



# Managing Directors' Statement

Following the successful completion of the third year of operations, we are pleased to report that SinoTharwa has made a significant progress in all of its operated assets since it was established.

During 2008, SinoTharwa has been recognized as the second drilling contractor in the Egyptian Drilling Market and with a market share percentage of 14%.

The year 2008 is a challenging year for all of us at SinoTharwa, as we completed 3 years of operations in the Egyptian Drilling Market during the year, increased our rigs' fleet to 16 rigs (12 Land Drilling Rigs & 4 Workover Rigs) and by the end of 2008, we started the manufacturing of our first Offshore Jack-Up Rig with the highest capacity (among the other jack-up rigs in the region) of 3200 – 4600 HP and with the capability to work in a water depth of 400ft.

During the year under review, SinoTharwa's total investment reached over 342 million USD, the company's profit is 15 million USD from the total Revenue of 71 million USD. The ROE reached 25% and the ROI reached 5%.

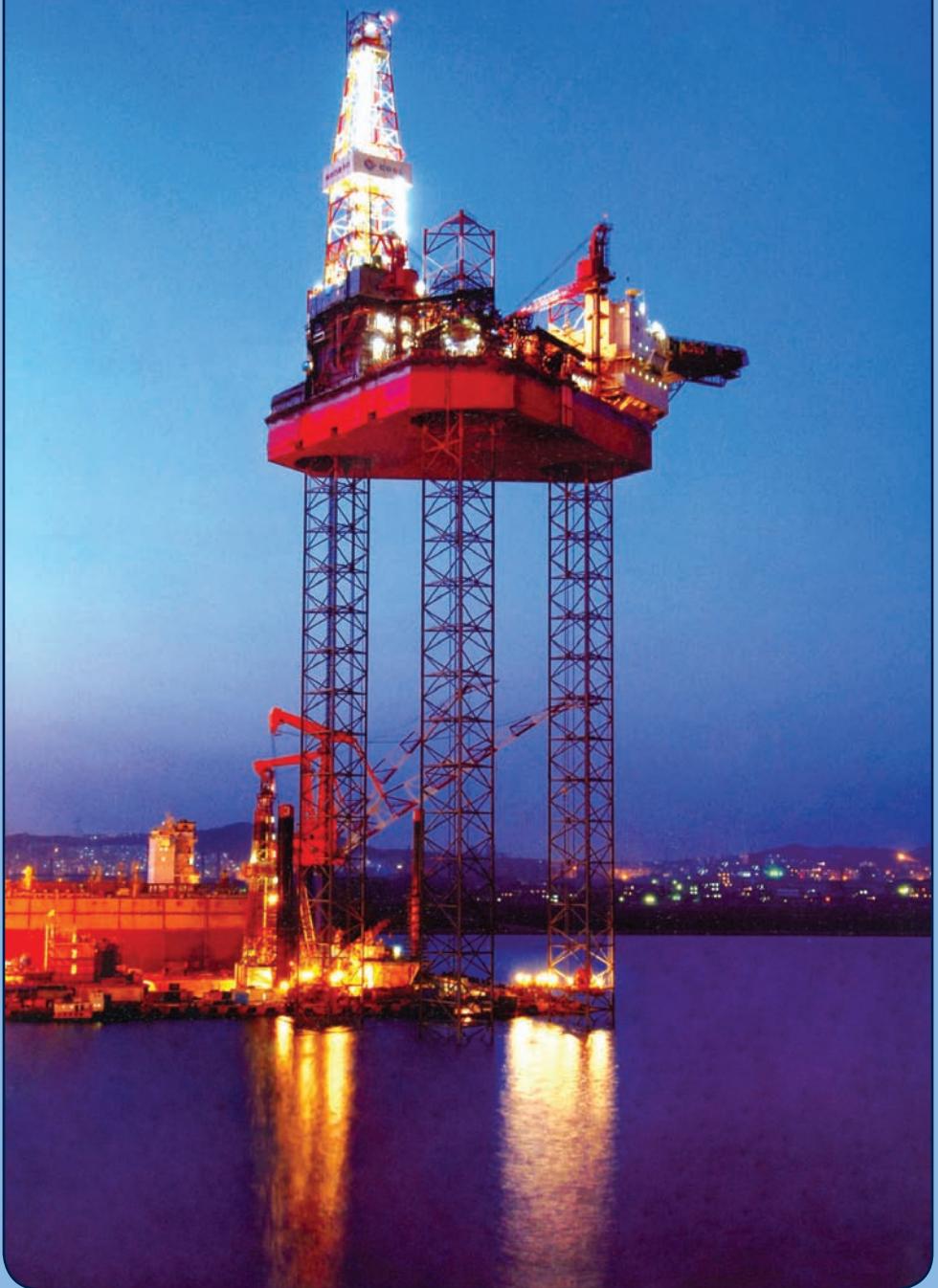
Our current position is the result of the efforts put in by all the employees, suppliers, customers, government officials, shareholders, EGPC and Ministry of Petroleum. We believe that SinoTharwa will grow and deliver a strong base which will lead to sustainable growth in the near future and leave a mark as one of the leading companies in Egypt in the drilling industry.

SinoTharwa is committed to continuing investment for growth and very much focused on creating shareholders value by developing their shares' profit in the company and seeking to continue SinoTharwa's track record of drilling success.

**Li Zhigang**  
General Manager & MD

**Ali Salem**  
Chairman & MD

J/U 2000 E-6



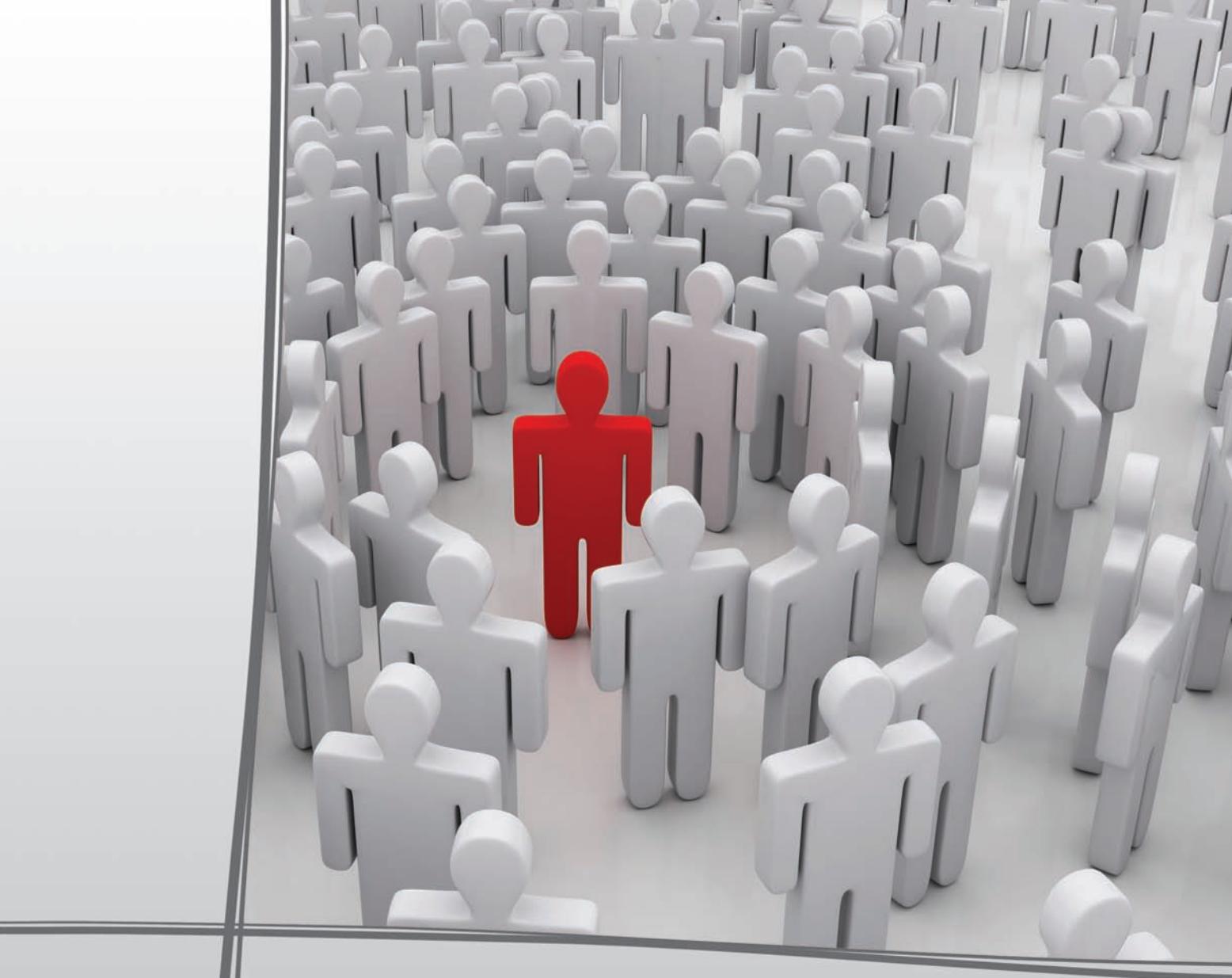
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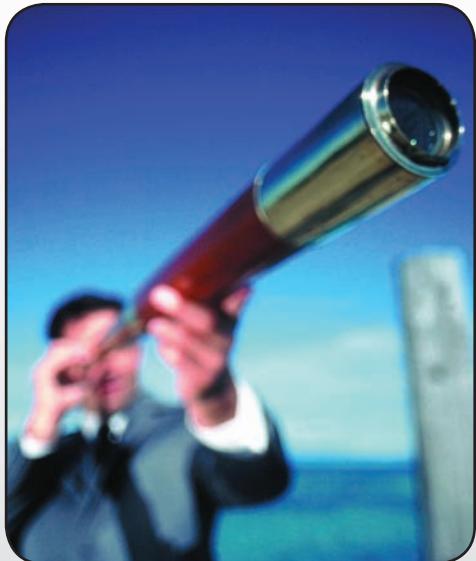
# **HUMAN RESOURCES & SERVICES**

Providing your future, consult your plan

HUMAN RESOUR



RESOURCES & SERVICES



# HR's Mission & Vision

The department serves the employees and company strategies by different division work in different activities as follows:

**Operation work: Personal division** (employee's relations) start from recruiting till end of service.

**Development: Training & development division** (matrix your future & plan your career) (You get there from here)

**Services: General Service division** (Facilitate logistic and maintain work environment)

**Public relation division** (presenting our company to the world in the best light) (enhancing our company's reputation)

(The edge that makes our company stands out from the crowd) (Your social life is our concern)

## Mission:

We are committed to selecting, recruiting, developing, rewarding and retaining the highest quality work force attainable. We provide quality services with integrity, objectivity, responsiveness, sensitivity and confidentiality to the employees both national and expatriate. We also committed to uphold two critical human resources principles (Merit and equal) employment opportunity and we are committed to being source of information to fulfill the ever changing needs for our employees and company targets.

## Vision:

Establish both employees and organizations strategic framework for significant success. This framework consists of:

- A vision for your future,
- A mission that defines what you are doing,
- Values that shape your actions,
- Strategies that zero in on your key success approaches
- Goals and action plans to guide your daily, weekly and monthly actions.

We will be the model for others by ensuring a diverse, qualified, healthy, and highly motivated workforce focused on achieving the critical outcomes, through the development and administration of cost-effective and results-oriented human resource and occupational developing programs, policies, services, and practices.

# Recruitment "We offer & develop opportunities"

- Internal Recruitment policy is under processing & will be applied in 2009. The vacancy will primarily be announced to all staff in an attempt to give priority to our staff for personal development.

## **The objectives of the recruitment policy are:**

1. Ensure that a highly qualified competent workforce is selected.
2. Ensure equal opportunities among candidates.
3. Offer clarifies to staff on the requirements for recruitment.

- Motivational interviews for all Sinotharwa's staff will be applied in 2009. after completing the questionnaire an interview will be organized with Human Resources department it will represent a recap of the period of the employees assignment in the Company, in particular its main objective is to give the maximum opportunity to express the employees professional goals and expectations.
- Promotional priority consideration is provided. It is determined that an eligible employee and an outside applicant have "substantially equal qualifications," then the eligible employee must receive the job offer over an outside applicant.



