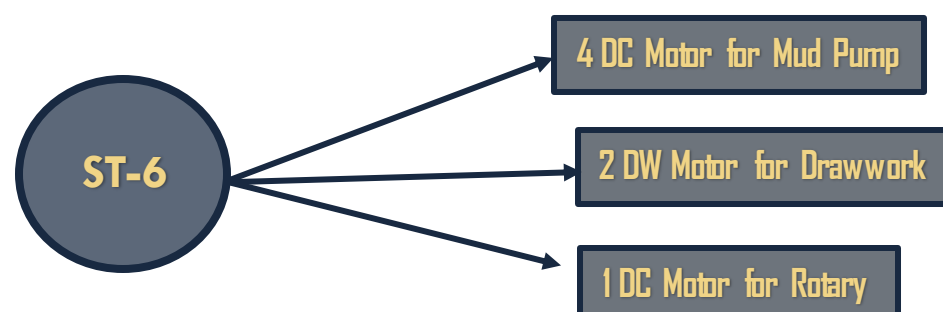
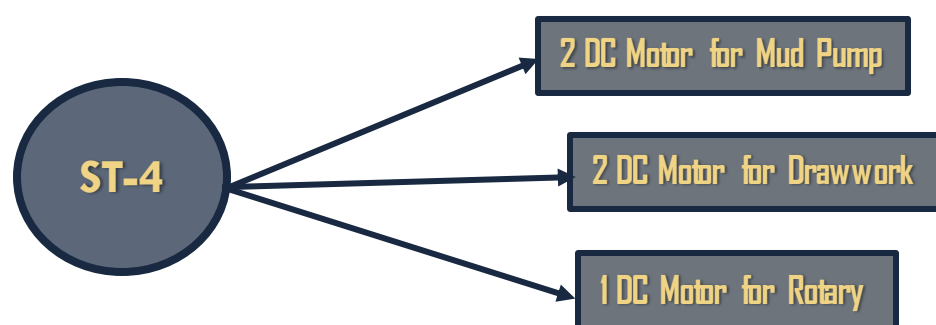
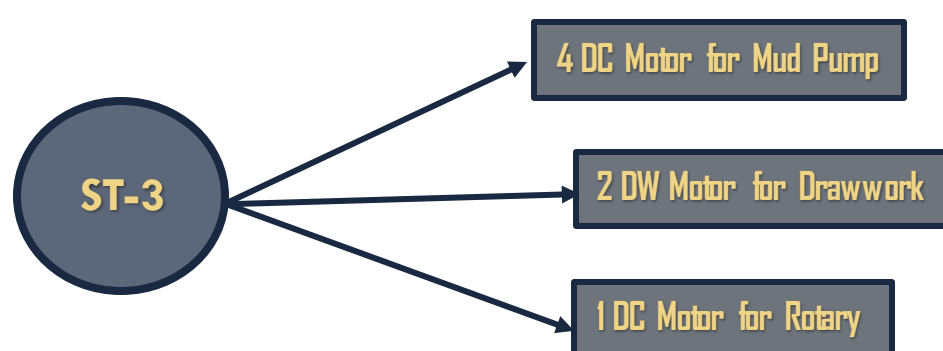
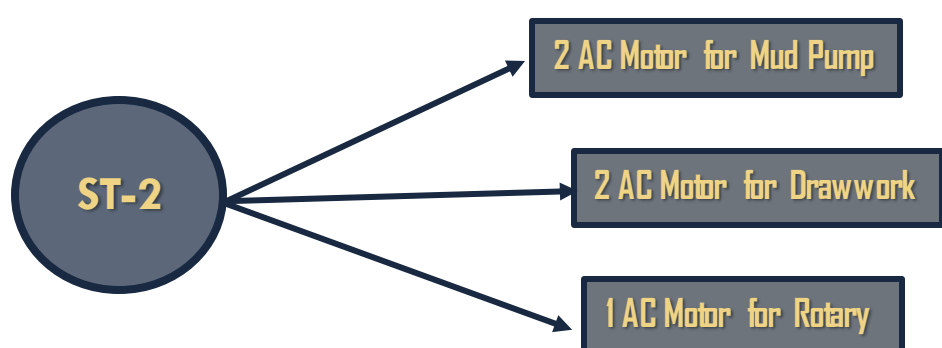
<i>Rig</i>	<i>Equipment</i>	<i>S/N</i>	<i>Status</i>
ST-2	Draw works	JD11-001	Finished
	Crown Block	model TC3-315 (SR# 01-001),	Finished
	Traveling Block	model YC-315 (SR# 01-001)	Finished
ST-3	Hook	model 1 C411	Finished
	Traveling Block	(Sr. # JE06-005)	Finished
	Hook	(Sr. # 6NF48) (HH)	Disassembled, under inspection
	fast line sheave	N/A	Finished
	Rotary table& rotary transmission	(Sr. # JY06-026)	Finished
	Power tong	06.08.05	Main body under repair due to fully crack
ST-4	Draw works	S/N:ZF06-003	Disassembled/ inspected, we're starting to assembling cooling system today.
	Air Hoist	ST3AH-001	Finished
	Rotary Table	(Sr. No BY07-009)	Finished
	Crown Block	(Sr. No BE07-008)	Finished

ST-6	2 BOP crane	(Sr. No 07303-2007)	Inspection and pressure tests have been done but we have to change just 6 sheaves which under repair
	Draw works	(Sr. No ZF07-010),	Finished
	mud pump	(Sr. No BF08-225)	Finished
	Traveling Block	(Sr. No BE07-010)	Finished
	Eazy torque	N/A	Finished
	Power tong	(6/2002)	Finished but just need cam plate in order to proceed to use it, we tried to get it in local market but unfortunately not available
	2 Air Hoist	SR. No AT1/ST4	Finished
	Man rider	(Sr. No 110777)	Overhauling has been finished but Oil seal of cover under fabrication and will be finished by next Sunday.
	Rotary Table	(Sr. # BY07-076)	RT finished and waiting for bearing to overhaul the transmission
	Traveling Block	BE07-010	Finished
ST-24	Crown Block	(Sr. # BE07-010)	Finished
	Draw works	ZF07-005	Disassembled and will start inspection tomorrow
	mud pump	(Sr. # BE07-303)	Under disassembling
	mud pump	(Sr. # BE07-302)	Under disassembling
	Air Hoist	SR. # 89646	Finished
	Draw Works	804195	Finished
	Hyd. Wench	N/A	Finished
	Hook	71110	Finished
	Traveling Block	71110	Finished



Electrical Overview

- ✓ Support Sinotharwa in Rig acceptance Audits.
- ✓ Technical support in solving issues during resume operation of stack rigs
- ✓ Issues new codes for the alternative and the equivalent items to substitute many items which is very hard to get to save operational time
- ✓ issue maintenance Alerts to be tips to learn & to avoid any sudden failure in the future.
- ✓ Support Sinotharwa rigs in main camp issues.
- ✓ Reactivate Electric standard violation to avoid sudden electric hazard.
- ✓ Support Sinotharwa rigs in Generator technical issues.
- ✓ Support the fleet in Top Drive issues and save time & cost for the company.
- ✓ Review and checking all the lighting code for duplication and get the best lighting description after get the sample and checking and testing in the rig .
- ✓ Finished power test for motors pick up from junk and handled them.
- ✓ Technical support for VFD & SCR Critical issues.
- ✓ KPI for the fleet Electrical team.
- ✓ Held courses in our training session and in the rig site to improve technicality of our maintenance team.





Instrumentation Division

Gauges and PRVs

- ✚ Create Gauges and PRVs Calibration log to monitor and handle all the required calibration before expire date .
- ✚ Create Log for all the sinotharwa gauges and PRVs by model & type & SR NO. to be easy for tracing the gauges .
- ✚ Create Log for all gauges and PRVs required and stock parts .
- ✚ prepared tools for testing all different types of pressure gauges to check it once receiving from rig and when receiving from Third Party
- ✚ Assemble test pump for checking all gauges in junk again with a calibrated gauge as a reference.
- ✚ Save cost & time by Re-using old Gauges after testing it & Running it.
- ✚ Follow all calibration jobs which will be done to save time before acceptance.
- ✚ Follow all gauges in external repair also to control requisitions from rig.
- ✚ Supporting all ST-rig in Mud Pump Pressure Gauges issue.
- ✚ Succeeded to manufacture a new block control system with an equal efficiency of the new system.
- ✚ Modifying Calibration Certificates to meet the client Satisfaction.
- ✚ H2S and CO2 System
- ✚ Create H2S and CO2 Calibration log to monitor and handle all the required calibration before expire date .
- ✚ Create Log for all H2S and CO2 required and stock parts .
- ✚ Supporting Algeria Rigs in Calibration H2S & CO2.

IT & TELECOMMUNICATION DEPARTEMENT

Simple Solutions for Complex Connections



Objective:

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

Mission:

Developing our information technology Security, 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 Infrastructure

Expanding Possibilities



2018's Achievements:

- + **Backup Server Upgrade:** Upgrade Backup Server to latest version to enhance performance and reduce backup and restore time, Data security and data Availability.
- + **Data Sandbox:** To Fight the rising fears threatening the data and protect it from being compromised by deploying Data sandbox technology
For test and analysis for all files arrive to ST throw internet or as email attachment to ensure its safe and legitimate.
- + **Replacement Core Switches:** One old switch was replaced by Two Redundancy (Highly availability) advanced managed switches that increases connectivity speed and performance that has no single points of failure
- + **Upgrading Rigs Firewall:** the upgraded version of firewall allows us to manage traffic with highly scalable segmentation and ultra-low latency to protect network segments. High threat protection performance with automated visibility to stop attacks with more features to manage running traffic easier.

Technical Support: We Make IT Happened



2018's Achievements:

- + **Building 8 Floor network infrastructure:** Add 52 port network and network switch 48 POE + for serving users resources by Enabling a High Level of Network Availability and Maximize Performance and Increase Productivity.
- + **Deploy Endpoint security:** Next Generation endpoint antivirus to all ST PC's with latest technology to protect it from all defined cyber security attacks specially outside the organization to Stop attacks where they start: By cutting

off an infection before it has a chance to spread you drastically reduce the costs and complexity associated with remediation.

Preventative Maintenance (PM): Regularly perform maintenance that is set on a schedule based on calendar dates, also performed while the equipment is operating normally to avoid the consequences of unexpected breakdowns, such as increased costs, downtime and more.

- Extending the life of assets, and increasing equipment uptime

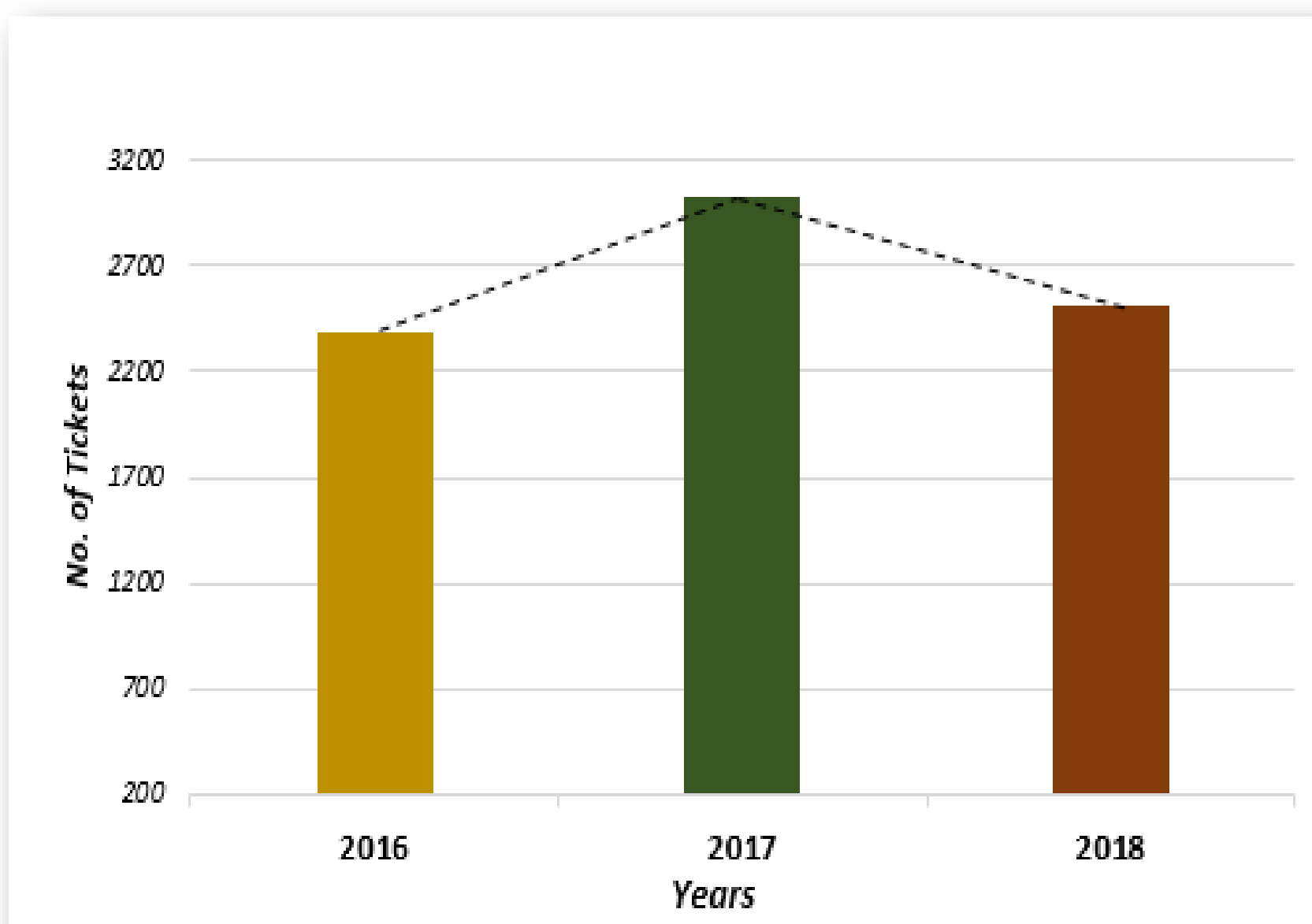
- Avoid unplanned breakdowns, lost production as well as equipment and labor downtime

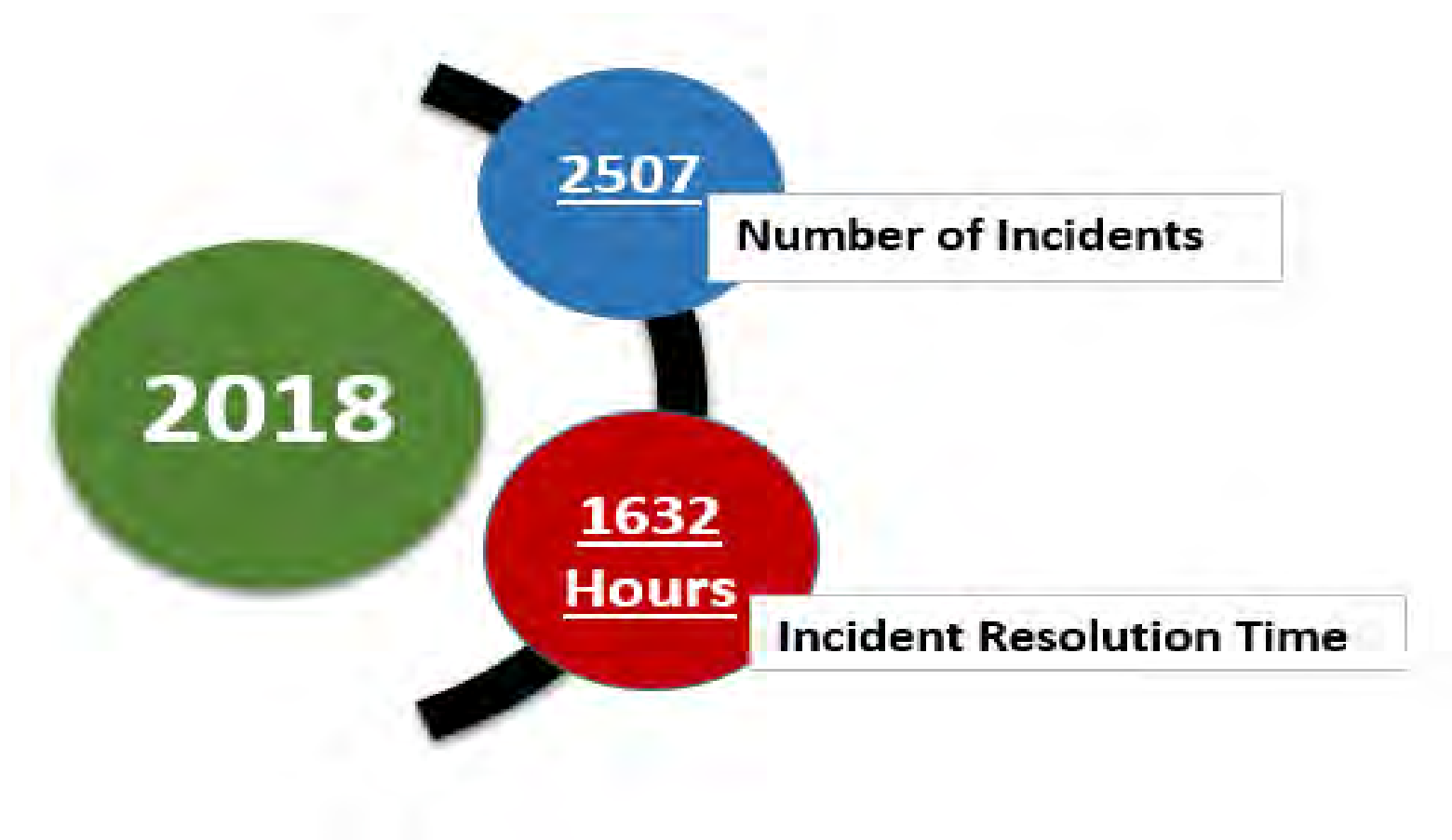
- Decreases the cost of maintenance.