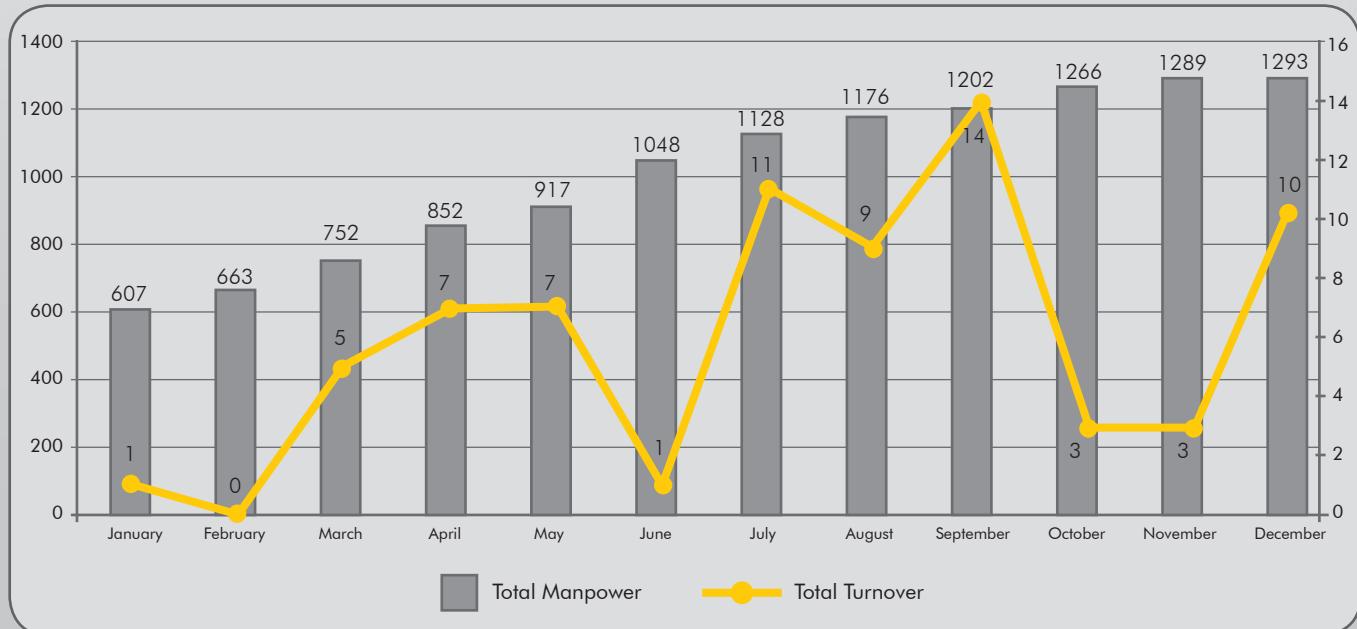
# Personnel:

- The Human Resources Department covers the entire governmental funds requirement & applies all labor law, policies & procedures.
- The social insurance was paid in regular bases during 2008.
- New pharmacies & physicians had been added to SinoTharwa's medical network.
- During 2008 all payments (monthly salary, grant & bonus) executed based on precision, quality & accuracy & commitment to the defined dates.
- Meetings & sessions was held with Oracle administrator to determine our requirements & amendments on the current Oracle Human Resources system & also foundation of new medical system to be integrated with the Human Resources System.
- During 2008, in the renewal date of the current medical scheme & after negotiations with the medical insurance company we succeeded to increase the annual medical claims ceiling from EGP 20,000 to EGP 100,000. Also during this year we find out many cases which was rejected from the insurance company considering these cases as existing medical conditions prior to insurance date & after negotiations we chievel an endorsement which covers any prior existing medical conditions with a ceiling EGP 25000. Also the dental treatment in our medical policy had been modified to include new advance coverage.
- Due to the growing inflation rate occurred in 2008 we adjusted the current salaries for all employees & accordingly we adjusted the company's salary structure.
- A Transfer of the social insurance office had been done from Heliopolis to Maadi.
- We succeeded to hold the all inspection processes for our rig sites, in order to be executed through the labor office for our main premises location as to avoid several inspection from labor offices due to company several locations.

# Manpower

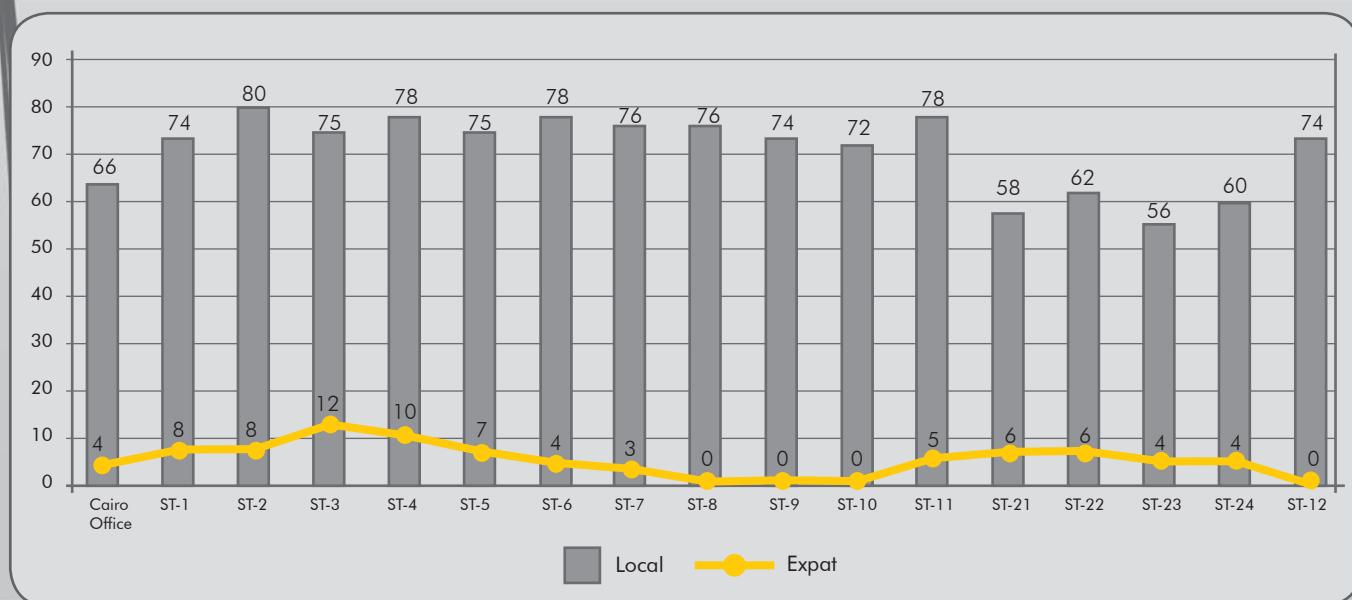
## Highlights of 2008 Total Manpower:

S.N	Month	Total Manpower	Total Turnover
1	January	607	1
2	February	663	0
3	March	752	5
4	April	852	7
5	May	917	7
6	June	1048	1
7	July	1128	11
8	August	1176	9
9	September	1202	14
10	October	1266	3
11	November	1289	3
12	December	1293	10



## 2008 Location's Manpower:

Location	Local	Expat	Total
Cairo office	66	4	70
ST1	74	8	82
ST2	80	8	88
ST3	75	12	87
ST4	78	10	88
ST21	58	6	64
ST22	62	6	68
ST5	75	7	82
ST6	78	4	82
ST23	56	4	60
ST9	74	0	74
ST8	76	0	76
ST10	72	0	72
ST24	60	4	64
ST7	76	3	79
ST11	78	5	83
ST12	74	0	74
<b>Location</b>	<b>1212</b>	<b>81</b>	<b>1293</b>



# Training & Development: "We Train - You Win"

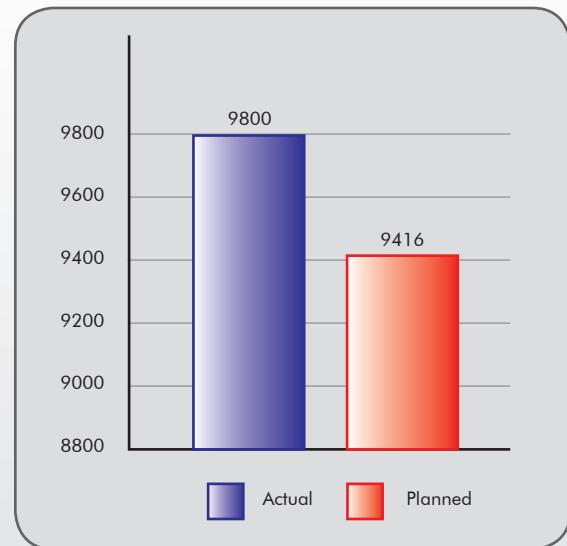
- Technical & Non Technical Training courses have been done to all Sinotharwa employees during 2008 according to the master training plan.
- Integrated training programs were arranged for every rig staff before Rigging up.
- English Language
- A teaching/learning process whose goal is to improve an organization's decision-making and problem-solving capabilities was done.

## Highlights of 2008 Training Record:

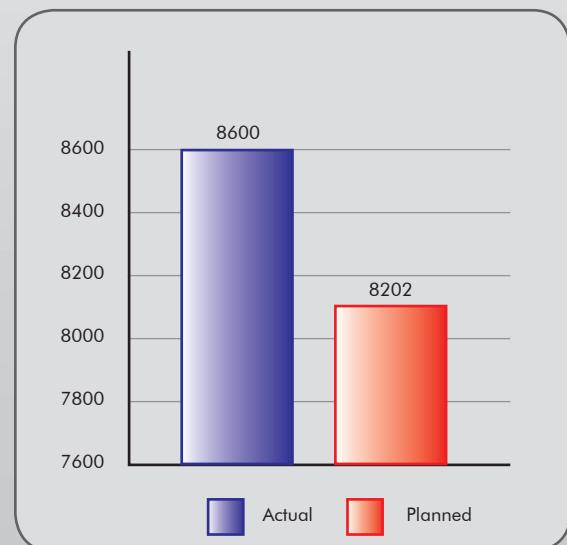
<b>1st Quarter Actual Training Record</b>	4451
<b>2nd Quarter Actual Training Record</b>	5735
<b>3rd Quarter Actual Training Record</b>	7014
<b>4th Quarter Actual Training Record</b>	2500

	Actual	Planned
<b>2008 In-house Safety Training Hours</b>	9,800	9,416
<b>2008 External Safety Training Hours</b>	8,600	8,202
<b>2008 Soft Skills Training Hours</b>	1300	1,238

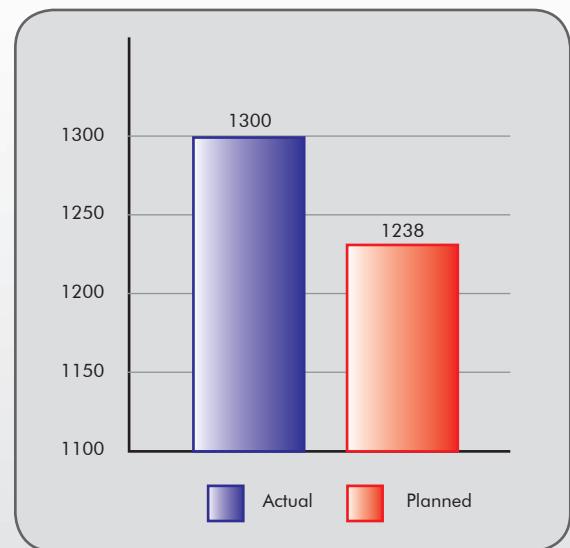
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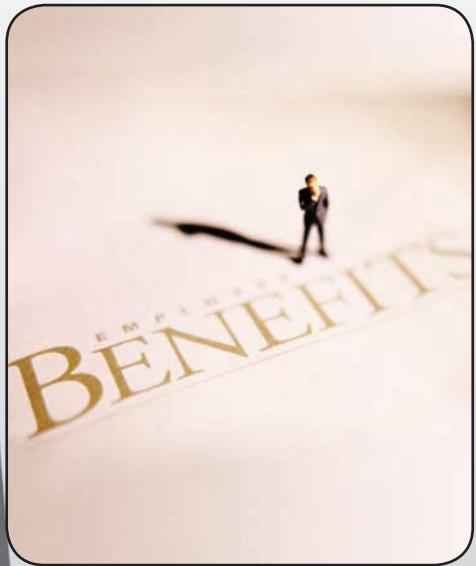


	Actual	Planned
2008 Soft Skills Training Hours	1,300	1,238



# Policies

Bonus policy has been modified in order to offer the best possible allocation for all grants & bonus paid over the year which allows the company to retain the current best employees & let the company to hire the best calibers.



## Compensation & Benefit

- A retirement fund plan "Pension Plan" for all employees established during 2008 which based on major percentage contribution from the company & minor contribution from the employee & with an ideal terms of payment which generate a sense of loyalty between the employees & the company also assist in the company's plan to retain the employees.
- Application of new reimbursement package during 2008 which states to pay a certain amount to the key position employees who sustain huge responsibilities during their work.
- On the occasion of the third anniversary of the company a festival was held inviting all the employees of the company & they also received a valuable gifts which illustrate how deep the company's thankfulness & appreciation towards the employee.

## Performance Appraisal

- The Performance Appraisal Management System was implementing at the end of 2008 according to the world standard in order to provide feedback to the employees on how well they are doing in their jobs and to provide direction to future development & accomplishments.
- Performance Appraisal training sessions has been executed to all departments in order to facilitate using the application in assessing their subordinates.