Upgrading ST workforce skills for today's knowledge Technology: Our employees are the lifeblood of ST organization, and the skills they need to keep ST organization competitive are constantly changing, and to ensure that our workers will have the most up-to-date, cutting-edge skills to improve performance and keep ST organization one step ahead of the competition.

Applying SLA Using Service Desk Application to enhance our services quality.

The Graph below shows the activity during 2018 compared with the last 2 years based on Service Desk Application Request's number





Enterprise Resource Planning: Empowered by Innovation



2018's Achievements:

Core objectives:

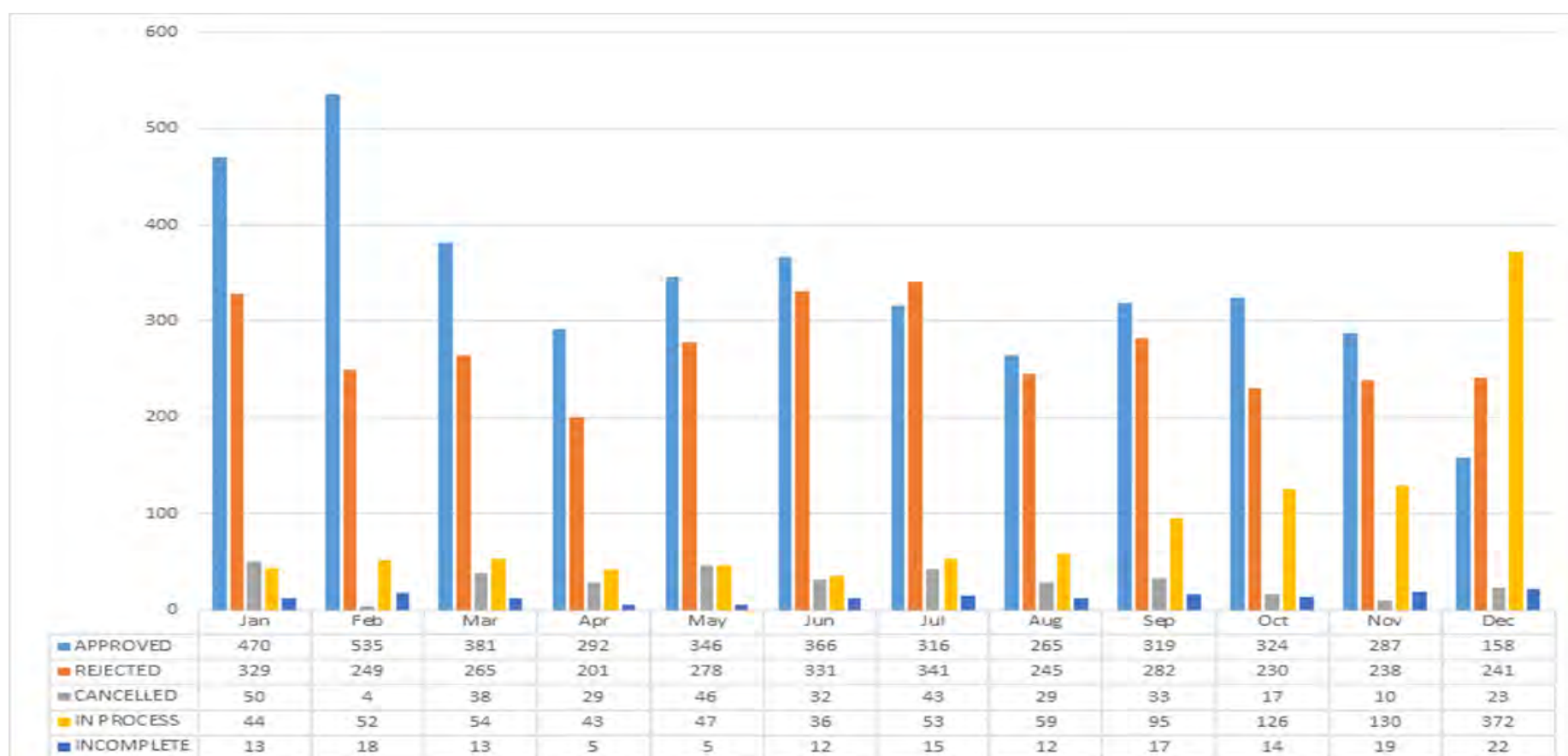
- ✦ **Streamlining the information:** ERP consists of modules that help in streamlining the flow of information between our various departments. The data of all our departments is in one database so as to ease information exchange. As one of the core objectives of the ERP, it integrates our data and 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.

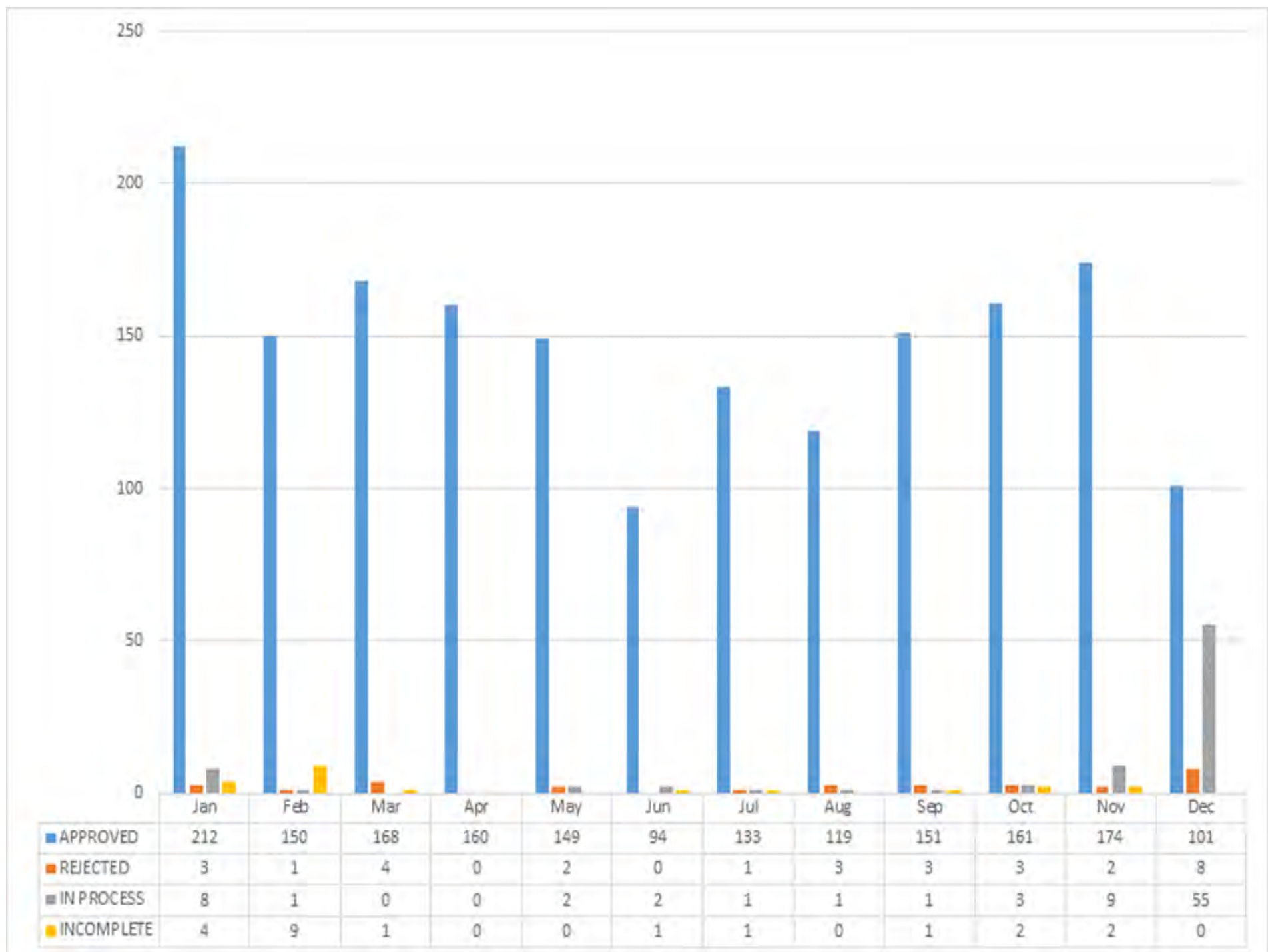
Achievements:

- ✚ Start the setup phase for the Oracle R12 Payroll Application.
 - ✚ Build new HR structure for the Projects Department.
 - ✚ Go-Live for the Oracle Medical Module.
 - ✚ Go-Live for Enterprise Asset Management Application for ST#1 and ST#2.
 - ✚ Build customized business reports for fast actions and cost saving.
 - ✚ Update the existing Approval Cycles according to many positions' amendments.
 - ✚ Start the testing phase for Oracle Asset Management customized module.
 - ✚ Update the Move Orders approval cycle to accelerate the business process.
 - ✚ Add new Database scripts to monitor the Oracle servers' performance.
 - ✚ Implement the Contracts Cycle.
- ✚ **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.
- ✚ **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.

Producing KPIs Reports on monthly basis.

Requisitions KPIs for 2018 (Graph).



Purchase Orders KPIs for 2018 (Graph).

SUPPLY CHAIN DEPARTEMENT

A basic management function involving formulation of one or more detailed plans to achieve optimum balance between current demands with available resources, formulates strategies, implement, and monitors all steps in their proper sequence.

Vision

Managing spare parts Inventory effectively and efficiently.

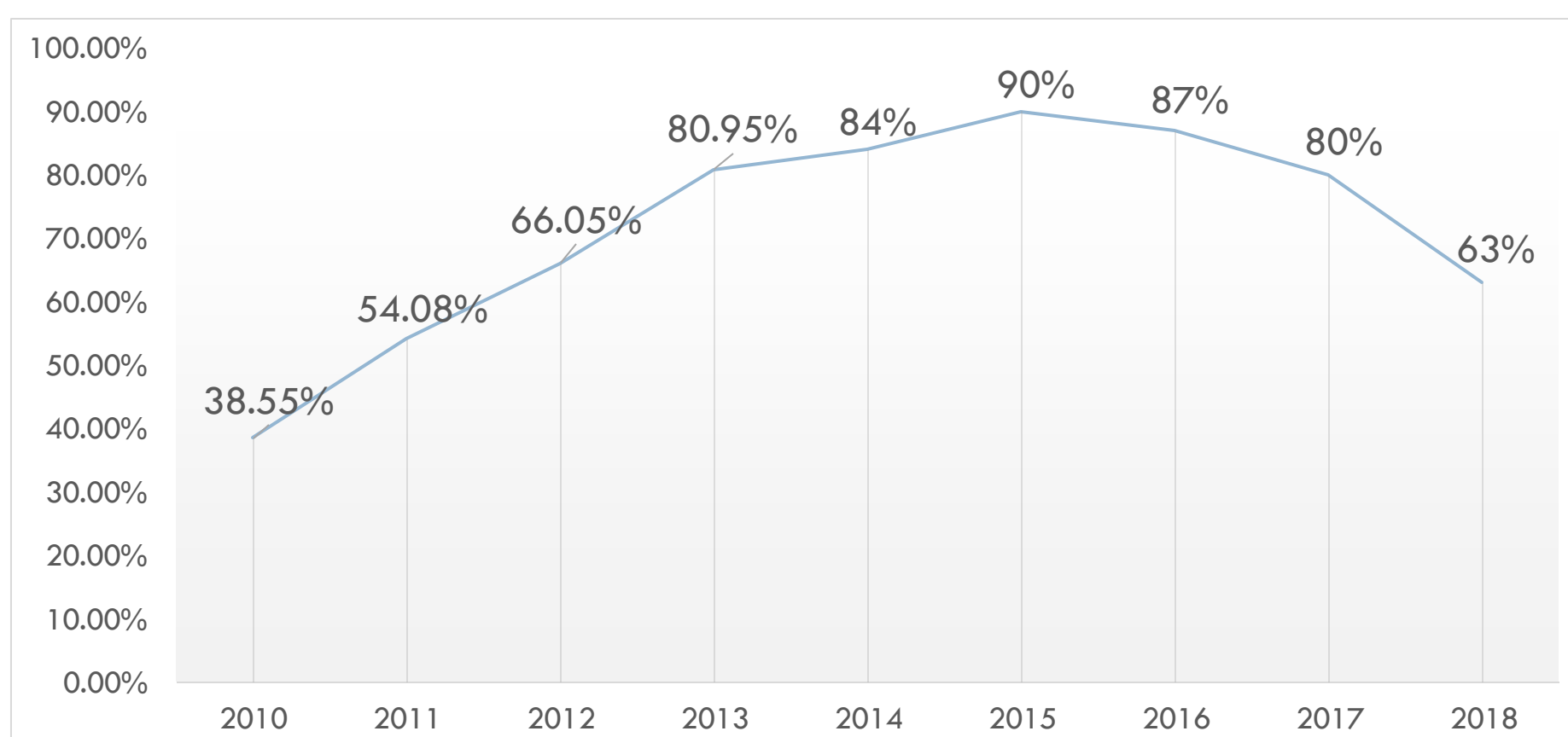
Mission

Increase Fill Rate, Turnover Rate and Decrease Inventory Value

Fill Rate

Reflect number of requisition lines covered through planned inventory. Away of requests of major overhauls, capital assets, projects and services.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fill Rate for Land Rigs - Egypt	38.55%	54.08%	66.05%	80.95%	84%	90%	87%	80%	63%



Net spare parts for land rigs:

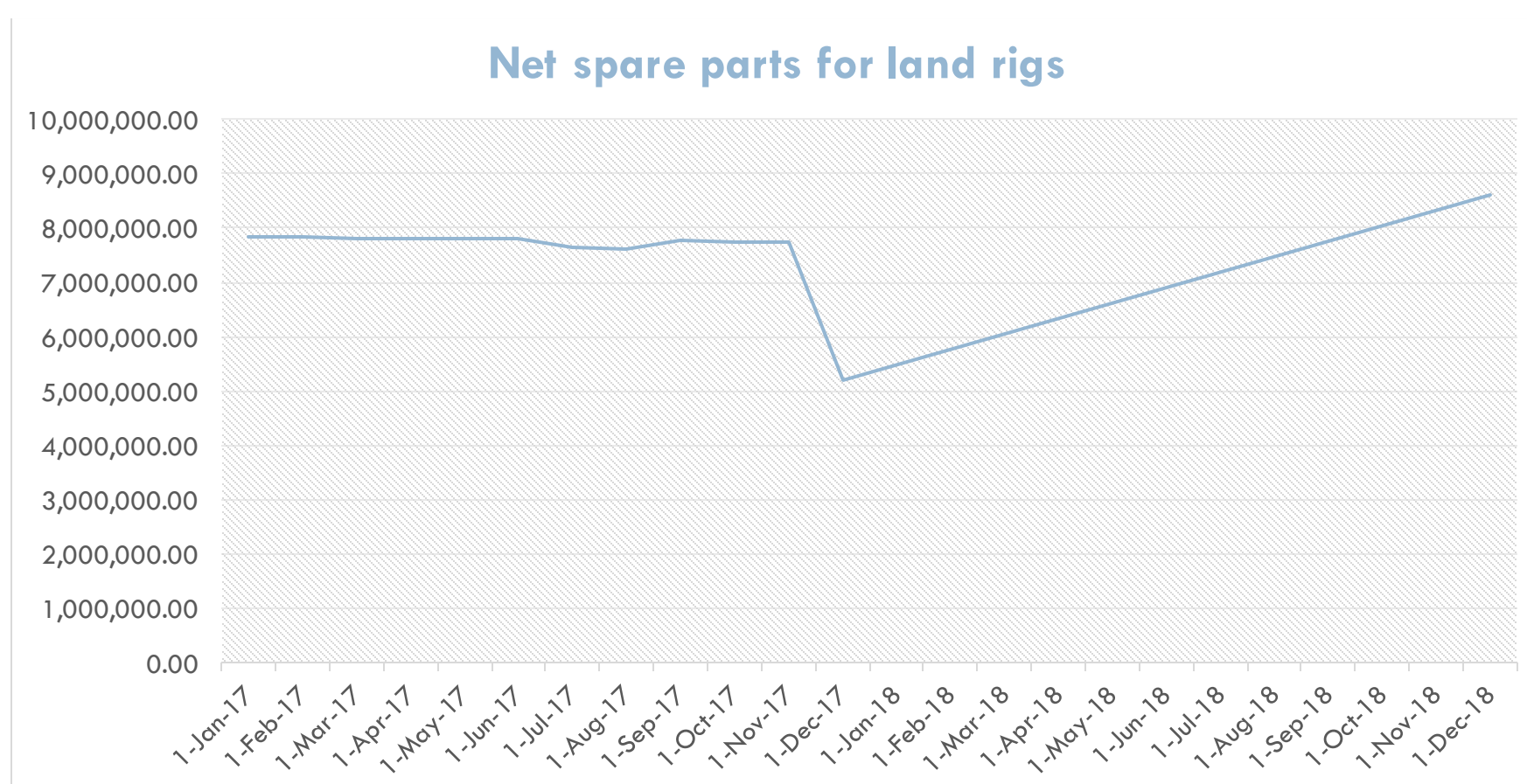
Net spare parts inventory of land rigs -working in Egypt oil field- decreased by - 16.28% during 2018 as per below table.

Value /Month 31-Jan-18 28-Feb-18 31-Mar-18 30-Apr-18 31-May-18 30-Jun-18

Net Spare Parts For Land Rigs	13,712,002.6	13,600,847.1	13,107,506.5	12,759,271.7	12,902,913.8	12,554,101.7
Shrinkage Value to starting inventory	285,145.8	396,301.2	889,641.9	1,237,876.7	1,094,234.6	1,443,046.7
Shrinkage percentage to starting inventory	2.04%	2.83%	6.36%	8.84%	7.82%	10.31%

Value /Month 31-Jul-18 31-Aug-18 30-Sep-18 31-Oct-18 30-Nov-18 31-Dec-18

Net Spare Parts For Land Rigs	12,435,488.8	12,435,488.8	12,218,650.3	11,963,930.3	12,157,093.5	11,717,955.1
Shrinkage Value to starting inventory	1561659.6	1,576,650.3	1,778,498.1	2,033,218.1	1,840,054.9	2,279,193.2
Shrinkage percentage to starting inventory	11.16%	11.26%	12.71%	14.53%	13.15%	16.28%



Purchasing Division:

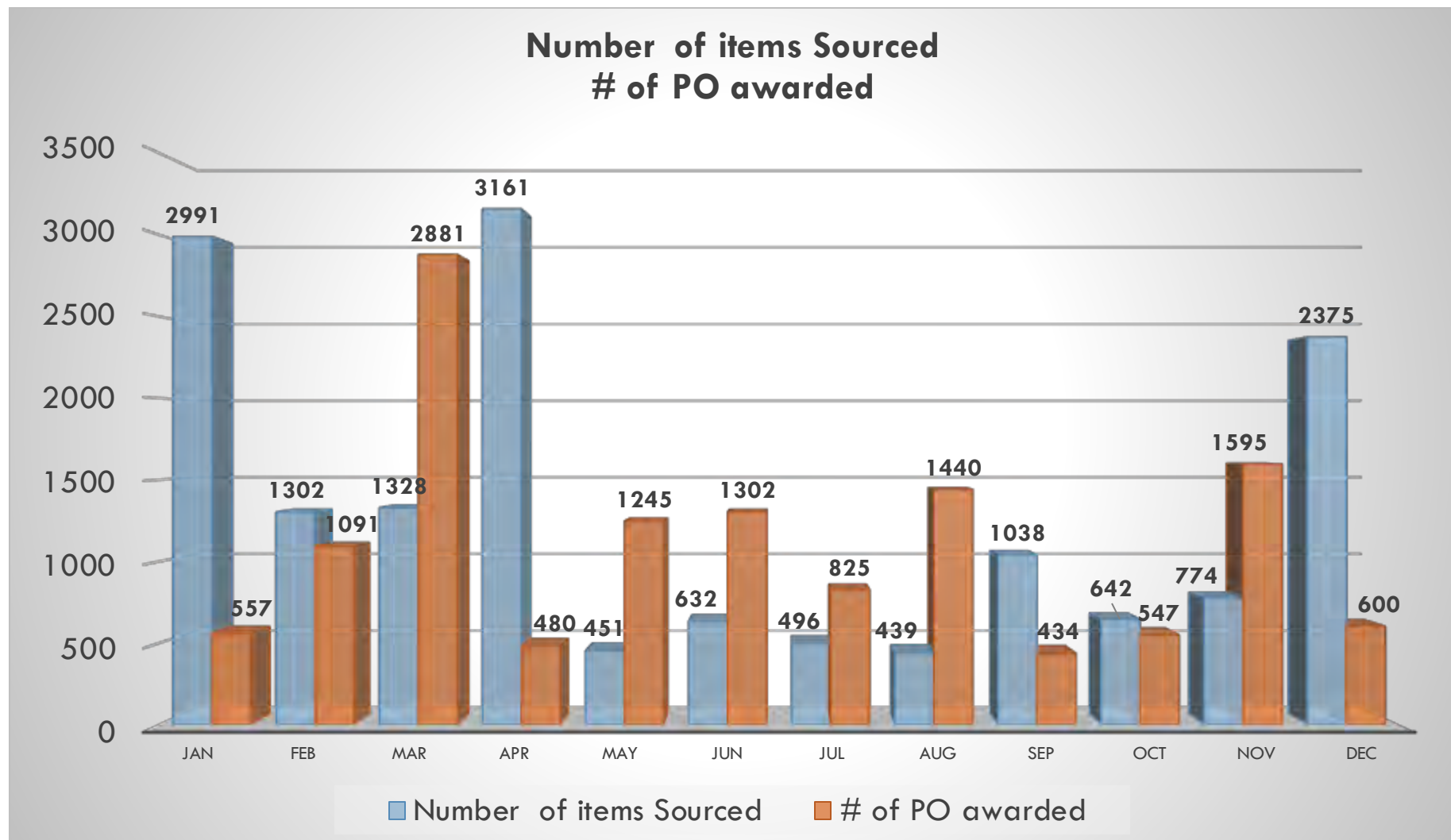
During 2018 purchasing focused on supporting Rigs projects with high quality and saving cost.

Performance level indicators

Procurement KPIs	Jan	FEB	Mar	Apr	May	Jun
Number of items Sourced	2991	1302	1328	3161	451	632
# of PO awarded	557	1091	2881	480	1245	1302
Total value awarded	\$729,602.82	\$2,149,760.92	\$2,732,049.67	\$447,878.74	2,310,380.10	\$1,655,787.84
% of cost saving per negotiation	1.04%	0.60%	0.68%	0.97%	0.21%	4.64%

Procurement KPIs	Jul	Aug	Sep	Oct	Nov	Dec
Number of items Sourced	496	439	1038	642	774	2375
# of PO awarded	825	1440	434	547	1595	600
Total value awarded	\$1,508,591.01	\$1,981,623.79	\$606,899.97	\$806,904.73	\$1,890,316.44	\$1,051,461
% of cost saving per negotiation	3.40%	0.51%	2.3%	0.70%	3.47%	1.05%

Items Sourced - PO awarded



Follow-up Division:

We are proud of our position as a provider of services and materials with greater flexibility and ability to adapt to the surrounding physical and financial conditions by enhancing the organizational response and how to find solutions to solve the problems of procurement and supply to be accomplished on timely manner and the highest quality.

Sustainability and continuous development

Our Vision

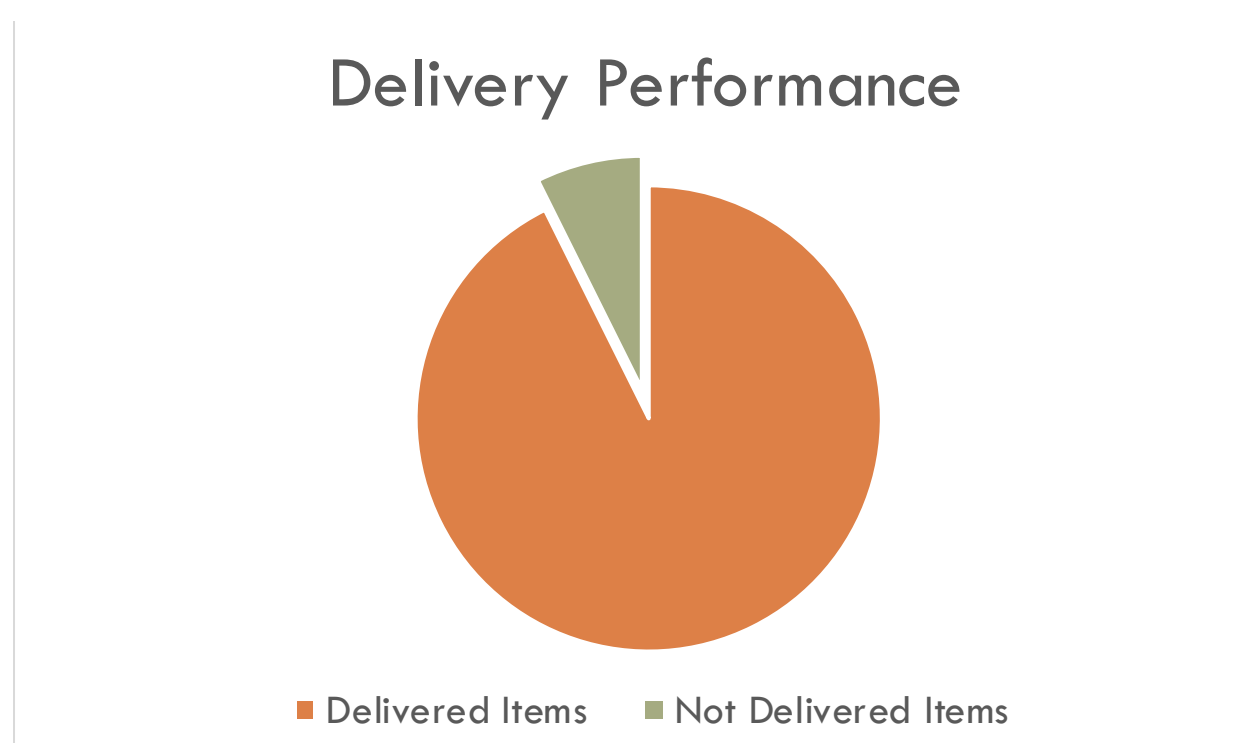
1. Follow up and ensure that the supply chain cycle is under constant supervision to ensure that the desired objectives are achieved.
2. Improve the capacity of the team members through continuous training and workshops.
3. Develop relations with customers and suppliers and search for new suppliers on the efficiency and ability in accordance with the company's stated policies.

Our goal

It has been achieved by good follow up with customers and vendors resulting in reaching a very highly percentage of supplies.

Performance Level Indicators:

Total Sourced Items	5,846
Delivered Items	5,416
Not Delivered Items	430
Delivery Percentage	93%



Logistics Division:

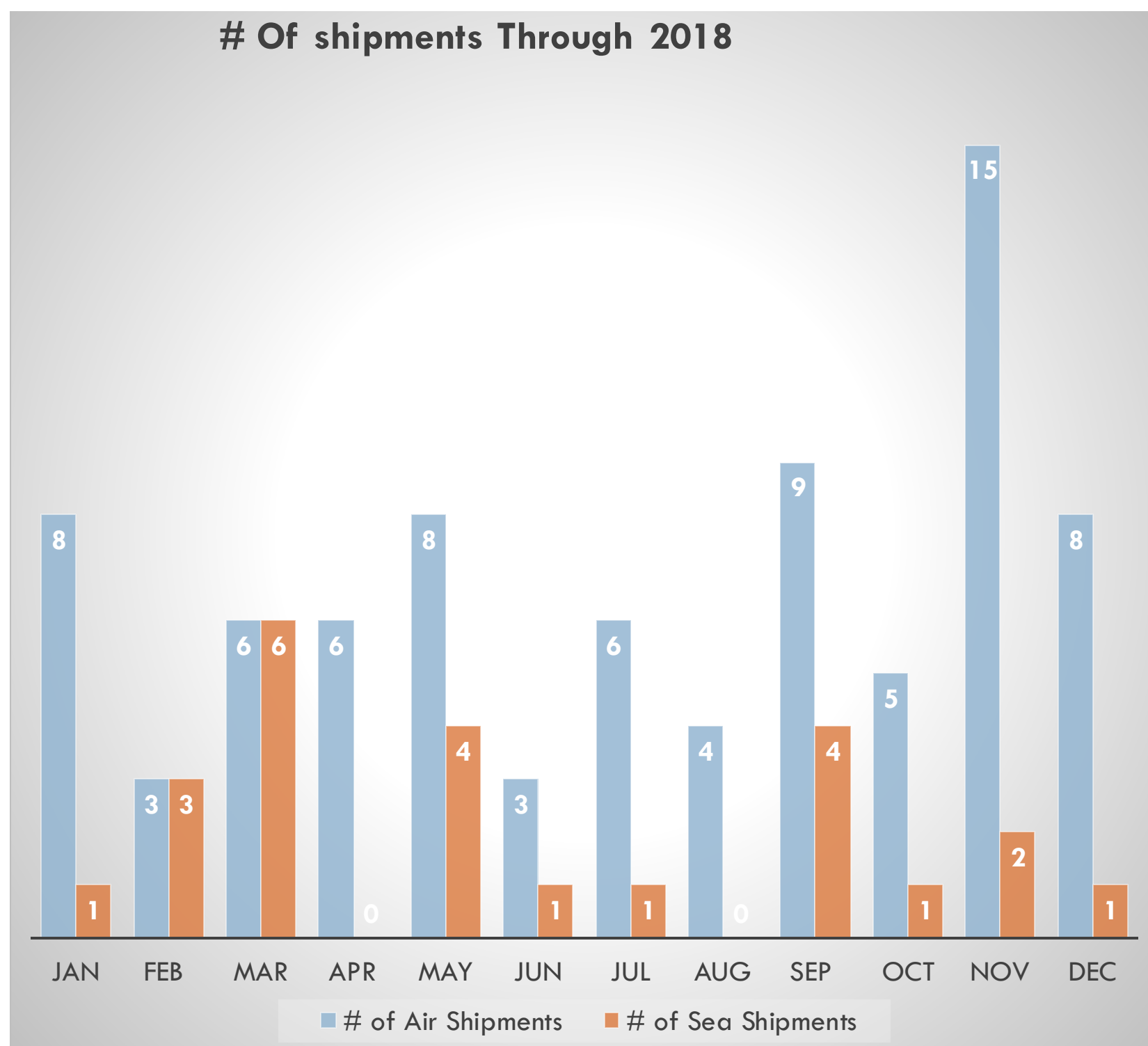
Logistics Challenges & Achievements in 2018

Logistics aim to achieve maximum profitability and stability for our company by;

- ✚ Reduce the logistics Cost/Time “ Shipping , Trucking & Customs Clearance Cost
- ✚ Avoid any additional cost.
- ✚ Ship 24 shipments as Sea Freight with total CBM 125.
- ✚ Ship 81 shipments as Air Freight with 33800 KG as approximate total weight.
- ✚ Ship 15 containers.
- ✚ Finish 297 Custom Declarations On time.
- ✚ 178 Shipments released from air/sea port through the year with sent shipping Notifications.
- ✚ Number Of Renewal through the year 150 certificates.
- ✚ 85 % Shipped via Air & Sea on time from 0 to 4 days.