# General Service:

1. Business trips were organized continuously during 2008 inside & outside Cairo.
2. A regular maintenance was continuously done to Sino Tharwa premises.
3. Exemptions have been taken for 85 expatriates during 2008 while the actual comers were 70 and their work permits has been done for them.
4. Rig crew change for 15 crews has been done twice on weekly basis during 2008.
5. The Human resources Department was responsible for issuing all permits relating to government for each company location.
6. A regular maintenance was done during 2008 for all Sino Tharwa Fleet.
7. Catering & cleaning activities were organized systematic during 2008.
8. Company fleet policy has been done in order to keep the vehicles in a good condition & safety.
9. The inaugurate of the guest house has been done on the 15th of March 2008 as the Rig staff spent one night ahead before the crew change, in order to let them fill comfortable before starting their business travel, The guest house help in overcoming the transportation issue of the trainees from the hotel to Sino Tharwa Premises in Maddi & vice versa, moreover it help in alleviating the maintenance & fuel costs of the company's vehicle.
10. Sinotharwa owns 55 fleet, 31 on Rig sites & the others at Cairo office.
11. The total number of Egyptian guests visit the guest house during 2008 was 939 while the expatriate was 411.

# Public Relations:

- SinoTharwa published the first issue of SinoTharwa's Drilling Magazine (annual magazine).



- SinoTharwa participated as a sponsor and organizer for Al-Ahram Seminar that was held on March 2008. SinoTharwa appeared in a strong and good image and made a good type of advertisement for the company. Meantime, worked in strengthen the Egyptian Chinese relations that had a good impact on SinoTharwa's achievements.



- SinoTharwa Participated in El-Gomhouria's 1st Conference that was held on August 2008.



- SinoTharwa Participated as a sponsor and exhibitor in the 5th MOC Event (Mediterranean offshore conference & exhibition) that was held on May 2008. Sinotharwa successfully presented in a strong, creative & competitive booth that reflected Sinotharwa's achievements.



- SinoTharwa Participated in the 4th Cairo international conference & exhibition for gas technology, oil, petrochemical industries and mining resources that was held on October 2008 in the Cairo int'l conference center.



- Sinotharwa Team Building event which was held on April 2008 at J.W Marriot. The event was considered as a social activity that aimed to encourage team spirit within the company and strengthen the relationships between Sinotharwa members.



- A great celebration for Sinotharwa's 3rd anniversary had been fantastically organized by the Human Resources & Services department in attempt to gather all company's employees and representatives from all petroleum companies to celebrate with Sinotharwa amazing achievements of the year, such as the accomplishment of 16 rigs and a new project of Jack up (the first offshore rig).



- Public relation dept. is responsible for handling all traveling logistics (air tickets – hotel bookings – meet & assist bookings), moreover all social activities for Sinotharwa staff such as: greetings, welcoming new members, congratulations, farewells parties, appreciations & condolence. etc.
- Finally to absorb the rapidly increase in the company's rigs staff human resources dept. Find a Guest house in Cairo to face the lodging & accommodations problems , in mean time to reduce the cost, the time & efforts.
- Public relation dep. organized & handled all the senior level meetings such as general assembly & extraordinary meetings, in meantime the VIP visits.

# HSE

We are not adding years to life, We just add life to years

# HEALTH, SAFETY &



ENVIRONMENT

# Work Injury Statistics

During 2008 all SinoTharwa business and rigs worked hard to keep HSE records as or better than had been achieved in previous years. The following achievements are indications and a measure of HSE successes in 2008:

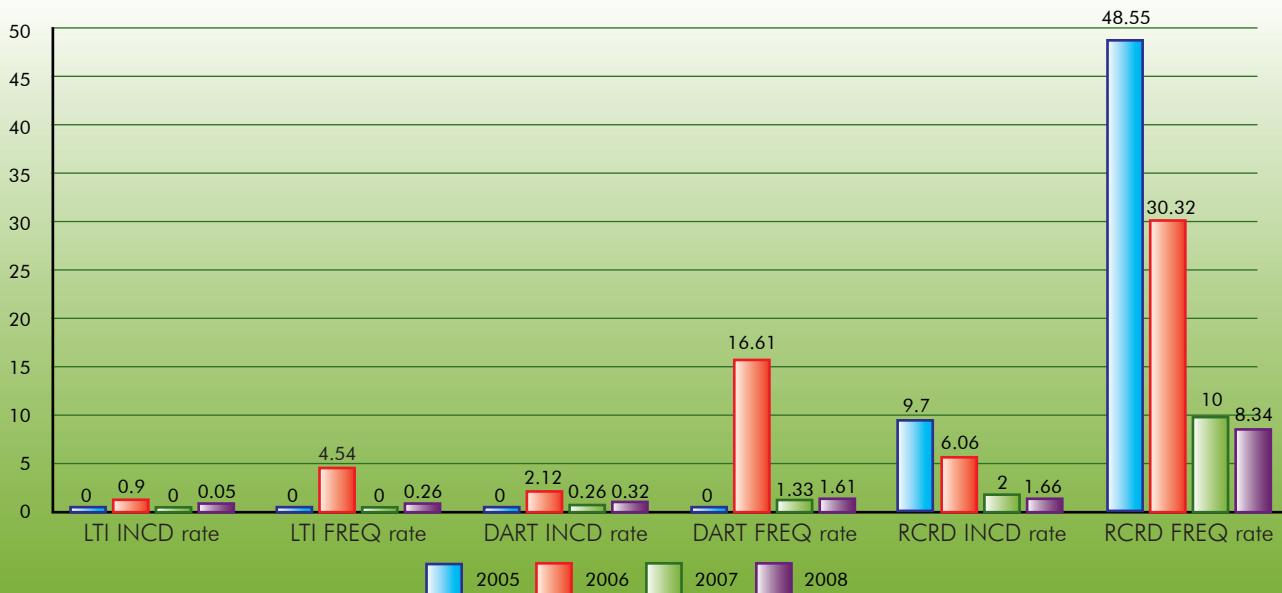
Most importantly there were no fatalities, total or partial disabilities to any of SinoTharwa's staff, subcontractors or third parties in any of SinoTharwa's areas of operations.

Only one lost time incident happened during the year 2008.

Five Restricted Work Cases happened during 2008, required medical services were in place with delegation of light works according to physician instructions.

Twenty five Medical Treatment Cases during 2008 including simple injuries were handled by rig doctors at time then back to normal routine duties.

The total recordable injuries during 2008 were thirty one cases through the amount of 3,712,905 working hours.

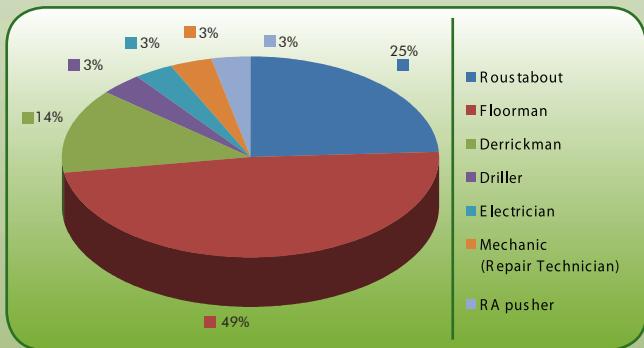


# Accidents / Incidents Analysis:

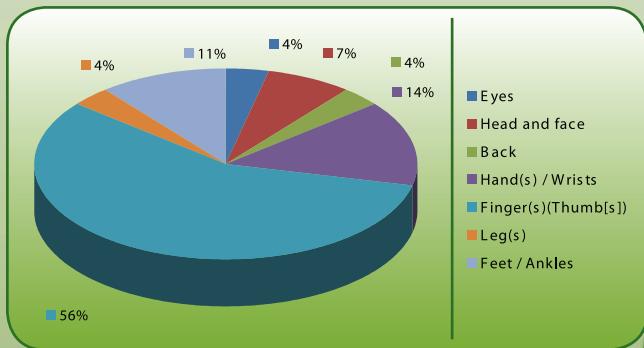
All Accidents / Incidents that occurred within SinoTharwa's operations were recorded and registered in a way to let our rigs' key persons have an access to extract the data when needed and to transfer the lessons learned to the work force.

SinoTharwa's HIPO register was the smart document established as a way to communicate the recorded accidents / incidents and near misses to our work force just by one click on the title of any incident to view the whole data including description, Basic and immediate causes also the corrective actions to be taken to prevent reoccurrence of any similar incident, and accident related photos and sketches.

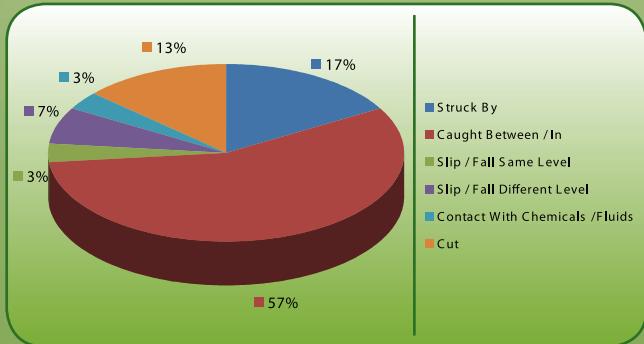
## 1. Position of injured persons:



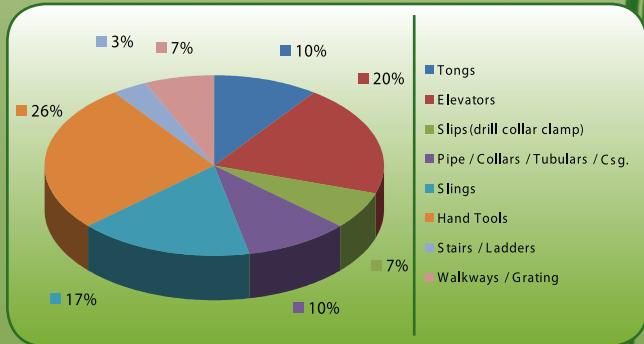
## 2. Part of Body Injured:



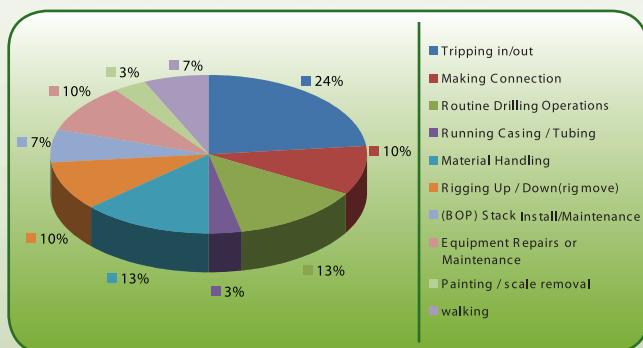
## 3. Type of Incident:



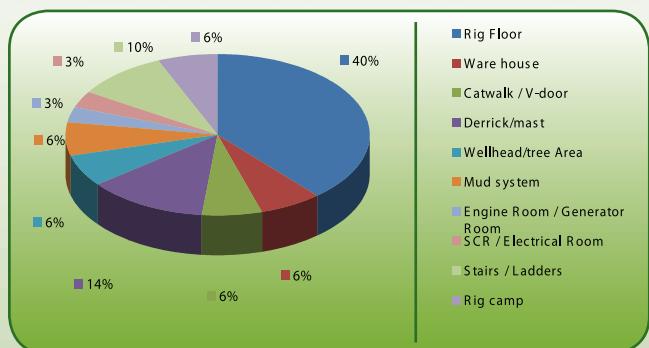
## 4. Equipment Involved:



## 5. Operations Led to Injury:



## 6. Incident Location



**Data obtained from such accidents analysis will be linked to the company 2009 HSE training plan to involve more focusing on:**

1. Roustabouts and floor men awareness and orientation.
2. Tasks that to be performed at rig floor and mast.
3. Routine activities like tripping in and out.
4. Rig move operations and associated hazards.
5. Hand tools usage and single tasks.
6. Hand – fingers injuries causes.
7. Pinch points identification.
8. Material handling techniques.
9. Communication, supervision and leadership skills.

# Safety 1st Program

## (Standard - Substandard Behaviors & Conditions):

The results of 2008 safety 1st cards analysis indicate how this system captures standard and substandard behaviors and conditions at SinoTharwa's rigs. By analyzing these figures, we can put our hands on specified weak points that affecting directly or indirectly our operations' safety. On the other hand, it was good to find these great numbers of safe behaviors which requiring encouragement to keep it same or better during the upcoming years. Total number of safety 1st cards during 2008 was more than 50,000 cards.