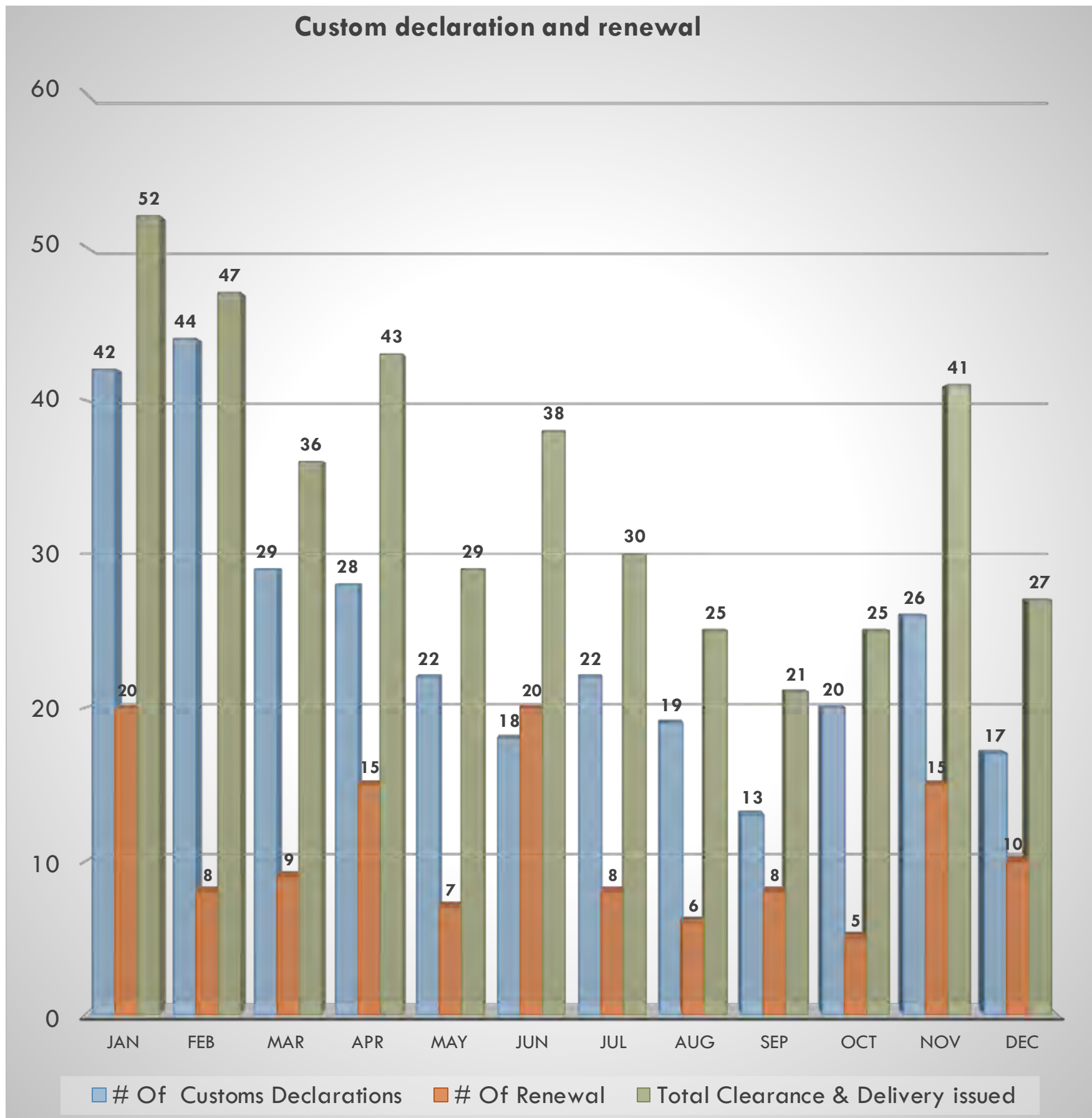
Shipping process:

Type of shipment	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# of Air Shipments	8	3	6	6	8	3	6	4	9	5	15	8
# of Sea Shipments	1	3	6	0	4	1	1	0	4	1	2	1



Custom Clearance:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# Of Customs Declarations	42	44	29	28	22	18	22	19	13	20	26	17
# Of Renewal	20	8	9	15	7	20	8	6	8	5	15	10
Total Clearance & Delivery issued	52	47	36	43	29	38	30	25	21	25	41	27



CONTRACTS DEPARTEMENT

MISSION:

Securing the best available contracts terms and conditions for SinoTharwa Rig fleet within the year 2018 was our core approach and main strategy. The expansion of our operations in the domestic and international markets as well as profitably gain additional market share in the Oil and gas Market dominated our mindset vision.

OBJECTIVES:

- Sustain our current drilling operators' contracts with the highest rates relative to the daily fluctuation of the oil Prices as well as trying to acquire long term contracts.
- Enhance our strategy to meet the market needs and the available market opportunities, through participation in tenders, offers and registration in international markets.
- Meet the highest performance and targets in our drilling operations activities in Algeria as well as acquiring new Drilling Contracts with new Algerian Operators to sustain and expand SinoTharwa operations in the Algerian Market.
- Execute Comprehensive economizing and cost optimization in all services and being well-matched with SinoTharwa QHSE standards.
- Issue domestic tenders and Inquires for adding new services contracts along with the best provided prices as well as quality standards offered in the market.
- New contractors for the provision of SinoTharwa required services with lower prices than the current rates for the target of cost reduction.
- Securing SinoTharwa Assets through proper insurance coverage.

DRILLING SECTION:

Throughout Year 2018, after the re-increase of the crude oil price; our main objective was to renew our current Contracts rates' and apply relative increase for operating rates in connection to oil price.

The main strategies of the Contracts department were bidding in several Onshore and Offshore drilling tenders through lowering our break-even costs and submitting Competitive Technical & Commercial Proposals as well as marketing the availability of our Rigs through offers, inquiries, registration and agency agreements in new markets.

Establishment of long term Contracts and strong base for SinoTharwa in Algeria, Kuwait, Kingdom of Saudi Arabia and Republic of Iraq were SinoTharwa most targeted market during 2018.

Algeria: SinoTharwa has been successfully awarded by GROUPEMENT SONATRACH AGIP and GROUPEMENT TIMIMOUN for Hiring Land drilling Rig ST-14 and Rig ST-15 respectively.

Kuwait: SinoTharwa fruitfully accomplished validation process in KOC.

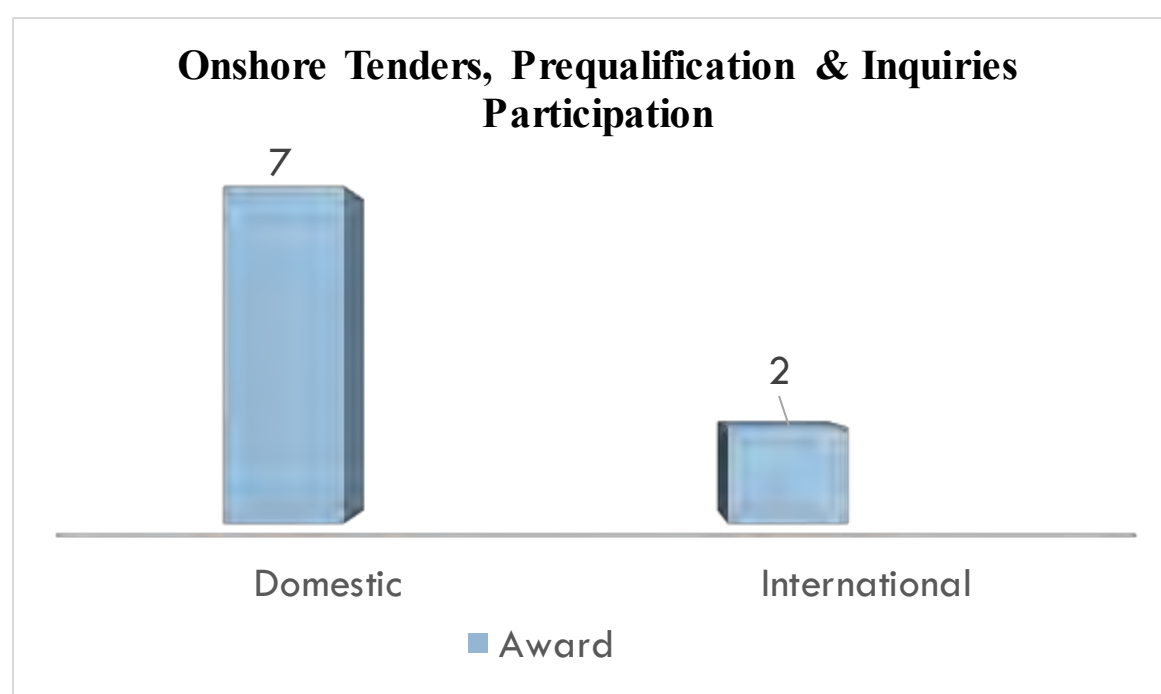
The Kingdom of Saudi Arabia: After being registered in Saudi Aramco Company, we started to establish In-Kingdom base and a registered office in the Saudi territory in order to acquire more knowledge of the Saudi market and maximize our opportunity to be awarded afterwards.

Republic of Iraq: SinoTharwa signed new Agency Agreement to find a chance for ST Rigs there and expanding SinoTharwa operation fields and invest in new Middle East markets.

1. ONSHORE TENDERS & INQUIRES:

During 2018, both domestically and internationally, we participated in a total of 35 tenders, prequalification and inquiries.

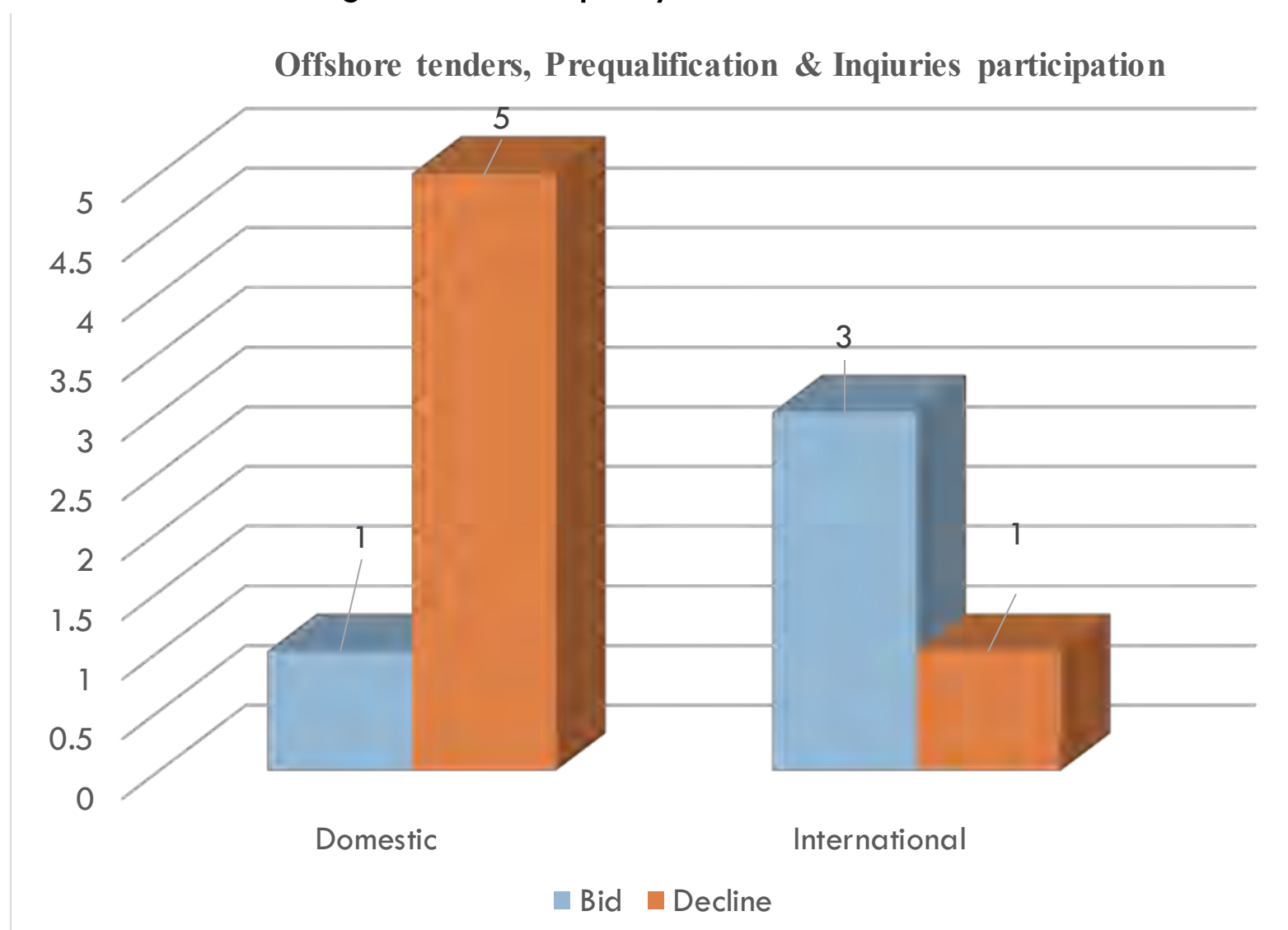
SinoTharwa has been awarded in 9 Tenders domestically and internationally in 2018.



2. OFF-SHORE TENDERS & INQUIRES:

SinoTharwa participated in 4 tenders, prequalification and offers domestically and internationally in order to seek a long term contract for Bahari-1 Jack up with higher rates than the current applied rates as well as extending our Main Contract duration for another one year with Gulf of Suez Petroleum Company and maintaining the

Jack-up Rig to be in daily operations mode. We sustain on offering Bahari-1 Jack up Rig internationally by submitting SinoTharwa prequalification documents in Kuwait Oil Company (KOC) as well as participating in 2 other international tenders with Saudi Aramco through EDC Company



3. SINOTHARWA IN ALGERIA:

Since SinoTharwa has started its drilling operations with Groupement Timimoun in Algeria with Rigs ST-14 and ST-15 in January and May 2016 respectively. In 2018, SinoTharwa has participated in GROUPEMENT TIMIMOUN launched tender proposing Rig ST-15 with a competitive offer relative to other bidders in order to secure its drilling contract in Algeria as well as seeking new long term drilling contract to avoid rig non-operation time.