Category	No. of Safety 1st Cards
PPE not worn / worn but defective	2912
Procedures / Instructions not followed	8037
Equipment moved to wrong place	285
Equipment, tools used wrongly	457
Lack of communication	972
Equipment used without permission	48
Safety devices bypassed, not working	18
Work / move too slowly / too quickly	284
Defective equipment used	392
Substandard conditions not reported	105
Housekeeping, PM standard poor	3438
Inadequate warning system	84
Restricted access	87
Fire, spill, explosion hazards	103
Sharp edge hazard	89
Insect, animal bite	109
Inattention to known hazards	825
Improper loading	2018
Improper working position	927
Improper lifting	1038
Working on operating equipment	128
Help not asked for	153
Short cuts	7629
Safety equipment unsuitable	367
Equipment location unsuitable	1038
Floor uneven, slippery	1837
Chemicals, dust exposure hazard	97
Lighting inadequate	927
Abnormal operating conditions	825
Ventilation inadequate	48
Inadequate supervision	1739
Noise, radiation exposure	12
Positive observations (Safe behaviors)	13796
<b>TOTAL</b>	<b>50824</b>

# HSE Performance Measurements:

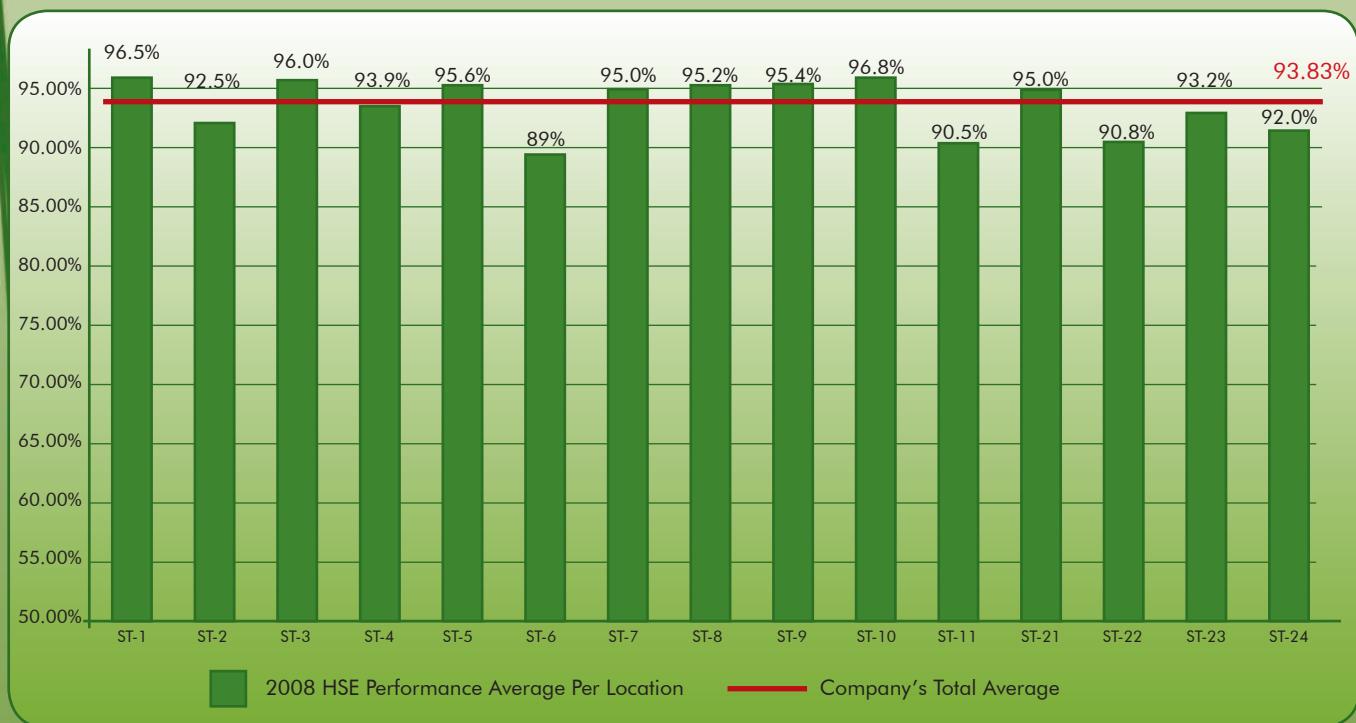
HSE performance within 2008 was measured against targets on monthly basis, so that we can monitor, evaluate then focus on how to improve and facilitate resources that will directly affect the rig's HSE performance.

In the same time to evaluate our self, i.e. to benchmark our status with respect to global drilling industry through IADC feedback reports.

Key performance indicators were selected to act as a guide lines for rigs and to allow easy monitoring to current status clearly, meantime these indicators ensures the compliance with SinoThawa's standards.

2008 indicators including and not limited to "Number of management visits, safety 1st cards, Audits & inspections performed, corrective actions and Environmental monitoring...etc " were the tools that assist in evaluating, recognizing and orienting efforts directly toward the weak points if any.

## 2008 HSE Performance Average Per Location



## Environment Protection:

SinoTharwa during 2008 reviewed and updated its environmental procedures to improve the environmental protection performance.

On the fifth of June 2008, SinoTharwa participated in celebrating the world environmental day under the slogan of "Kick the habit", toward lower carbon economy.

On other hand, new facilities under process in some of our sites designed to treat sewage water for using in agriculture purposes. Many efforts also introduced for improving the level of waste segregation and disposal to meet or exceed the legislation issued for such purposes.

During 2008, there were no any pollutant spills or environmental impacts at our areas of operations.

## Employees' general health:

In Sinotharwa, employees are considered as main assets. Providing complete health care to them is one of the company's main targets. Periodical medical checks to rigs' personnel are implementing according to job nature and associated health effects.

In addition to mentioned checks, many of proactive measures were in place to reduce the possibility of getting SinoTharwa's staff healthy affected.

In 2008, there was no any chronic disease cases recorded to any of SinoTharwa's staff, sub-contractors or third parties staff.

## HSE Events:

### **SinoTharwa's HSE events during 2008 can be briefed as followed:**

1. Achieving One year without LTI at rig ST-3, January 2008.
2. Achieving One year without LTI at rig ST-21, January 2008.
3. Work permit and power isolation safety campaign, April 2008.
4. World environmental day participation, June 2008.
5. Completing 3 Millions hours without LTI celebration, July 2008.
6. Achieving One year without LTI at rig ST-4, July 2008.
7. Achieving Two years without LTI celebration at rig ST-2, August 2008.
8. Achieving One year without LTI at rig ST-22, November 2008.
9. Achieving Two years without LTI celebration at rig ST-1, November 2008.
10. Critical safety equipment campaign, December 2008.
11. Awarding OHSAS 18001 Certificate, December 2008.

# OHSAS 18001 Certificate Awarding:

At the end of the year, SinoTharwa succeeded to award OHSAS 18001 certificate which indicate the effectiveness of the company's health and safety management systems.

Awarding such certificate put our company on the right track to compete with other international organizations and also to prove how is SinoTharwa putting the health and safety matters as first priority.





# OPERATIONS

Drilling Deep, Safe and at Optimized Cost

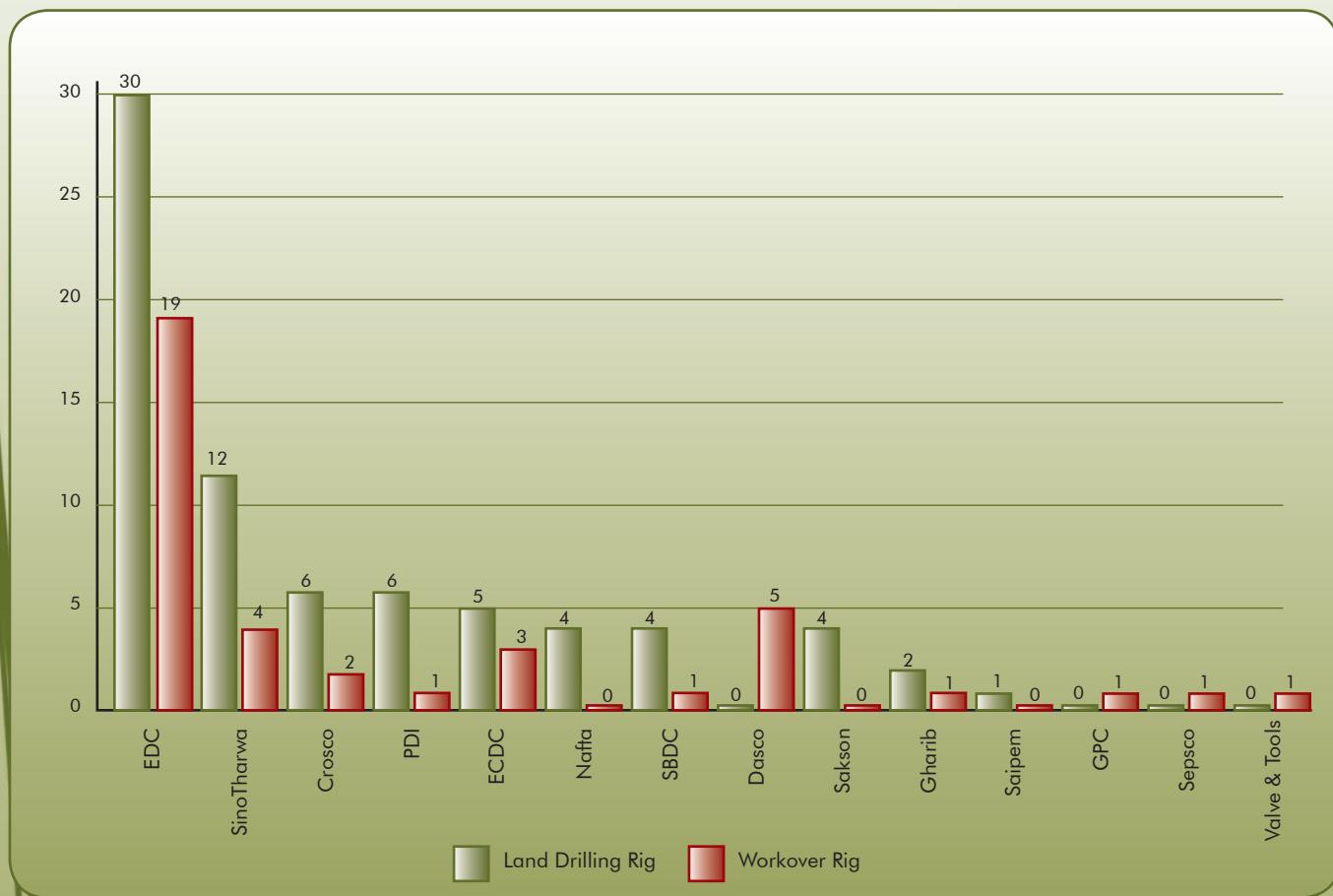
OPERA



**Sino-Tharwa Drilling Co. ST-9**  
**MUBARAK-1**

TONS

# SinoTharwa's Rigs VS Other Drilling Companies' Rigs in Egypt



# SinoTharwa's Rigs' Fleet

## Land Drilling Rigs:

- 2000 HP (Six rigs): ST-1, ST-3, ST-4, ST-9, ST-11 & ST-12
- 1500 HP(Five rigs): ST-2, ST-5, ST-6, ST-8 & ST-10
- 1000 HP(One Rig): ST-7
- All the land drilling rigs are electrical except ST-2 is a mechanical rig.

## Work over Rigs:

- 650 HP(Four mechanical Rigs): ST-21,ST-22,ST-23,ST-24



### Land Drilling Rig ST-1

2000 HP

Working with Petrobel

Accepted on December 8th, 2005



### Land Drilling Rig ST-3

2000 HP

Working with Petrobel

Accepted on January 22nd, 2007



### Land Drilling Rig ST-4

2000 HP

Worked with Arabian Oil Company & now with El Hamra Oil Company

Accepted on September 10th, 2007



### Land Drilling Rig Mubarak 1

2000 HP

Working with VEGAS

Accepted on March 13th, 2008



### Land Drilling Rig ST-11

2000 HP

Working with NaftoGaz

Accepted on October 28th, 2008



### Land Drilling Rig ST-12

2000 HP

Working with Cepsa

Arrived on December 08



### Land Drilling Rig ST-2

1500 HP

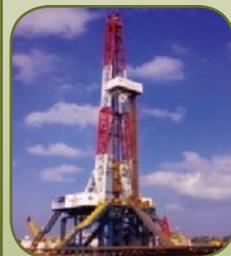
Worked with Norpetco, Agiba,  
West Bakr, Zeitco  
Accepted on January 4th, 2006



### Land Drilling Rig ST-6

1500 HP

Working with Qarun  
Accepted on May 16th, 2008



### Land Drilling Rig Mubarak 3

1500 HP

Working with Wasco  
Accepted on July 3rd, 2008



### Land Workover Rig ST-21

650 HP

Worked with Norpetco, Bapetco,  
Agiba, Qarun, Oasis  
Accepted on January 20th, 2007



### Land Workover Rig ST-23

650 HP

Working with Petrobel  
Accepted on March 30th, 2007



### Land Drilling Rig ST-5

1500 HP

Working with Khalda  
Accepted on April 13th, 2008



### Land Drilling Rig Mubarak 2

1500 HP

Working with Agiba  
Accepted on June 9th, 2008



### Land Drilling Rig ST-7

1000 HP

Working with Petrodara  
Accepted on July 11th, 2008



### Land Workover Rig ST-22

650 HP

Working with Qarun  
Accepted on November 28th, 2007



### Land Workover Rig ST-24

650 HP

Working with Bapetco  
Accepted on September 22nd, 2008

**Outlines:** Drilled wells (2008): 61 Wells

Worked over wells (2008): 85 Wells

Total Footage drilled (2008): 475456 ft

# Rigs Utilities:

Rig	Work Period/Days	Rig's Utility %		Repair Time %	No. of Rig Move	Rig Move Time%	Average Time day/Move
		Including Move Time	Excluding Move Time				
ST-1	366	97.22 %	98.98 %	1.03 %	5	1.75 %	6.78
ST-2	366	97.38 %	99.62 %	0.38 %	7	2.24 %	6.88
ST-3	366	98.91 %	99.83 %	0.17 %	5	0.92 %	6.18
ST-4	366	95.42 %	99.95 %	0.05 %	2	4.53 %	14.30
ST-5	262	91.16 %	99.55 %	0.45 %	6	8.40 %	9.08
ST-6	229	91.96 %	95.09 %	4.91 %	7	3.13 %	7.74
ST-7	174	95.02 %	98.93 %	1.07 %	6	3.92 %	7.03
ST-8	205	94.10 %	99.21 %	0.79 %	7	5.11 %	6.87
ST-9	293	92.26%	95.51 %	4.49 %	2	3.25 %	10.77
ST-10	181	93.74 %	99.13 %	0.87 %	3	5.39 %	7.58
ST-11	65	98.84 %	98.84 %	1.16 %	0	0.00 %	0
ST-12	Rigging Up at First Rig's Location						
ST-21	366	98.90 %	99.92 %	0.08 %	15	1.02 %	1.00
ST-22	366	96.93 %	99.73 %	0.27 %	33	2.80 %	1.27
ST-23	277	99.07 %	99.86 %	0.14 %	27	0.79 %	0.98
ST-24	100	83.64 %	100.0 %	0.00 %	6	16.36 %	5.28

# Challenges:

1. Reviewed, selected and ordered all equipment & materials to cover new rigs (ST-5 ,6 ,7, 8,9,10, 11, 12,23 & 24)
2. Mob. all Rigs from China to Sokhna port and moved same to the first wells locations, Rig Up, test& commissioning (10 rigs / 9 months).
3. Interviewed, selected, checked and hired experience staff to cover all Rigs needs (785 persons).
4. Follow up all Rigs operations on daily basis.
5. Reviewed, checked and selected Jack Up Rig components, drilling and handling equipment, reviewed & approved contract with supplies.
6. Follow up and cover Rigs needs (supplies, heavy lift equipment & catering).
7. Optimizing stocks to cover Rigs needs and also minimize stocks (covered most of ST-8,9 & 10 needs from other Rigs).
8. **Reduced Rig move time at Abo Rudies.**
  - Total Money saved = USD 415,921.
  - Total Money spent = USD 224,250.
  - Net Money saved= USD 191,671.

# Work done to achieve this:

1. Hired two cranes (one 50 T and one 65 T) , one trucks 30 T and one normal low boy at Abo Rudies area to assist in rig move of ST-1,ST-3 & ST-23 and transport materials from Abo Rudies yard to other Sinotharwa rigs.
2. Hired one crane 50 T at Karama to assist in rig move of ST-6, ST-21 & ST-22.
3. Plan to hire one more crane and two trucks at Khalda, Agiba and Bapetco.
4. Decreasing Stock balance.
  - Centralized all materials stores of ST-1,ST-3 and ST-23 in one main yard at Abo Rudies.
  - Centralized all material stores of ST-6,ST-21 and ST-22 in one main yard at Karama.
  - Plan to Centralize all material stores of ST-2,ST-7 and ST-9 in one main yard at Ras Gharb.
  - Plan to Centralize all material stores of ST-5 and ST-8 in one main yard at El Salam base

# Spare Parts Status:

Rig	Total Ware House Stock (USD)		Issued Items During 2008 (USD)
	2007	2008	
ST-1	878,408.00		444,715.00
ST-2	720,428.00	1,001,967.00	306,174.00
ST-3	1,031,187.00		368,367.00
ST-4	1,253,793.00	1,174,753.00	326,921.00
ST-5	0.00	1,238,177.00	330,662.00
ST-6	0.00	760,639.00	200,134.00
ST-7	0.00	959,761.00	2,763.00
ST-8	0.00	119,309.00	50,096.00
ST-9	0.00	278,414.00	154,710.00
ST-10	0.00	117,516.00	13,386.00
ST-11	0.00	Under progress	0.00
ST-12	0.00	Under progress	0.00
ST-21	473,596.00	396,601.00	69,438.00
ST-22	552,709.00	514,826.00	133,924.00
ST-23	0.00		64,357.00
ST-24	0.00	Under progress	12,675.00
A/R - WH	0.00	2,695,917.00	0.00
CAI – WH	0.00	155,803.00	0.00
<b>Total</b>	<b>4,910,121.00</b>	<b>9,413,683.00</b>	<b>2,478,322.00</b>

- Note:** In 2008, the spare parts for ST-1, ST-3 & ST-23 had centralized in Abou Rudies Warehouse (A/R – WH).

- Total Spare parts on Dec 15th,2007 ( USD 4,910,121.00) with existing six working rigs (ST 1,2,3,4,21&22).
- Total Ware houses stock on Dec 31th,2008 ( USD 9,413,683.00) with existing 15 working rigs.
- **The above 2008 spare parts include the following items:**
  - Capital items USD 785,697.00
  - Oils USD 331,517.00
  - Shale shaker Screen USD 302,174.00
  - Safety gears USD 853,187.00
- **Net Spare parts balance Nov 30th,2008 USD 7,141,108.00**

## Gaps need to be closed:

1. Expedite & prepare Badr Yard to be center ware house to minimize stock.
2. Quality of spare parts & equipment, still receiving some low quality materials and equipment From China, have to get good quality ones from designated factories.
3. Focus on training for technical, HSE & languages.
4. Prepare to be ready for Jack up with required equipment, materials and staff as well.
5. Minimize expenses cost to reduce operating cost and stand against world financial crises as follows:-
  - A. Work with contractors to reduce price without affect performance.
  - B. Work on heavy lift and catering as main suppliers.
  - C. Review and monitor spare parts cost and looking for good quality and optimum price.
  - D. Review rigs needs with operators to reduce some of non critical equipment.



# ENGINEERING

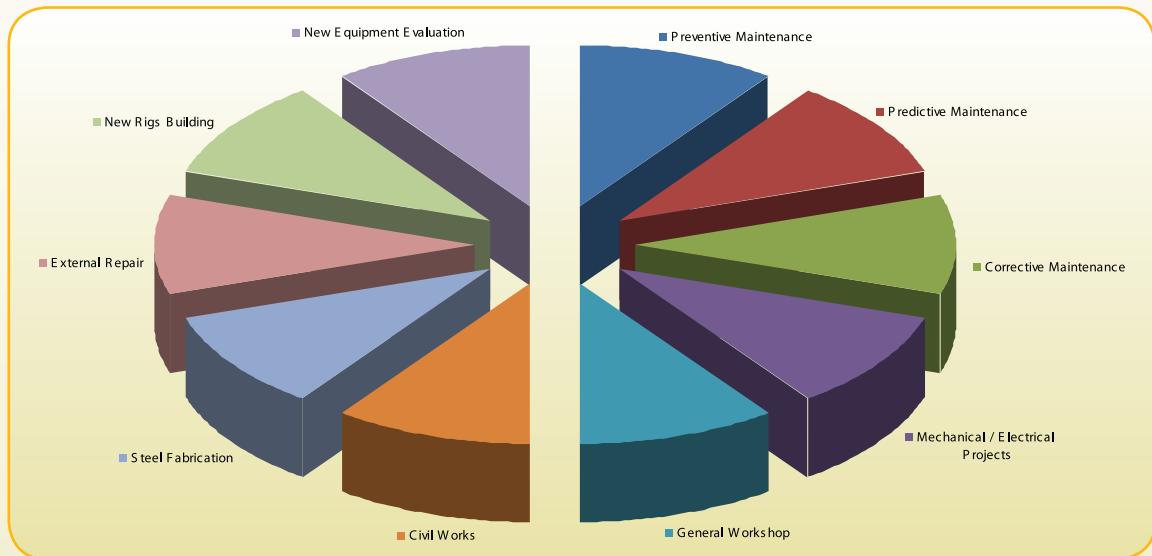
Results beyond precision

ENGIN



STRUCTURING

# Engineering Activities:



## 1) Maintenance:

Maintenance costs, as defined by normal plant accounting procedures, are normally a major portion of the total operating costs in most plants. Traditional maintenance costs (i.e. labor and material) have escalated at a tremendous rate over the past 10 years. In 1981, domestic plants spent more than \$600 Billion to maintain their critical plant systems. By 1991, the costs had increased to more than \$800 Billion and topped \$1.2 Trillion in 2000. These evaluations indicate that between one third and one half of these maintenance dollars are wasted through ineffective maintenance management methods.

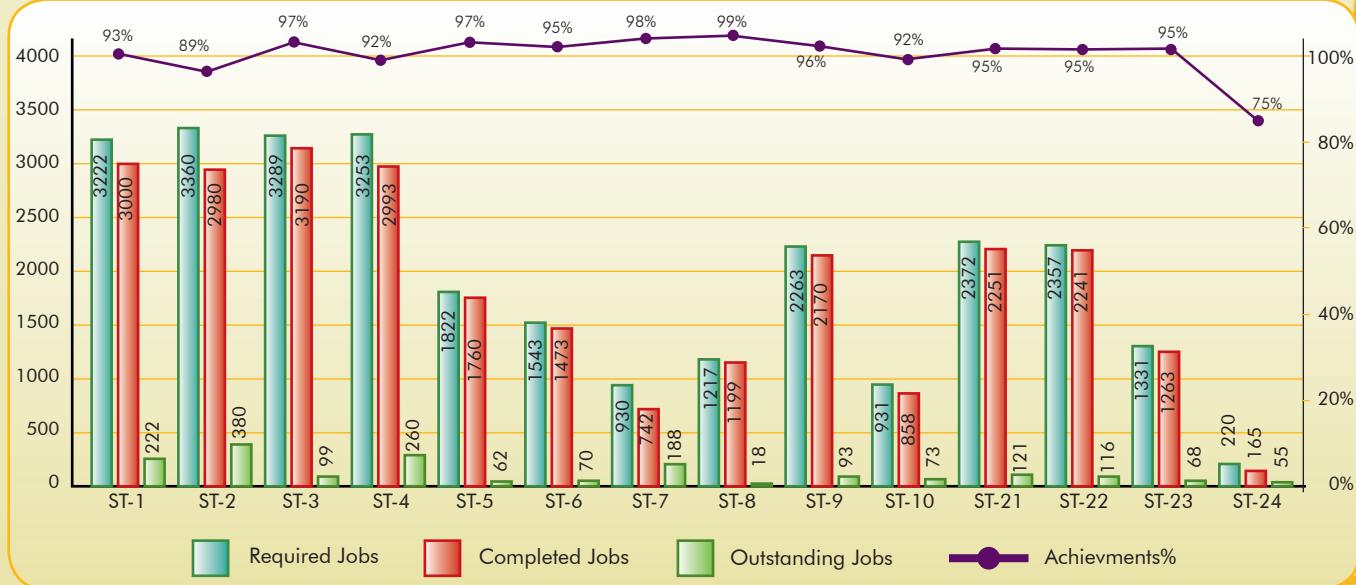
The dominant reason for this ineffective use of maintenance expenditures is the lack of factual data that quantifies when and what kind of maintenance is needed to maintain, repair or replace critical machinery, equipment and systems within a plant or facility. Typically, maintenance organizations do not track equipment performance, maintenance tasks performed, failure history or any of the other data that could, and should, be used to plan and schedule tasks that would prevent premature failures, extend the useful life of critical plant assets and reduce their life cycle cost. Instead, maintenance scheduling has been, and in many instances, still is determined by equipment failures or on the perceptions of maintenance personnel who arbitrarily determine the type and frequency of routine maintenance.

So.....

# 1.1) Rigs maintenance achievement:

The following table is explaining the required maintenance tasks and the actual achievements occurred at each rig:

Job's Status Rig	Required (Jobs)	Completed (Jobs)	Outstanding (Jobs)	Achievement %
ST-1	3222	3000	222	93.11%
ST-2	3360	2980	380	88.69%
ST-3	3289	3190	99	96.99%
ST-4	3253	2993	260	92.01%
ST-5	1822	1760	62	96.60%
ST-6	1543	1473	70	95.46%
ST-7	930	742	188	79.78%
ST-8	1217	1199	18	98.52%
ST-9	2263	2170	93	95.89%
ST-10	931	858	73	92.16%
ST-21	2372	2251	121	94.90%
ST-22	2357	2241	116	95.08%
ST-23	1331	1263	68	94.89%
ST-24	220	165	55	75.00%



It is quite analyzed that the total required jobs from the rigs is too high, this reflects that our company's trend and especially the engineering department is to follow up every little detail with the maintenance crew and so enhance the rigs effectiveness to minimize the down time as possible.