In year 2018, SinoTharwa was awarded by GROUPEMENT SONATRACH AGIP for hiring Land drilling Rig ST-14 for 1 firm year and another 1 optional year.

SinoTharwa Contracts department was keen to ensure the validity to Algeria project related Service contracts to cover the Drilling contracts period in order to maintain the same prices and quality required for high performance standards.

INTERNATIONAL RIG FLEET DURING 2018	
RIG NAME	OPERATOR
ST-14	GROUPMENT TIMIMOUN (GTIM) - ALGERIA
ST-15	GROUPMENT TIMIMOUN (GTIM) - ALGERIA

4. DRILLING CONTRACTS:

One of the core targets for SinoTharwa Contracts department in 2018 was to regain our operating rates for the current contracts back to higher rates relative to the increase of the oil Prices as well as to avoid any Rig non-operating periods. Negotiation rounds took place with SinoTharwa main operators to reach a win-win situation and obtain good opportunities for our rigs with prolonged contracts duration extension.

DOMESTIC RIG FLEET DURING 2018	
DRILLING RIGS	
RIG NAME	OPERATOR
ST-1	BELAYIM PETROLEUM COMPANY (PETROBEL)
ST-2	SEA DRAGON COMPANY- EL WASTANI PETROLEUM COMPANY (WASCO)
ST-3	BELAYIM PETROLEUM COMPANY (PETROBEL)
ST-4	KHALDA PETROLEUM COMPANY
ST-5	AGIBA PETROLEUM COMPANY
ST-6	AGIBA PETROLEUM COMPANY
ST-7	AGIBA PETROLEUM COMPANY
ST-8	AGIBA PETROLEUM COMPANY
ST-9	PETROAMIR PETROLEUM COMPANY (FARM-OUT TO GENERAL PETROLEUM COMPANY)
ST-10	KHALDA PETROLEUM COMPANY
ST-11	PETROSHAHD COMPANY
ST-12	BELAYIM PETROLEUM COMPANY (PETROBEL)- (FARM-OUT TO AGIBA)
WORK OVER RIGS	
RIG NAME	OPERATOR
ST-21	AGIBA PETROLEUM COMPANY
ST-22	QARUN PETROLEUM COMPANY
ST-23	BELAYIM PETROLEUM COMPANY (PETROBEL)
ST-24	KHALDA PETROLEUM COMPANY
ST-25	KHALDA PETROLEUM COMPANY
ST-26	BELAYIM PETROLEUM COMPANY (PETROBEL)
ST-27	PETROAMIR PETROLEUM COMPANY
ST-28	BELAYIM PETROLEUM COMPANY (PETROBEL)
ST-29	AGIBA PETROLEUM COMPANY
ST-31	QARUN PETROLEUM COMPANY
ST-32	PETRO DARA PETROLEUM COMPANY
ST-33	PETRO GRAPHICS COMPANY
OFFSHORE RIG	
RIG NAME	OPERATOR
BAHARI-1	GULF OF SUEZ PETROLEUM COMPANY
NON-OWNED RIGS	
RIG NAME	OPERATOR
TANMIA-1	ALAMEIN PETROLEUM COMPANY- (FARM OUT TO NORTH BAHERIA PETROLEUM COMPANY)

Throughout 2018, SinoTharwa requested to increase its Rig Fleet operating rates to overcome the latest escalations in the fuel prices domestically that was applied in June 2018 after which, SinoTharwa succeeded to increase its operating rates to match the above mentioned added costs in order to meet its breakeven point and to fulfill all our contractual obligations.

5. MUD LOGGING SERVICES :

SinoTharwa succeeded to extend its current Mud logging contracts for SinoTharwa 5 units and to sustain the cooperation between our same Current operators.

OPERATORS	CONTRACT DURATIONS
QARUN PETROLEUM COMPANY	Two (2) Years Contract Duration
GULF OF SUEZ PETROLEUM COMPANY	Two (2) Years Contract Duration
PETROSILAH PETROLEUM COMPANY	Two (2) Years Contract Duration
BALEYIM PETROLEUM COMPANY	Two (2) Years Contract Duration
ALAMEIN PETROLEUM COMPANY (FARM-OUT CONTRACT)	Two (2) Years Contract Duration

6. SEISMIC SERVICES:

Based on SinoTharwa signed Agreement with Sinopec Geophysical Corporation for Seismic Services, SinoTharwa started its expansion domestically through participating in 2 tenders.

SERVICES SECTION:

During 2018, SinoTharwa objective is to continue its optimization plan through negotiating better prices with service providers that was initiated in 2017, as well as contracting with new service providers with less prices and meet SinoTharwa high standards as well.

Similar to the Drilling section, after the Egyptian pound devaluation and the last three increases in the fuel prices applied in November 2016 , July 2017 and June 2018 respectively as well as the increase in the value Added Taxes, the Contracts department was in a huge challenge to execute comprehensive retrenchments and cost optimization in all services along with sustaining SinoTharwa standards as well as to develop innovative ways of working with Contractors to survive the market situation and reach a win-win situation as well as to seek new Contractors with the best quality and competitive prices.

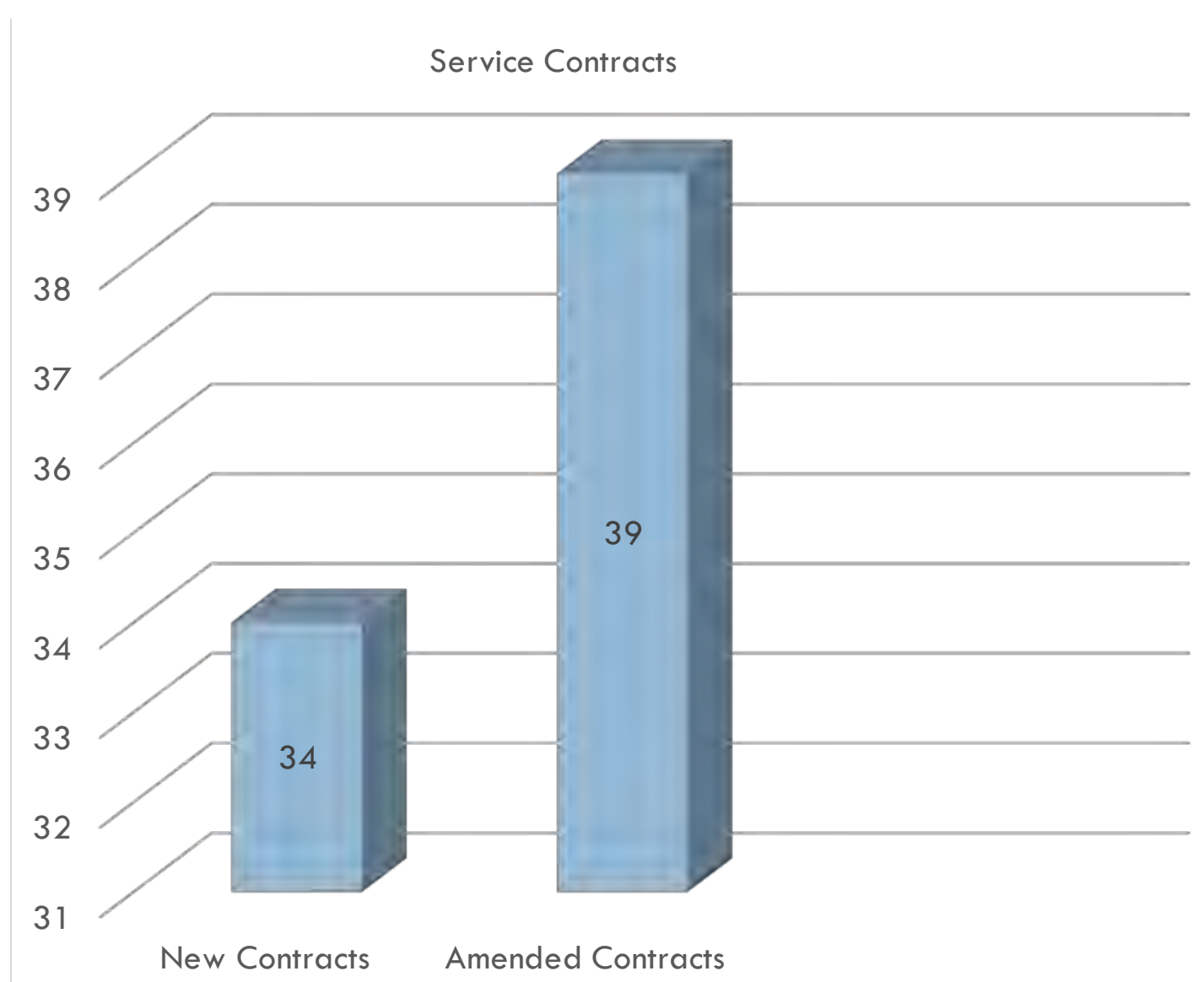
1.SERVICE TENDERS & OFFERS:

In order to support other departments in performing their scope, the Contracts department launched service tenders and collected offers for some services as heavy/ Light transportation, catering and housekeeping, general repair and fabrication services as well as requesting Rig Move Quotations for ST Rigs to move between Operators' field....etc. in order to select the best contractors offering the best quality with competitive prices available in the Egyptian market.

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, 34 new contracts with different service providers are signed as part of SinoTharwa optimization plan to acquire lower prices with high standards (such as heavy and light transportation, catering, general repair & Fabrication services, Medical services, guarding services, fresh water supply, ...etc) as well as issuing 39 addenda to add new services and amend contracts prices, after being accepted by the QHSE department as well as the user departments.



INSURANCE SECTION:

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.

The continuous improvement in implementing and enhancing SinoTharwa QHSE management system which results in zero claim records since the beginning of SinoTharwa operations in 2005 which enabled us to get the best rates available in the insurance market as well as giving the benefit of being a distinguished and preferable client to the insurance underwriters. Accordingly, we succeeded to negotiate the insurance rates for the year 2018 and reduced our Annual Premium by more than 15% compared to year 2017.

In order to achieve the premium cost optimization approach for year 2018 in the insurance Coverage, SinoTharwa decided to start the valuation process for all SinoTharwa Onshore and offshore Rigs in order to insure all the fleet based on its current actual values, thus the Contracts departments initialed a call for Rigs Fleet valuation on May 2018 and Contacted 3 international insurance surveyors from different markets to submit their best proposals for carrying out the required valuation services. However due to financial issues, the valuation of the Rig fleet process was postponed to be completed in the upcoming year.

FINANCE DEPARTEMENT

Financial Highlights:

Amount Presented in Million USD

DESCRIPTION	2018	2017	2016
Revenue	106.35	116.39	118.76
Net Profit	0.23	1.10	2.06
Shareholders Equity	133.09	134.41	134.31
Total Capital Investment	719.74	708.65	701.09
Fixed Assets	644.22	636.11	631.88
Accumulated Depreciation	257.59	237.68	216.10
Project Under Construction	26.51	24.24	24.99
Inventory	28.03	27.90	32.44
Receivables	21.05	28.60	29.01
Operating Expenses	72.89	80.94	96.14
Collection	121.20	118.17	112.19
Interest Payment (Included Capital Interest)	22.30	15.87	17.73
Installments Paid	27.59	22.96	26.83

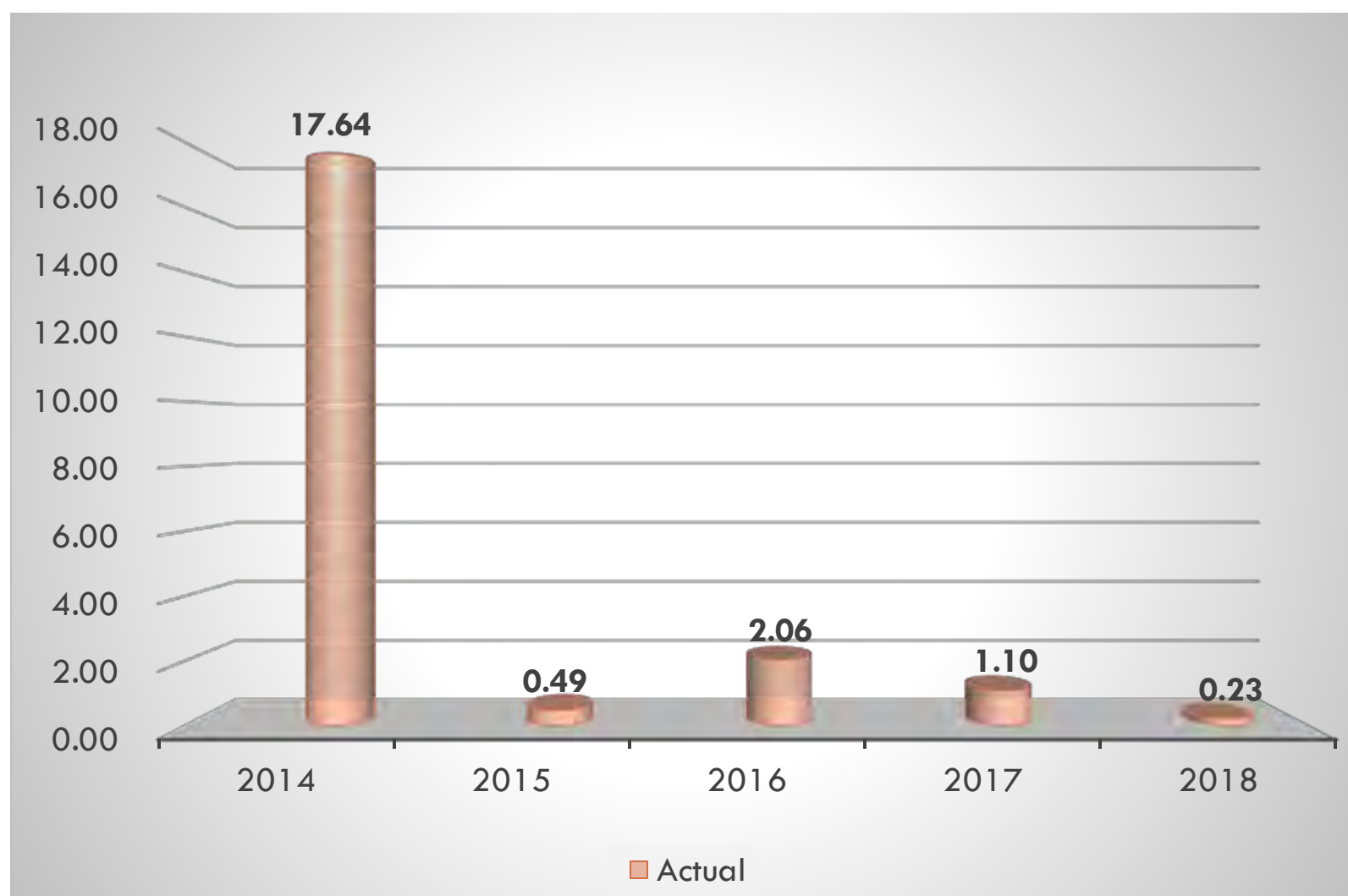
Description	2018	2017	2016
Return On Investment Rate	0.05%	0.21%	0.39%
Return On Equity Rate	0.17%	0.82%	1.54%
Financial leverage	2.61	2.76	2.91

Financial Situation

Company's Development Share Holders Equity Vs. Total Investment



Net Profit



*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, 2018, and the related statements of income, Comprehensive income, changes in Quota holders' equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone"**, as of December 31, 2018, of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards and in the light of the relevant Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

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

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

Cairo, February 21, 2019

Dr. Ahmed Shawki

MAZARS MOSTAFA SHAWKI



Balance Sheet as of 31 December 2018

(Amounts Expressed in US Dollar)