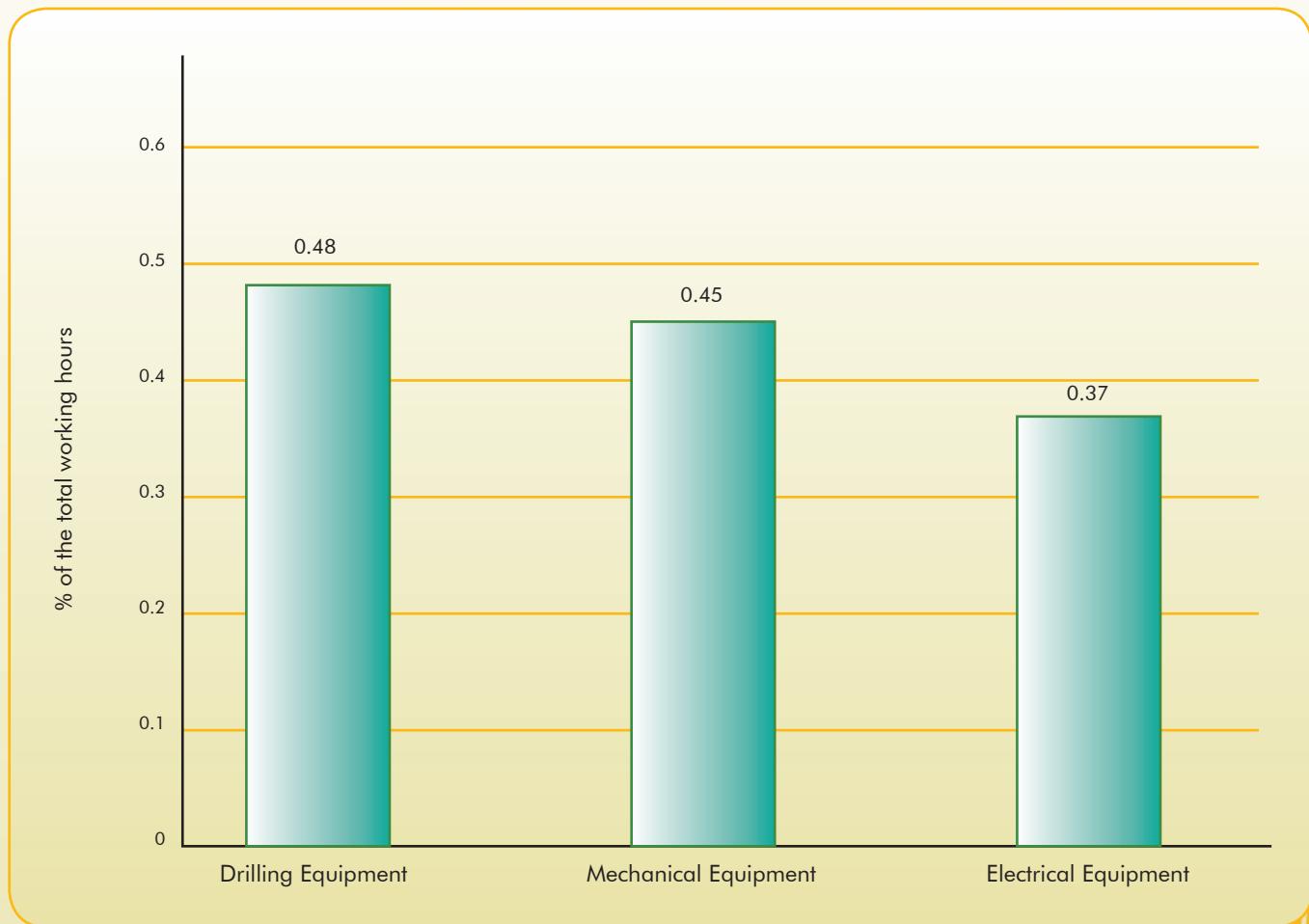
## 1.2) Repair time hours classification:

Total Equipment Repair Time				
Equipment / Category	Drilling (hrs)	Mech. (hrs)	Elect. (hrs)	Total (hrs)
Air Swivel	0	0	0	0
Accumulator unit	0	0.5	0	0.5
Rotary Table	0	2	0	2
BOP	14.5	7	0	21.5
SCR	0	0	221	221
Power Tong	0	62	0	62
Power Engines	0	42.5	23	66
Drawworks	5.5	83.5	15	104
Mud Pump	99.5	42	0	141.5
Top Drive	7.5	95	63	165.5
leakage & Fittings	88	75	0	163
Calibration	0	38	20	58
Delay in operation	100	0	0	100
Others	150	12	37	199

### Others are as follows:

1. Calibration for gauges and sensors.
2. Oil leakage from different equipment.
3. Change centrifugal pumps with mission pumps.
4. Air & hydraulic hoses changing.
5. Spider elevator, spider slips were jammed, wire line over shot, crack and leak in standpipe.
6. Miscellaneous

# Repair Time Classifications.



The above table includes the equipment list that cause the down time, OTHERS, represents the causes of the down time which are not of the critical ones.

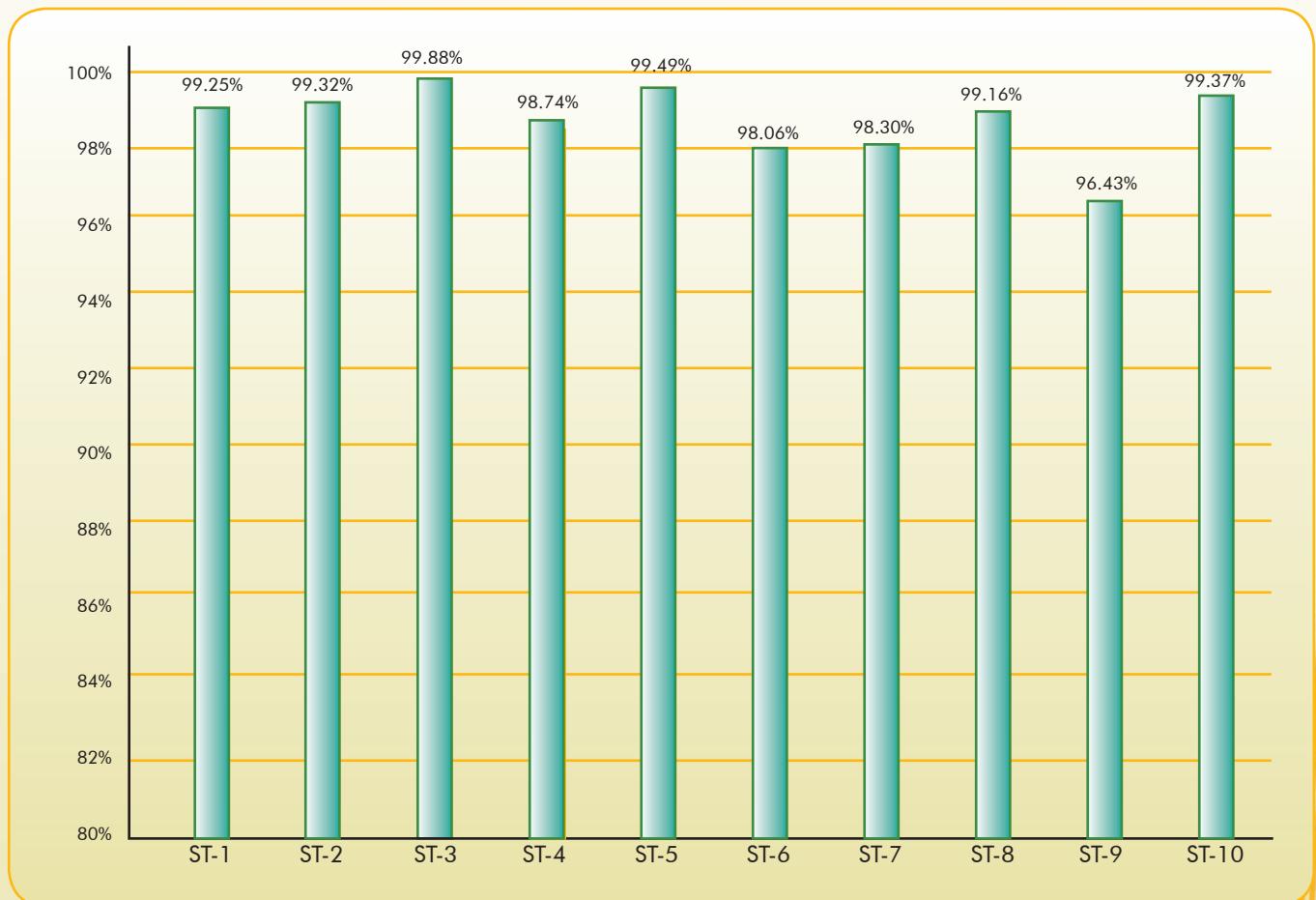
After monitoring the data collected from the rigs and analyzing them, engineering department arranges for special periodical meetings with our stuff in order to stress on the point of OTHERS, to take care with everything whatever its classification; whether major or minor.

# 1.3) Rig Preventive Maintenance Effectiveness:

Factor of move	$C = 0.9$
Preventive maintenance effectiveness %	$P.M.E = [ \{ (A \times C) - B \} ] \times 100 / (A \times C)$

Rig	Down time cause			Total D.T (hrs)	Total working excluding drilling (B) (hrs)	Total working hours (A) (hrs)	P.M.E Effectiveness (%)
	Drilling (hrs)	Mech. (hrs)	Elect. (hrs)				
ST#1	18.5	28	31	77.5	59	8760	99.25
ST#2	43.5	51	3	97.5	54	8760	99.32
ST#3	24	9.5	0	33.5	9.5	8760	99.88
ST#4	120	79	20.5	219.5	99.5	8760	98.74
ST#5	10.5	36.5	3.5	50.5	40	8760	99.49
ST#6	4	81.5	12	97.5	93.5	5352	98.06
ST#7	2	7	59	68	66	4320	98.30
ST#8	25	14.5	23.5	63	38	5040	99.16
ST#9	89	31	188.5	308.5	219.5	6840	96.43
ST#10	57	22	2.5	81.5	24.5	4320	99.37
ST#21	0	11.5	0	11.5	11.5	8760	99.85
ST#22	16	3	0	19	3	8760	99.96
ST#23	44.5	54.5	0	99	54.5	6480	99.07
ST#24	11	6	12	29	18	2448	99.18
<b>Total</b>	<b>465</b>	<b>435</b>	<b>355.5</b>	<b>1255.5</b>	<b>790.5</b>	<b>96120</b>	<b>99.18</b>

# Maintenance Effectiveness for Drilling Rigs



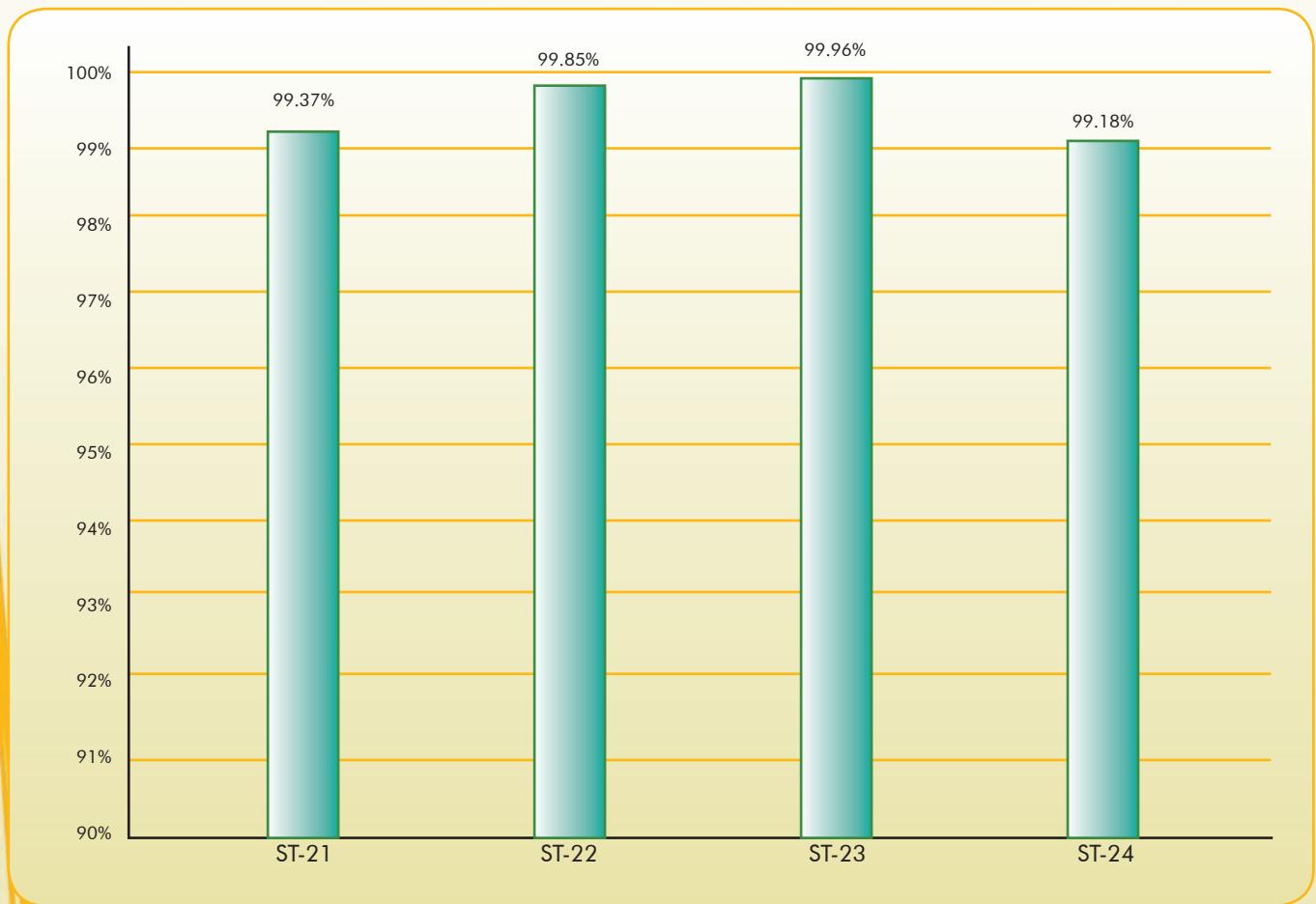
**The average effectiveness for all the drilling rigs is 98.8%**

Rig ST#3 is the most effective drilling rig with the least down time with effectiveness of 99.88%

Rig ST#9 is the last rig in the rank with the maximum down time with effectiveness of 96.43%.