<u>DESCRIPTION</u>	<u>31/ 12/ 2018</u>	<u>31/ 12/ 2017</u>
<u>Non-Current Assets</u>		
Fixed assets	386,635,303	398,427,563
Projects under construction	22,748,520	19,398,711
Inventory of fixed asset spare part	3,763,496	4,841,930
Financial lease down payment	302,596	2,137,839
Total Non-Current Assets	413,449,915	424,806,043
<u>Current Assets</u>		
Inventory	28,027,096	27,895,732
Accounts receivables	21,046,315	28,597,602
Debtors and other debit balances	11,134,558	15,378,001
Cash and cash equivalent	7,796,449	8,612,879
Total Current Assets	68,004,418	80,484,214
Total Assets	481,454,333	505,290,257
<u>Quota Holders Equity:</u>		
Capital	80,000,000	80,000,000
Legal reserve	7,920,046	7,865,218
Retained earnings	44,942,420	45,447,542
Net Profit for the year	231,052	1,096,565
Total Quota Holders Equity	133,093,518	134,409,325
<u>Non-Current Liabilities</u>		
Long term loans	214,158,881	167,631,342
Deferred Revenue for more than a year - Financial Lease	6,441,850	6,704,075
Total Non-Current Liabilities	220,600,731	174,335,417
<u>Current Liabilities</u>		
Provisions	284,174	185,926
Bank Overdrafts	9,836,078	32,964,996
Creditors and other credit balances	57,863,599	49,137,998
Loans annuities due within a year	32,641,908	86,759,554
Deferred Revenue - Financial Lease	1,604,260	2,681,630
Transaction with Related Parties	25,530,066	24,815,411
Total Current Liabilities	127,760,084	196,545,515
Total Quota Holders Equity and Liabilities	481,454,333	505,290,257

Income Statement For The Year Ended 31, December, 2018

(Amounts Expressed in US Dollar)

<u>DESCRIPTION</u>	<u>31/12/ 2018</u>	<u>31/12/ 2017</u>
Operating revenue	106,347,426	116,393,725
<u>Deduct:</u>		
Operating expenses	(72,888,352)	(80,942,306)
Gross Profit	33,459,074	35,451,419
<u>Add:</u>		
Credit Interest	940	129,860
Other revenue	216,007	353,815
Net capital gain	2,715,346	3,080,259
Currency differences gains	78,159	(1,718,271)
Provisions no longer required	30,830	13,405
<u>Deduct:</u>		
General & administrative expenses	(11,587,357)	(11,545,199)
Financing expenses	(17,932,688)	(18,879,557)
Finance lease installment	(4,098,936)	(4,044,674)
Administrative expense - Financial lease	(901,821)	(55,206)
Finance lease down payment amortization	(855,135)	(855,135)
Equipment Depreciation	(666,548)	(705,089)
Board of directors' remuneration	(31,141)	(61,566)
Provisions formed during the year	(195,678)	(67,496)
Net Profit for the year	231,052	1,096,565

Cash Flow Statement For The Year Ended 31, December, 2018

(Amounts Expressed in US Dollar)

DESCRIPTION	31/12/2018	31/12/2017
Cash Flow from Operating Activities:		
Net profit for the year	231,052	1,096,565
Adjustments		
Fixed assets depreciation	20,512,082	25,314,137
Provisions made during the year	195,678	67,497
Provisions used during the year	(66,600)	(33,519)
Provisions no longer required	(30,830)	(13,405)
Finance lease down payment amortization	855,135	855,135
Adjustments From Retained Earning	(1,437,202)	--
Capital(gain)	(2,715,346)	(3,080,259)
Operating Profit before changes in working capital	17,543,969	24,206,152
Working Capital Changes		
Change in inventory	(131,364)	4,546,811
Change in accounts receivable	7,551,287	411,673
Change in debtors and other debit accounts	3,388,308	(3,887,220)
Change in creditors and other credit accounts	11,902,882	12,710,095
Change in Transaction with Related Parties	714,655	1,359,867
Net Cash Flow from operating activities	40,969,738	39,347,377
Cash Flow from Investing activities		
Proceeds from sale of fixed assets	132,815	83,717
(Payments) for purchase of fixed assets	(4,121,906)	(4,320,688)
(Payments) for projects under construction	(8,046,825)	(5,399,455)
change in inventory of fixed assets spare parts	1,078,434	2,160,347
Net Cash Flow (used) for Investment Activities	(10,957,482)	(7,476,079)
Cash Flow from Financing Activities		
(Payment) of Installment for long term loan	(27,590,111)	(22,790,874)
Proceed from Installment for long term loan	20,000,000	10,835,884
Paid profit dividends	(109,657)	(1,000,000)
Net (decrease) Cash Flow from Financing Activities	(7,699,768)	(13,125,391)
Net change in cash and cash equivalent	22,312,488	18,745,907
Cash and cash equivalent beginning balance	(24,352,117)	(43,098,024)
Cash and cash equivalent ending balance	(2,039,629)	(24,352,117)
Cash and Cash equivalent represent :		
Cash and cash equivalent	7,796,449	8,612,879
Bank overdrafts	(9,836,078)	(32,964,996)
	(2,039,629)	(24,352,117)

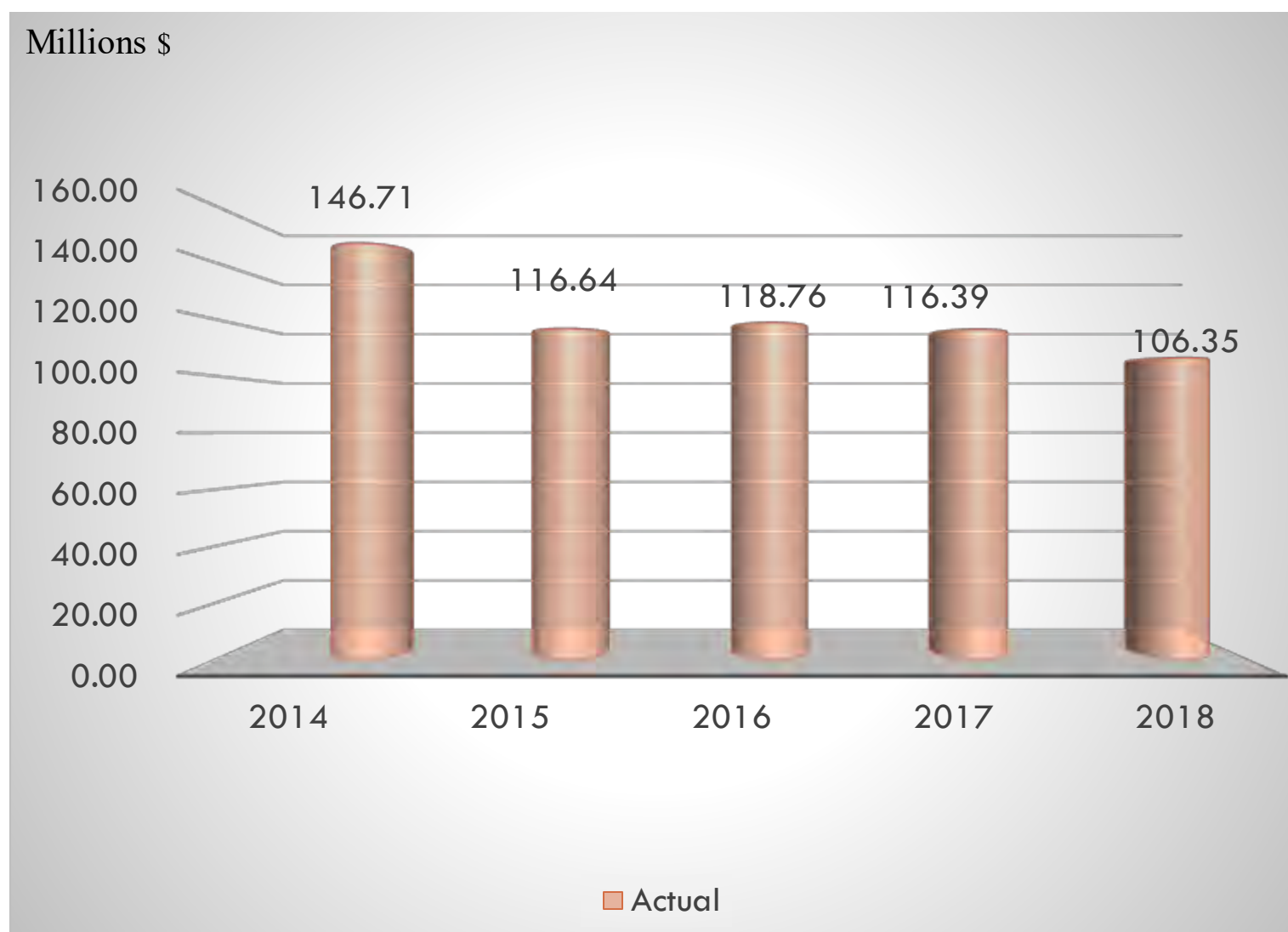
Changing in Quota Holders Equity Statement for The Year ended 31, December, 2018

(Amounts Expressed in US Dollar)

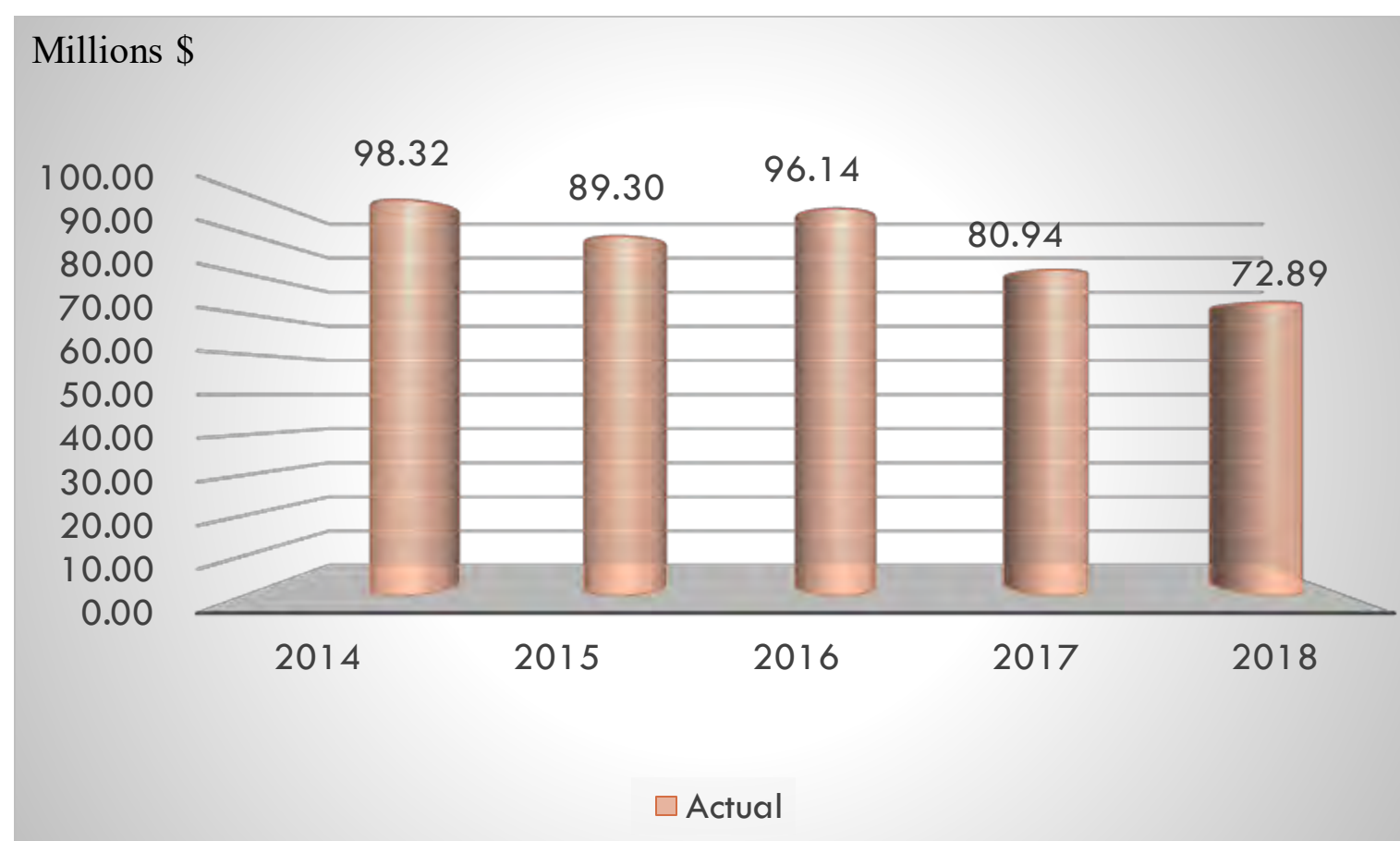
DESCRIPTION	CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	NET PROFIT	TOTAL
Quota holders equity as at January 1, 2017	80,000,000	7,762,445	44,494,860	2,055,455	134,312,760
Transferred to retained earnings	--	--	2,055,455	(2,055,455)	--
Transferred to legal reserve	--	102,773	(102,773)	--	--
Profit dividends	--	--	(1,000,000)	--	(1,000,000)
Net profit for the year	--	--	--	1,096,565	1,096,565
Quota holders equity as at December 31, 2017	80,000,000	7,865,218	45,447,542	1,096,565	134,409,325
Quota holders equity as at January 1, 2018	80,000,000	7,865,218	45,447,542	1,096,565	134,409,325
Transferred to retained earnings	--	--	1,096,565	(1,096,565)	--
Transferred to legal reserve	--	54,828	(54,828)	--	--
Profit dividends	--	--	(109,657)	--	(109,657)
Transferred From retained earnings	--	--	(1,437,202)	--	(1,437,202)
Net profit for the year	--	--	--	231,052	231,052
Quota holders equity as at December 31, 2018	80,000,000	7,920,046	44,942,420	231,052	133,093,518

Financial Situation

Operating Revenue

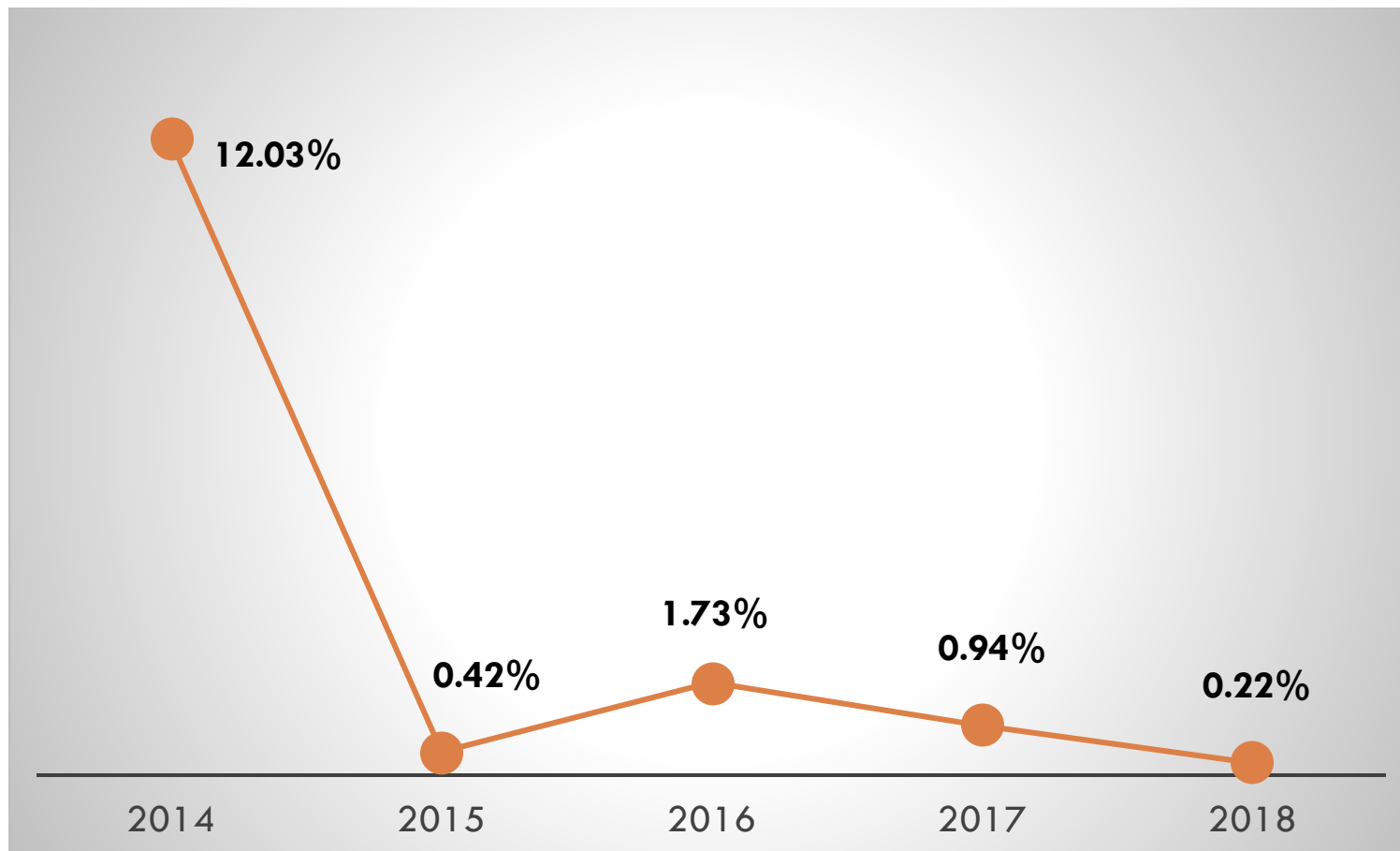


Operating Cost

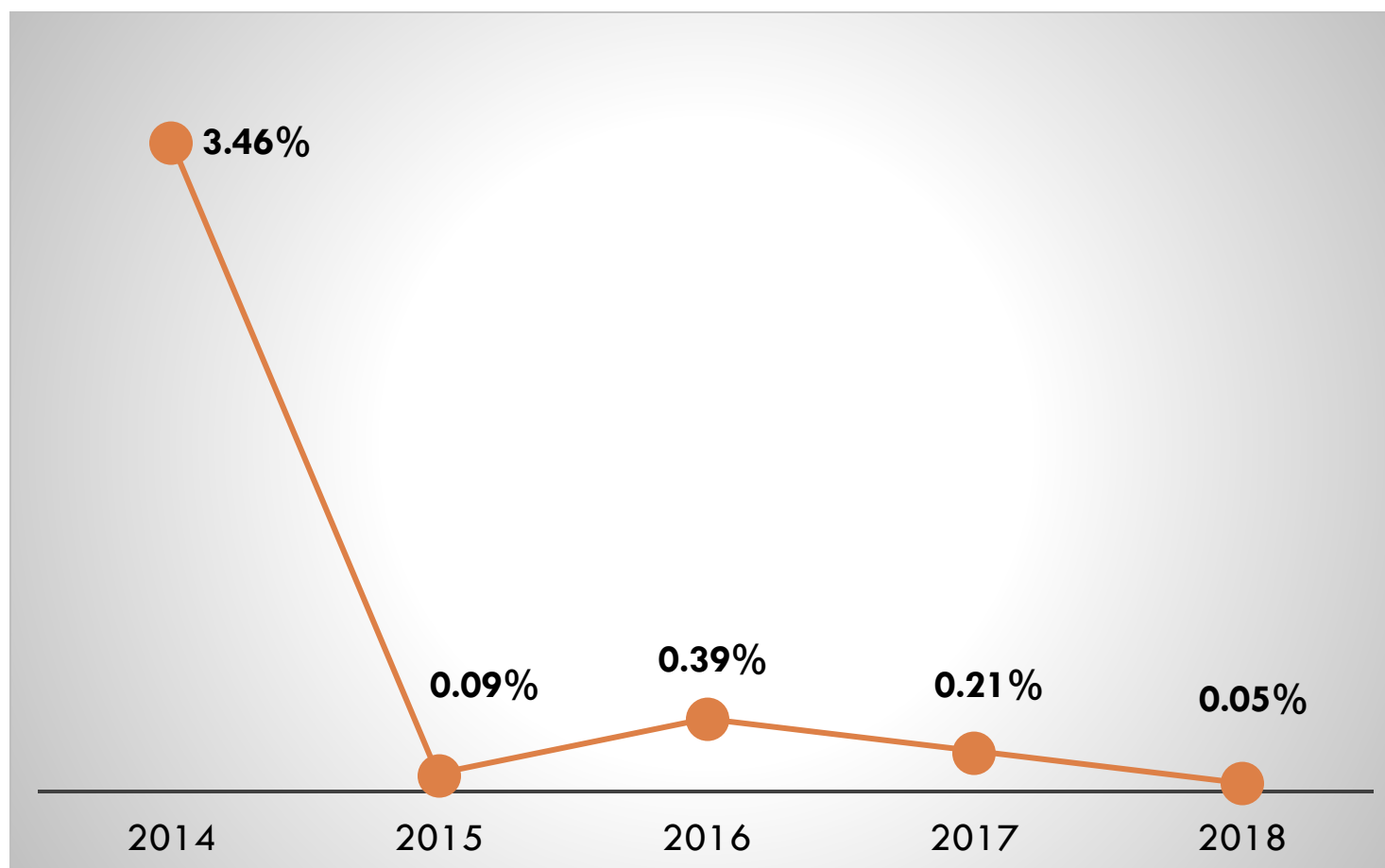


Financial Situation Ratios

Profit Margin

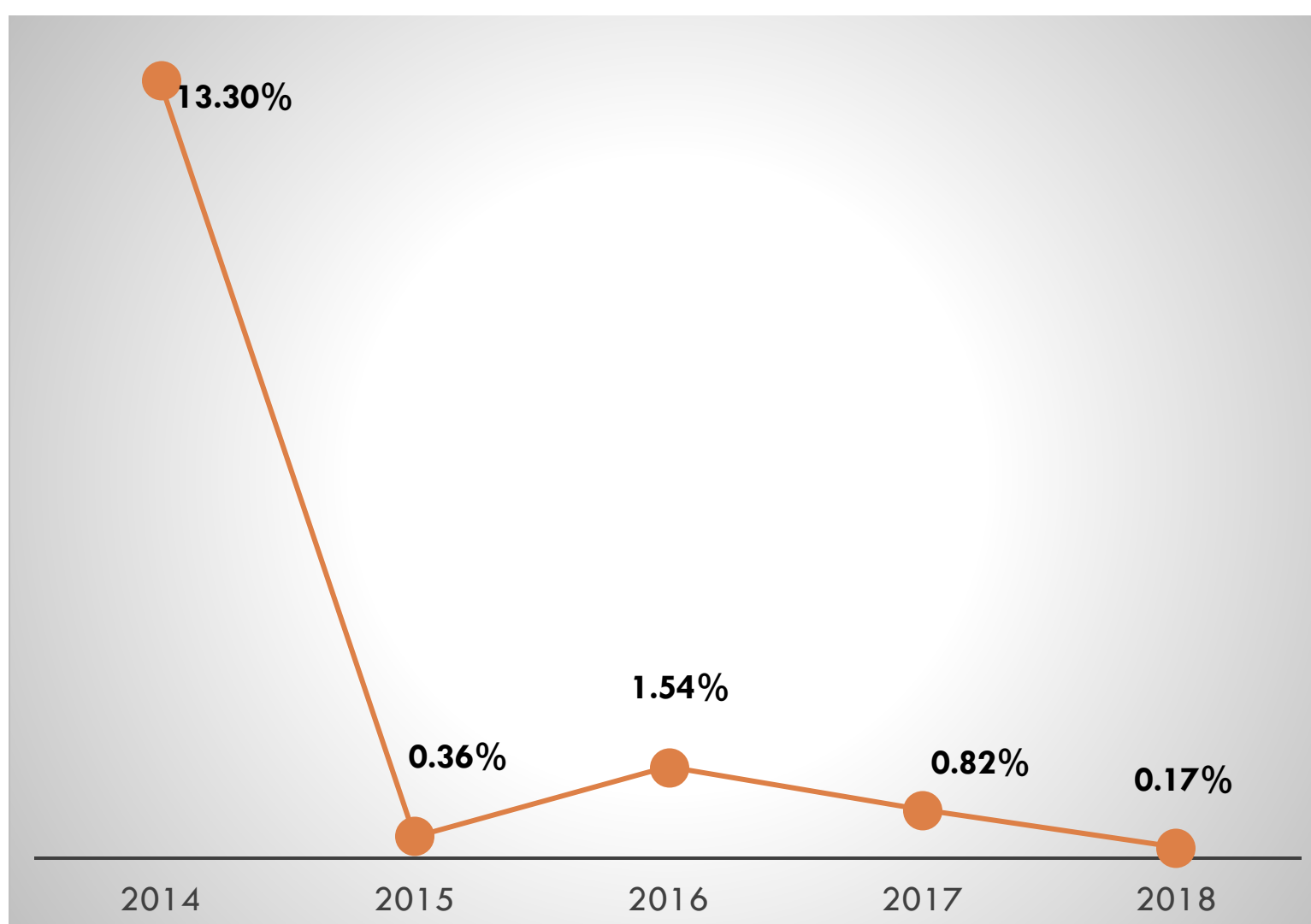


Return On Investment

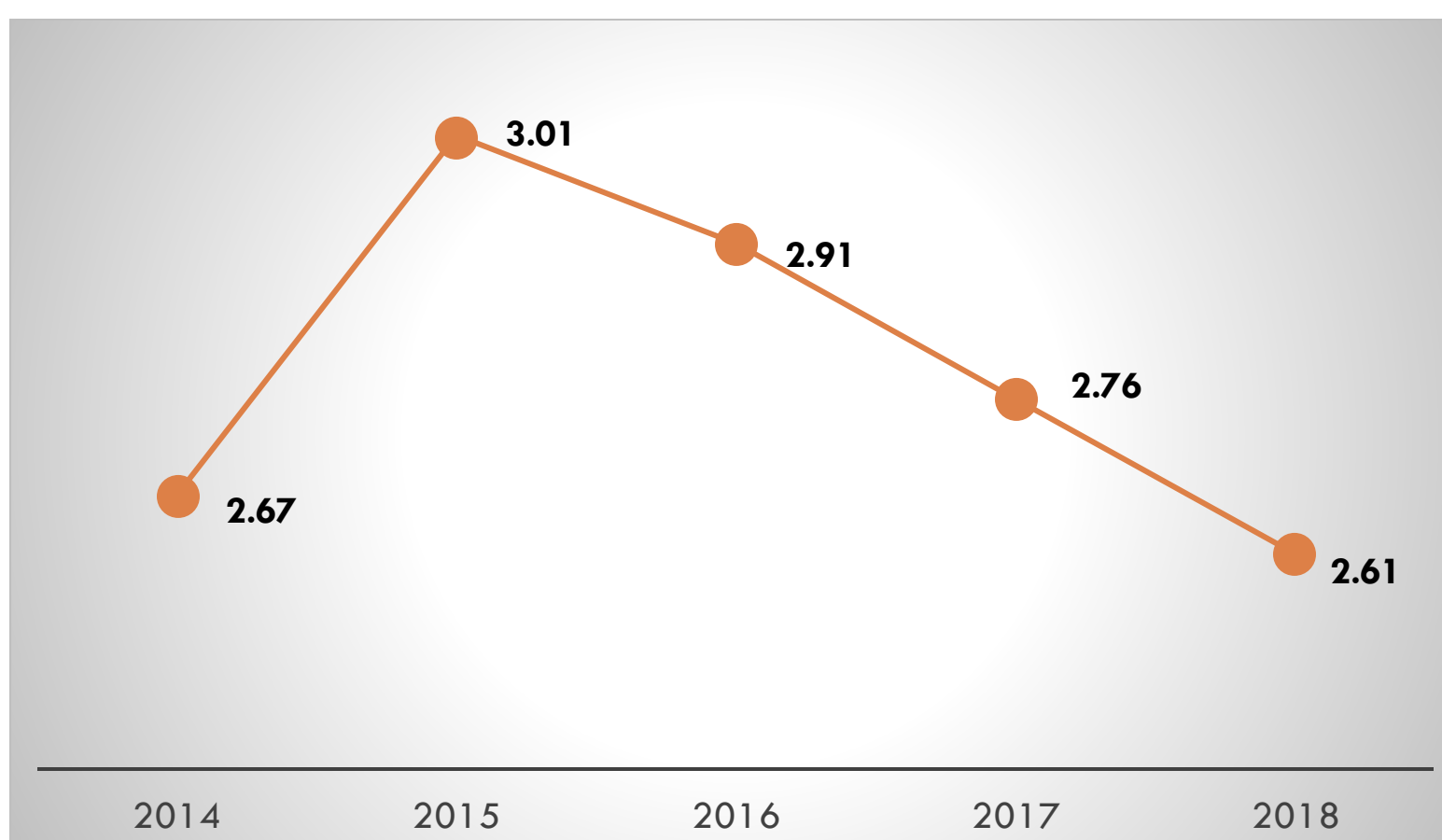


Financial Situation Ratios

Return On Equity



Financial leverage



TRANSPORTATION DEPARTEMENT

Transportation Department enhance the company services by safely Modes which is required in different locations efficiently.

Vision:

Support the best transport Modes using safe Standards and efficient performance that would Satisfy Users.

Mission:

- Sourcing strategy by adding new subcontractors to enhance the services and cost optimization method.
- Assess the subcontractors to monitor the quality.
- Make Physical Audit assessment as Matrix.
- Conduct Training Course on annual basis.
- Improve the Work Performance.
- Directing the Goals as company Strategy.
- Conduct Efficient and effective strategies.

Goals

- 1- Improve the safety of all users of the system for all modes of travel.
- 2- Maintain the cleanliness and good repair of transportation infrastructure.

Owned Car fleet

- 15 Pickup Cars for Rig sites.
- 12 Crew Cab for Rig sites.
- 5 Microbus for Rig sites.
- 1 Ambulance Car.

- 3 Toyota Fortuner.

Rental Car Fleet

- 25 Pool Cars for all company activities.

Crew Change Bus's

Succeeded to add new contractors with the new best transportation companies in Egypt to provide Sinotharwa employees with safe, comfortable, GPS & Model (2015-2016).

- Our subcontractors Buses model Years 2016.
- Successfully saved more than 15% by new planning for crew change.

Maintenance

Keep our vehicles in Good Condition by the following;

- Transportation Dept. success to Renew Toyota Egypt contract and EL Bergasy Workshop.
- Check drug test for drivers.
- follow safety requirement at vehicles
- Follow Speed Violation and applying penalty.
- Revised WI-15 Road transport and safe driving Matching work instruction.

We have Maintenance Schedule cost as the below:

Criteria	Jan.	Feb.	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Rigs Crew Cab Cost	4,513.00	9,074.00	68,711	10,448.70	42,998.70	0.00	15,762.91	59,878.00	4,500.00	31,982.16	0	0
Rigs Pickup Cost	11,671.00	39,390.00	12,338	23,385	8,609.00	1,000.00	48,292.35	26,513.60	20,223.23	55,585.70	0	0
Nissan - XTL Cost	0	0	0	4,901	0	0	0	0	0	0	0	0
Micro bus Cost	0	1,443	18,799.40	0	600	0	0	12,579	9,222.60	114,450	0	0
Toyota fortuner	0	0	0	0	25,904	0	0	0	4,500	5,908	0	0

Owned Fleet as the following schedule:

Vehicles	Pick up	Crew Cap	Microbus	Ambulance	Toyota Furtuner
Numbers	15	12	5	1	3

Trips:

We saved cost for Rental Trips by using sinotharwa vehicles monthly.