SinoTharwa monitored the reason for the down time of rig ST#9 and documented the reason for the down time which was a problem with the software of the traveling block, this helps our company to avoid such a fault with our rigs ST#8 and ST#10 while purchasing.

# Maintenance Effectiveness for Workover Rigs



**The average effectiveness for all the work over rigs is 99.52%**

Rig ST#22 is the most effective work over rig with the least down time with effectiveness of 99.96%

Rig ST#23 is the last rig in the rank with the maximum down time with effectiveness of 99.07%.

## Conclusion:

Effective use of preventive maintenance, including predictive technologies, will eliminate much of the 33% to 50% of maintenance expenditures that are wasted by our rigs.

- Elimination of unscheduled downtime caused by equipment or system failures. Typically, reductions of 40% to 60% are achieved.
- Increased capacity, effective preventive/predictive maintenance programs is an increase in the throughput or production capacity of the rig. Short-term, i.e. increases in sustainable capacity have ranged between 15% and 40%. Long-term improvements of 75% to 80% have been achieved.
- Reduction of maintenance expenditures. In some cases, actual maintenance expenditures will increase during the first year following implementation of an effective preventive/predictive program. This increase, typically 10% to 15%, is caused by the inherent reliability problems discovered by the use of predictive technologies. When these problems are eliminated, the typical result is a reduction in labor and material cost of between 35% and 60%.
- Increased useful life. Typically, the useful operating life of rig assets will be extended by 33% to 60%. Detecting incipient problems or deviations from optimum operating conditions before damage to equipment occurs derives this benefit. Making minor adjustments or repairs and not permitting a minor deficiency from becoming a serious problem can extend the effective useful life extended almost indefinitely.

## 2) Projects:

Projects is one of the sectors of the engineering department that is paid a great attention because it supports all other departments to achieve its requirements and goals easily and according to the global standards and specially API standards and in time although the time provided to it is limited and critical.

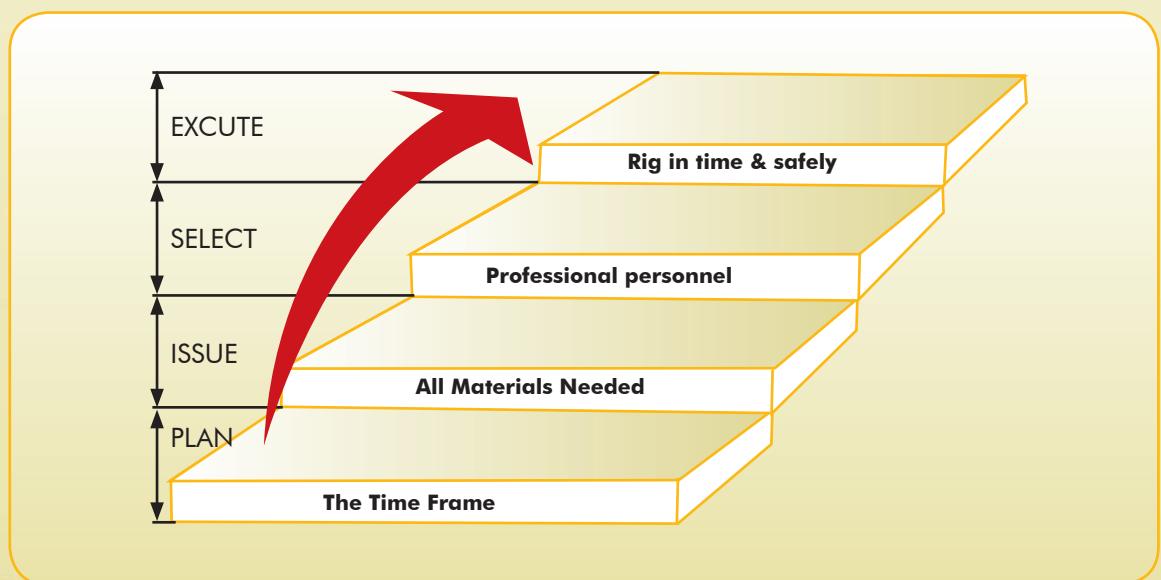
### **Why we start any project?**

**There are many points that could lead to start a project**

1. The company's expansion, by starting up a new rig.
2. The company's equipment upgrading, by installing new equipment.
3. Modification done to simplify and assist the operation of the rig and make it comply with the global standards, especially API standard.
4. Problems facing operation or maintenance crew due to breakdowns

## Project Planning:

Engineering department does believe that project planning is the key to succeed any project; projects can run on time and interact effectively with both operators and suppliers. Everyone involved understands what is wanted and emerging problems are foreseen (and dealt with) long before they cause damage.



## Accomplished Projects During 2008:

### 2.1) New Rigs:

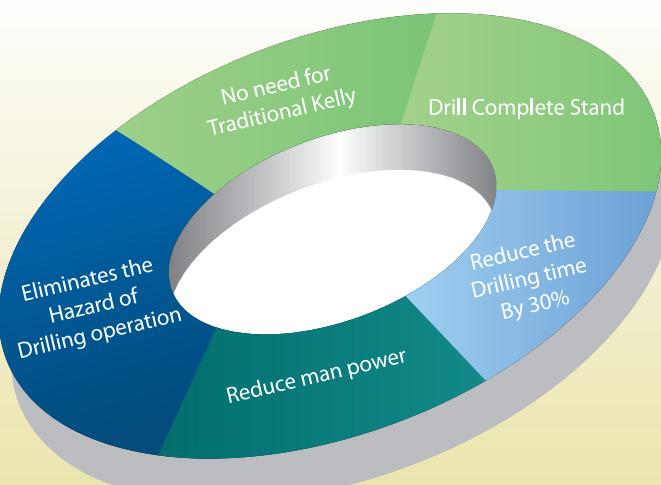
Rig up project for the following rigs:

Rig	Starting date	Ending date	Duration
ST-5	March 12,08	April 10,08	30 days
ST-6	April 11,08	May 03,08	24 days
ST-7	June 17,08	July 07,08	30 days
ST-8	May 30,08	June 09,08	30 days
ST-9	February 21,08	March 13,08	21 days
ST-10	June 20,08	June 30,08	10 days
ST-11	October 8,08	October 24,08	16 days
ST-23	March 12,08	March 30,08	18 days
ST-24	August 12,08	September 1,08	19 days

### 2.2) Top Drive & New Equipment Installation:

#### 2.2.1) Top Drive

Reasons to use Top Drive over classical drilling equipment



So We:

### Install the Top Drive on the following Rigs:

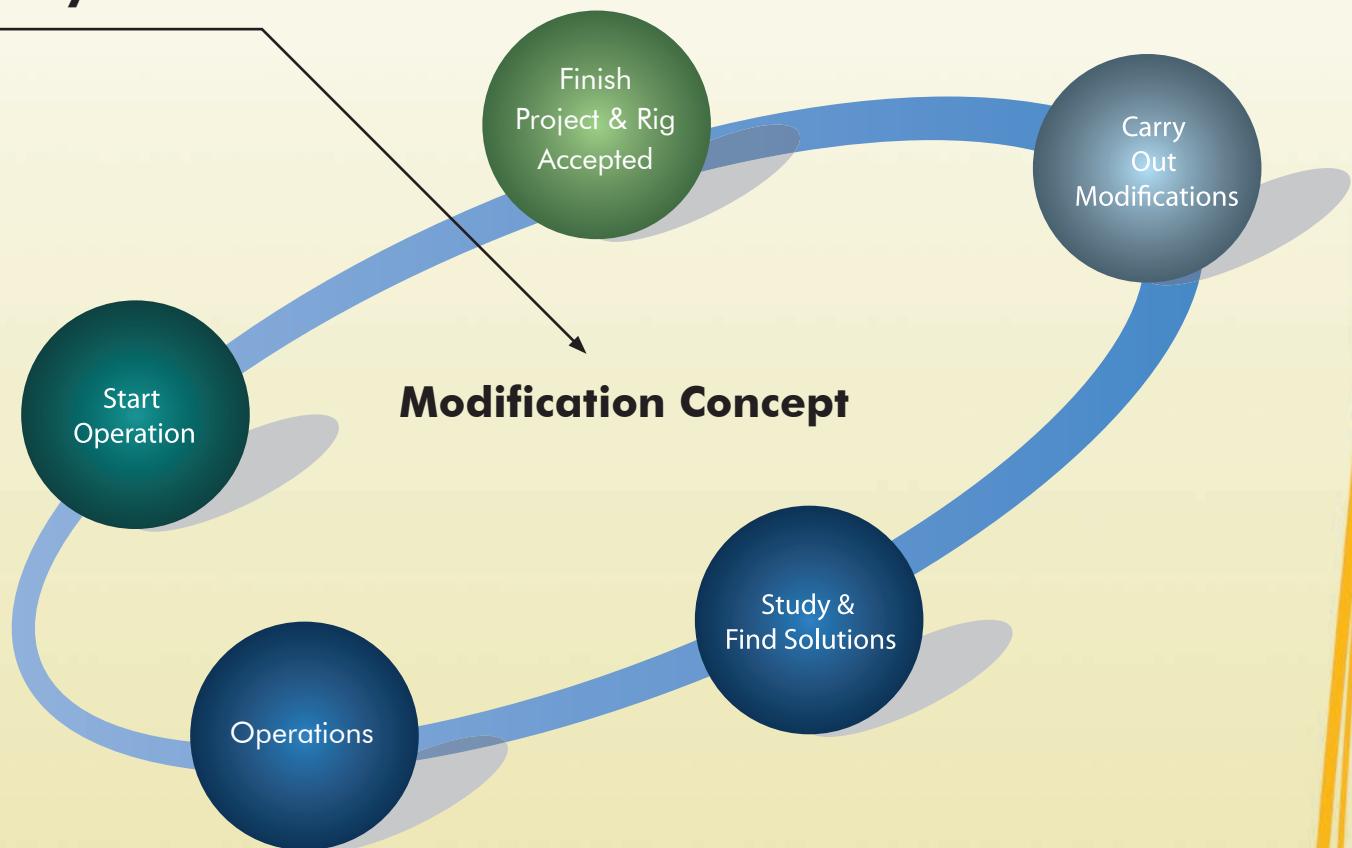
<b>ST-4</b> (Varco TDS-11SA)	Started January 02, 08	Ended January 09, 08	
<b>ST-5</b> (Varco TDS-11SA)	Started April 01, 08	Ended April 09, 08	
<b>ST-6</b> (Varco TDS-11SA)	Started April 18, 08	Ended April 24, 08	
<b>ST-8</b> (Varco TDS-11SA)	Started August 02, 08	Ended August 07, 08	
<b>ST-9</b> (Tesco ECI900)	started March 06, 08	Ended March 13, 08	
<b>ST-10</b> (Tesco ECI900)	started August 19, 08	Ended August 27, 08	
<b>ST-11</b> (Tesco ECI900)	started October 17, 08	Ended october 24,08	

### 2.2.2) Screw Compressor

<b>ST-2</b> (Atlas Copco GA55-10)	
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## 2.3) Modifications:

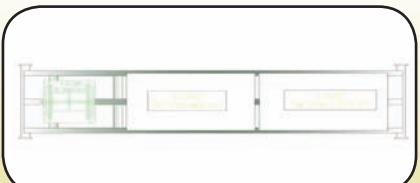
**Why needed?**



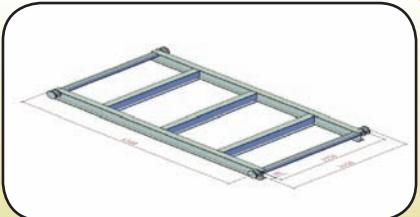
### 2.3.1.) BOP lifting frame:

<b>Location</b>	All rigs	
<b>Reason</b>	Simplify lifting of the BOP	

### 2.3.2.) VFD Skid for Tesco Top Drive

<b>Location</b>	9, 10 & 11	
<b>Reason</b>	Installing the hydraulic unit , electrical unit and hose reel over the skid to make the move of this unit more easier	