Rig light vehicles Overhauling:

Crew cap Overhauling :

The Following Crew Cab 838 ج.ه.ص is completed overhauling



Pickup Overhauling:

The Following Pick up ط. ن. ب 742 & Pick up 3196 ف ي س is Completed the Overhauling



Microbus Overhauling:

The Following Toyota Microbus 287 و ل د is Completed the Overhauling



The Following Nissan Microbus 351 م ي د is Completed the Overhauling



Vehicle Monitoring System

- We add new vendor (the Egyptian company for Tracking services and Information Technology (ETIT) to buy and maintenance IVMS.
- Changing The IVMS devices types from DT 340 to DT 312.
- Sinotharwa vehicles movement have record distance and reschedule vehicles to save movement as the following snapshot ;

The screenshot displays the ETIT Fleet Tracking System interface. The header includes the company logo, name in Arabic and English, and a user welcome message. The main content area shows a list of vehicles categorized by unit. The left sidebar lists units such as Agiba Truck pusher, Ambulance, Badr YArD, Bahri, Head Office, Pool vehicles, Rental Trips, and various ST units. The main table displays details for each vehicle, including its image, plate number, map location, time, last data update, driver, address, speed, daily distance, violations, maintenance status, tools, team vehicle, temperature, trailer, longitude, latitude, and altitude.

Image	Plate	Map	Time	Last Da...	Driver	Address	Speed	Daily Di...	Violation	Mainte...	Tools	Team v...	Temper...	Trailer	Longitude	Latitude	Altitude
	672 لقي		22.11.2...	22.11.2...		Egypt, ...	0 km/h								27.20619	30.794...	0.0 m
	731 ر		22.11.2...	22.11.2...		Egypt, ...	0 km/h								27.206...	30.795...	0.0 m
	247 ب		22.11.2...	22.11.2...		Egypt, ...	0 km/h								31.385...	30.626...	0.0 m
	952 ر		22.11.2...	22.11.2...		Egypt, ...	0 km/h								33.29917	28.108...	0.0 m
	453 ر		22.11.2...	22.11.2...		Egypt, ...	0 km/h								31.110...	31.46404	0.0 m
	713 ج		22.11.2...	22.11.2...		Egypt, ...	0 km/h								31.002...	30.785...	0.0 m
	723 ج		22.11.2...	22.11.2...		Egypt, ...	0 km/h								31.263...	29.888...	0.0 m

Drivers & Truck Pusher Training:

Defensive Driving Course provides key understanding, skills and techniques to avoid collisions, reduce traffic violations and change driver' behaviors and attitudes.

All sinotharwa drivers and truck pusher attended Defensive Driving Course at (Petro safe co.) with certificate.

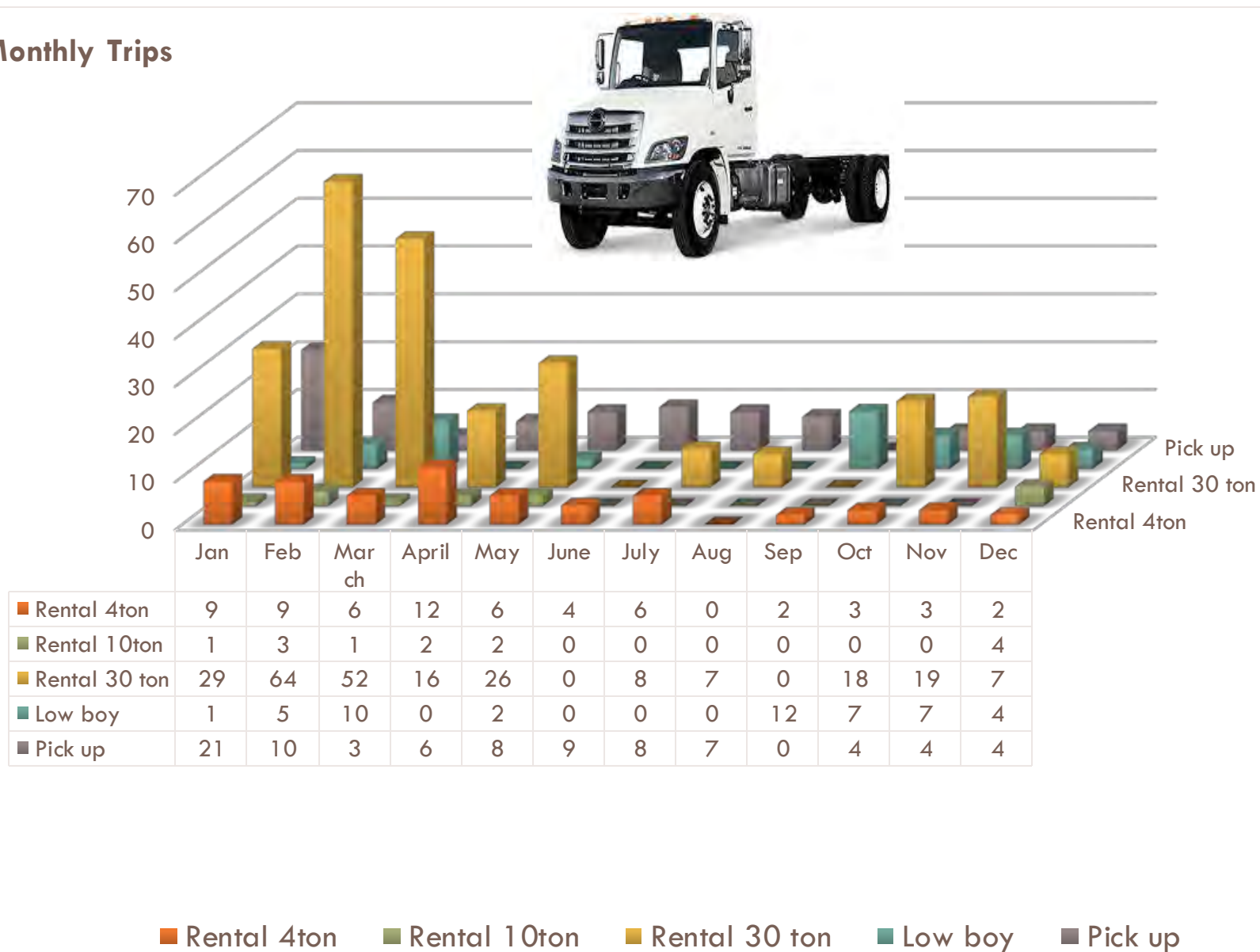
Audit visit:

Transportation Dept. visit all Rigs site 3 months Basis in (Agiba & Abo Rudies).

Badr Yard logistics:

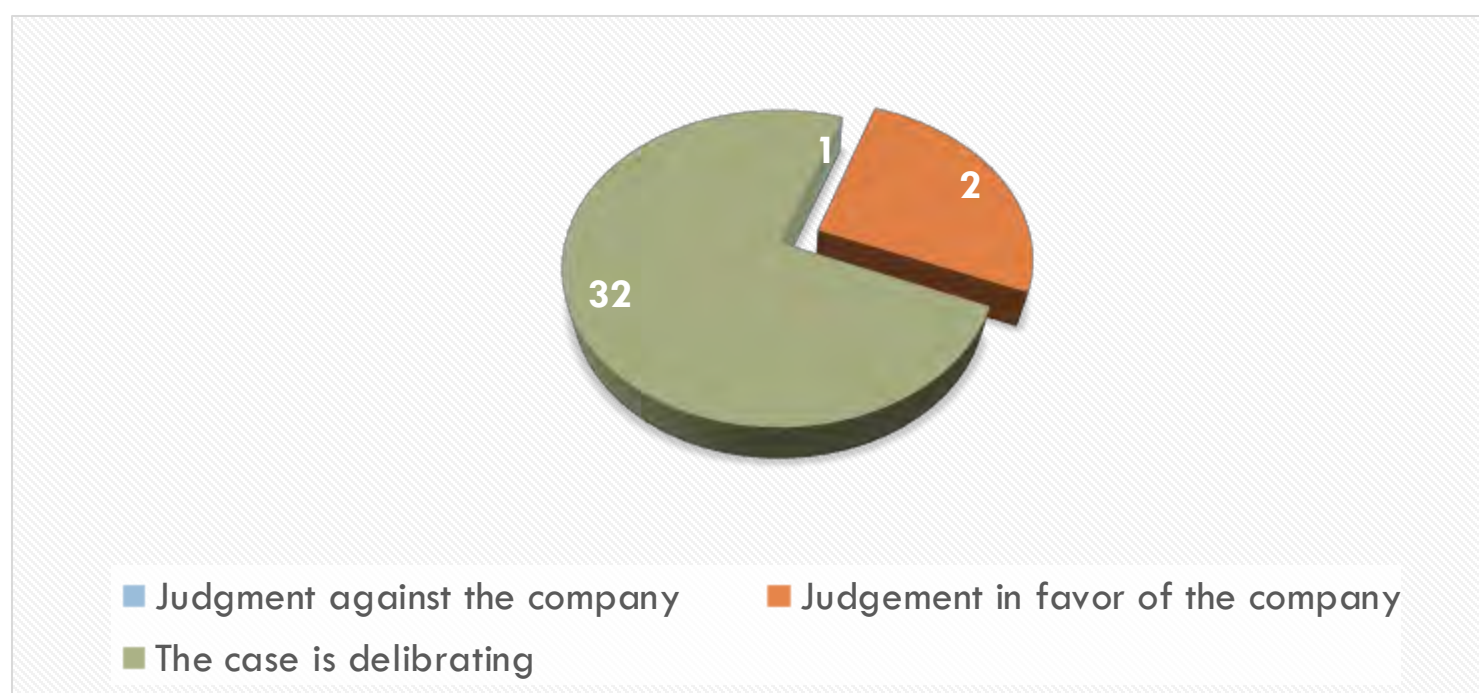
Support diverse safety Trucks to enhance the necessary transport and conformity by safety way terms as standardization service level by standby Principle Trucks which save about 20% comparing the last year and prevention our individuals in order to commitment the Business needs efficiently and Merger from Main Badr Yard to Rigs & External Workshops safely also handling the Road Fees to control the process.

Monthly Trips



LEGAL DEPARTEMENT

Litigations:



Court Case During 2018	Judgments in favor of the company	Judgments which had been devaluated	The deliberating cases
34	1	2	32

Litigations:

Investigations During 2018	28
Reviewed Contracts	15

Other legal works:

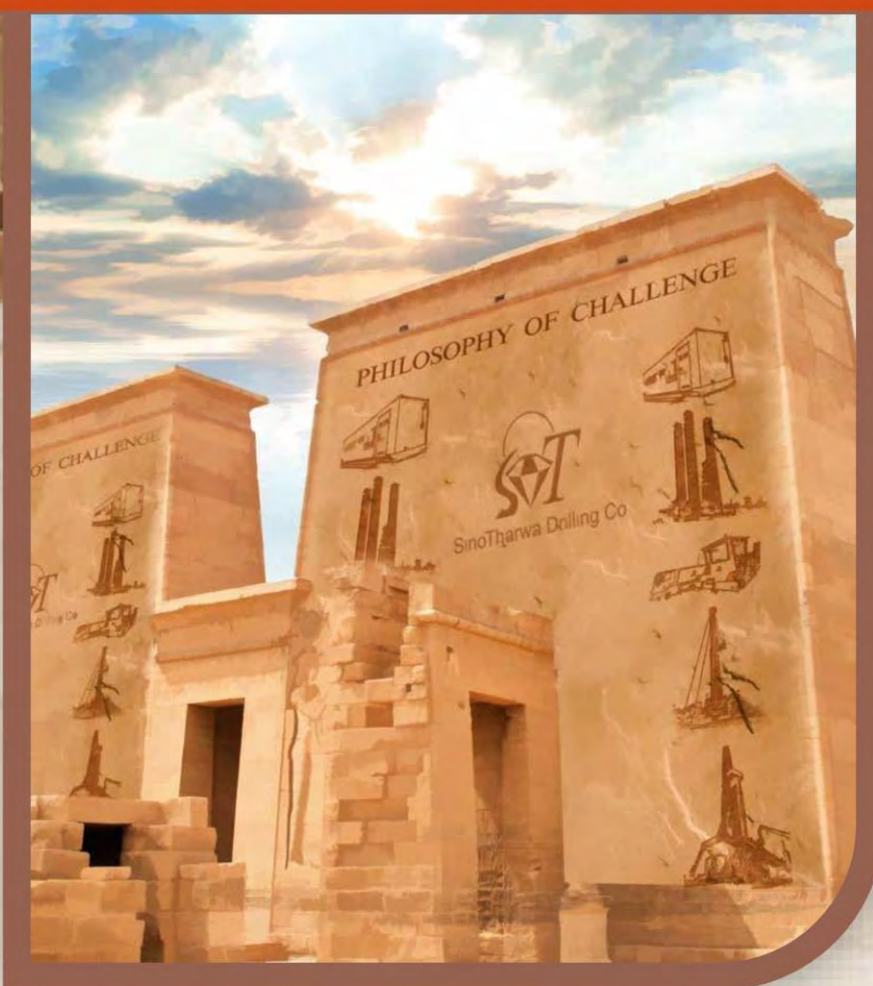
- Authenticating all of the necessary documents to open a branch in Iraq and Saudi Arabia.
- The Department had entered into negotiations with Petro Service Company and reached an amicable settlement after taking all of the necessary legal regulations against the mentioned company.
- Managing the Company's Assets selling process by auction.

Earned & Saving

Earned Dues	Saving Dues
250,000 EGP	913,143 EGP



SINOTHARWA DRILLING CO.



2018

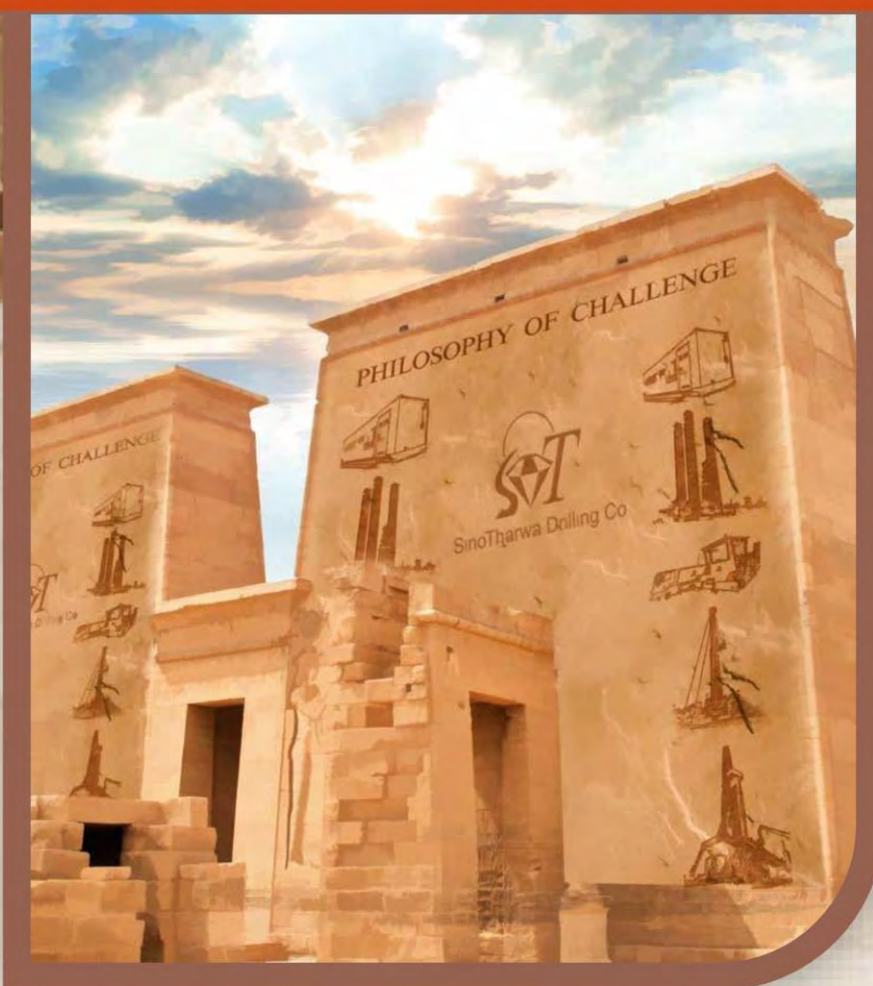
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SinoTharwa Drilling Co.



SINOTHARWA DRILLING CO.



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