### 2.3.3.) VFD Skid for Varco Top Drive

<b>Location</b>	1, 3, 4, 5, 6 & 8	
<b>Reason</b>	Installing the hydraulic unit , electrical unit and hose reel over the skid to make the move of this unit more easier	

### 2.3.4.) Dog house

<b>Location</b>	All workover rigs	
<b>Reason</b>	To create a place for the driller to stand in dog house	

### 2.3.5.) Fire Pump

<b>Location</b>	All rigs	
<b>Reason</b>	Changing the pump with a higher pressure pump to match the safety requirements	

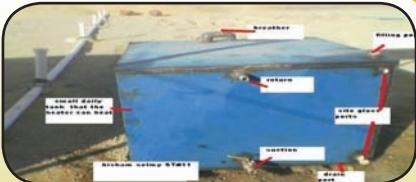
### 2.3.6.) Poor boy degasser skid

<b>Location</b>	2, 5 & 8	
<b>Reason</b>	Simplify transportation during move	

### 2.3.7.) Isolating Power Tong From Ezy Torque

<b>Location</b>	All rigs	
<b>Reason</b>	To isolate the two equipment from each other	

### 2.3.8.) diesel heat exchanger

<b>Location</b>	5	
<b>Reason</b>	Avoid freezing of diesel in fuel lines	

### 2.3.9.) Isolating Power Tong From Ezy Torque

<b>Location</b>	All rigs	
<b>Reason</b>	To isolate the two equipment from each other	

## 2.4. Overhauls:

### ST-1

Complete overhaul for the Power Tong



### ST-2

Top end overhaul for the ShanDong power engine

Complete overhaul for the ShanDong power engine



### ST-5 & ST-7

Complete overhaul for the Air hoist 5 ton



### ST-10

Complete overhaul for the Crown Block



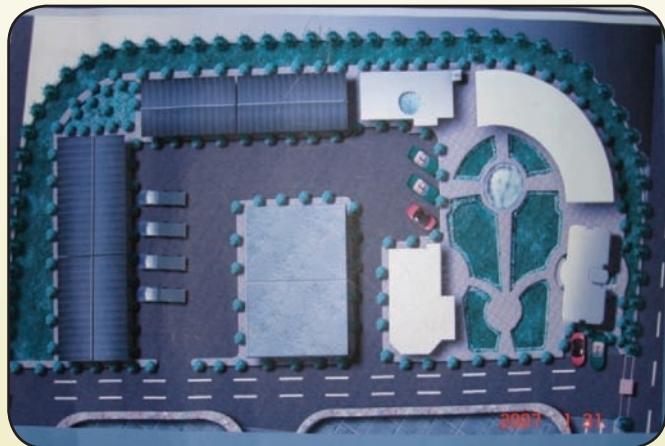
### ST-21

Complete overhaul for Gear Box of Mud Pump

## 2.5) Badr Yard

Badr yard is one of the expansion projects that our company is looking forward to complete as soon as possible.

Badr yard will play a very big role for the engineering department which will deduct the outsourcing and hiring cost of workshops to make overhauls in.



# IT & TELECOMMUNICATION

The Spirit of Innovation & Break-Through

IT & TELECOM



# COMMUNICATION

# OUR MISSION



The mission of the IT & Telecommunications Department at SinoTharwa Drilling Co. is to ease, enhance and streamline information flow through setting up, maintaining and supporting the most efficient data and voice technologies, in order to approach the full time operational for all IT devices and services and to provide the infrastructure with the lastest technologies.

# OUR CUSTOMER

Every single user in the Head Office and Rig Sites.

# OUR SERVICE AREAS

**Telecommunications:** Responsible for providing users within Head Office and Rig sites with the communication methods like phones, Mobiles, Public Address and VSAT systems to communicate with each other.



**Networking:** Responsible for providing the company infrastructure with latest technologies and keep it up and running 24x7. Also responsible for keeping Hardware, Software and Services up-to-date and meet the most efficient levels of security and availability for the network.

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

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

# Telecommunications:

## Achievements during 2008:

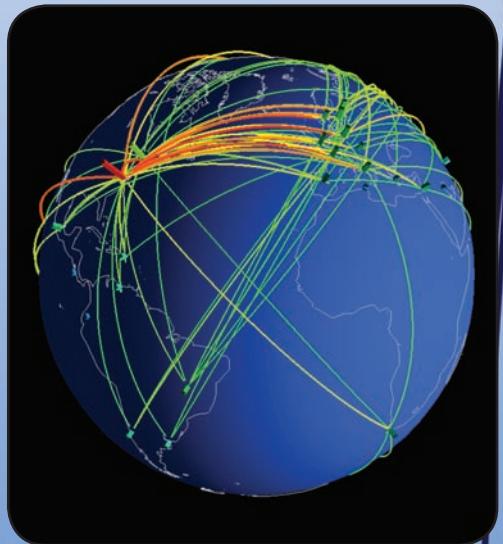
- Installed IT & Telecommunications Equipments for 11 Rig Sites (ST4, ST5, ST6, ST7, ST8, ST9, ST10, ST11, ST23 and ST24).
- Installed IT & Telecommunications Equipments for Abu Rudies area to serve as a Material Yard for 3 Rig Sites (ST1, ST3 and ST23).
- Installed new leased Line to be used for voice communication between Cairo Office and Rig Sites.
- Installed PABX extension to meet future needs; that provides up to new 80 extensions.
- Conducted training on VSAT Antenna Repointing for Rig Sites' crews.

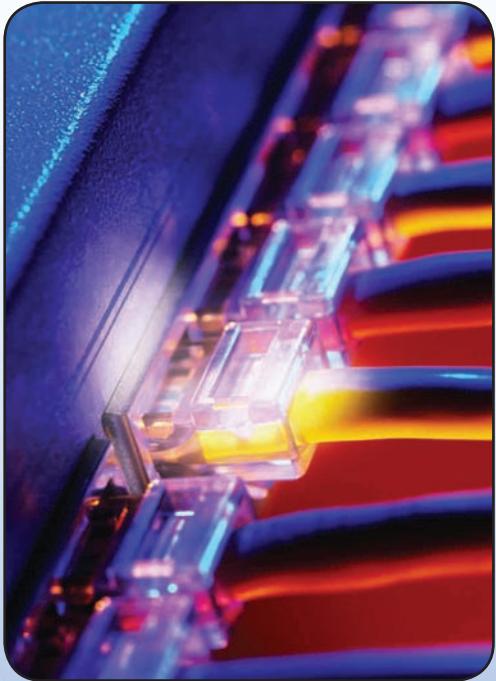


# Networking:

## Achievements during 2008:

- Replaced Finger print System and Time Attendance Application.
- Installed Auto-Millar and ID Printer.
- Replaced the main server with a highly configured one to support infrastructure expansion. This server is responsible for running main services required to operate the network, such as Domain Controller, Active Directory, Printer Server, DHCP Service, DNS, etc.
- Implemented Windows Software Update Service's (WSUS) server to centralize Microsoft Automatic Updates locally and reduce internet traffic.
- Upgraded Antivirus Protection System to the latest version (Symantec Endpoint Protection).





# Technical Support:

The main objective of technical support is ensuring the smooth running of computer systems by monitoring and maintaining them, in addition to networks configured for the entire company.

## Technical Support Engineers have:

- Installed and configured new computer systems.
- Received and recorded technical problems.
- Prioritized and assigned technical tickets as per global SLAs (Service License Agreement).
- Resolved technical problems, either over the phone , remotely or site visit
- Diagnosed hardware and software Problems.

Next year objective will be automating the technical support procedures through implementing Help Desk Application.

# ERP Implementation and Support:

The main objective of implementing ERP system was and still is better management of our business through automating and integrating business processes within the following functional areas: Operations, Engineering, Procurement, Finance and Human Resources. This better management leads to improving and enhancing our decision making process.

The implementation was considered as excellent opportunities to have a long and hard analysis at the way we do business, especially with the increasing number of rigs and so the increasing volume of transactions. From January 2008 till April 2008, the Elaboration Phase has taken place and was successfully completed. When it was time for the Build Phase, we insisted to perform the final acceptance testing with our real data, not just sample data. Therefore, we decided to seize the opportunity and take a long and hard look (theory) at the way we collect and manage data -- what is appropriate for a manual system definitely is not appropriate for an automated one.

**IT & Telecommunications Department has initiated and managed “Data Modeling” sub-projects for cleansing, normalizing, categorizing and enriching our data. These sub-projects have targeted more than a functional area as follows:**

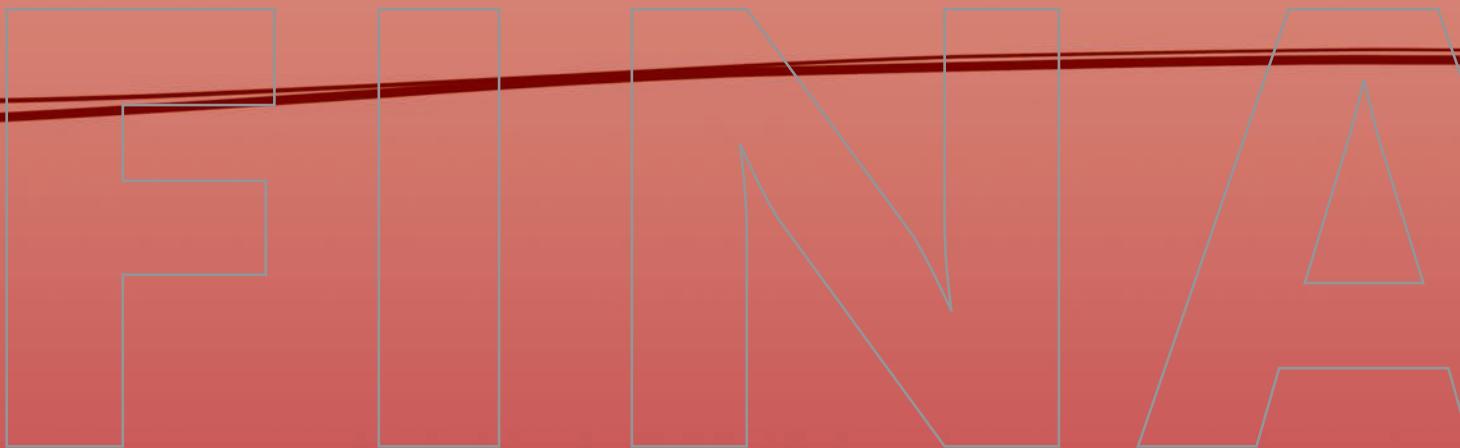
- Developing Employees' database -- Human Resources.
- Consolidating Suppliers' databases into one central database -- Finance and Procurement.
- Coding and Categorizing Inventory Items using international standards -- Operations, Procurement and Engineering.
- Restructuring the Chart of Accounts -- Finance.
- Normalizing and Categorizing Fixed Assets – Finance and Engineering.

The major coming-period activity is “Acceptance Testing”, as preparation for Transition Phase will (in which training and production environment preparation and configuration) will take place.



# FINANCE

Where Vision Gets Built







MAZARS

MOSTAFA SHAWKI & CO

Translation of Financial Statements  
Originally Issued in Arabic

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the Financial Statements of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone"** for the year ended 31 December, 2008, which comprise the balance sheet as of December 31, 2008, the statements of income, cash flows and changes in quota holders equity for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Egyptian Standards on Auditing and in light of governing laws. Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and the results of its operations, its cash flows and changes in its quota holders equity for the year then ended in conformity with Egyptian Accounting Standards and in light of governing laws.

The company maintains proper accounting records that include all that is required by law and the company statutes. The inventory physical count was conducted by the company's management in accordance with normal practice.

The financial information referred to in the Board of Managers' report, prepared in compliance with Law No. 159 of 1981, and its executive regulations, are in agreement with the company's records to the extent such information is normally recorded.

Auditor

Dr. Ahmed Shawki

MAZARS MOSTAFA SHAWKI

Cairo, 9 February 2009



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E-mail: mshawki@mshawki.com - www.mshawki.com

# FINANCIAL HIGHLIGHTS

Net Profit for the Year US \$ 15,162 MILLION

346 % GROWTH

	2008	2007	2006
<b>NET PROFIT</b>	15,162,156	3,403,140	1,714,224
<b>TOTAL ASSETS</b>	349,695,345	145,670,801	73,729,610
<b>QUOTA HOLDERS EQUITY</b>	59,205,396	44,719,990	19,714,224
<b>TOTAL REVENUE</b>	71,097,690	22,495,928	9,621,021

## Ratio

	2008	2007	2006
<b>PROFIT MARGIN</b>	21.33%	15.13%	17.82%
<b>RETURN ON EQUITY</b>	25.61%	16.00%	9.52%
<b>RETURN ON INVESTMENT</b>	5.00%	2.34%	2.33%
<b>G &amp; A EXPENSES (Without Loan Intrest)/REVENUE</b>	8.25%	12.55%	10.04%
<b>INTREST/ REVENUE</b>	8.21%	8.51%	3.24%
<b>OPERATING REVENUE GROWTH</b>	216.05%	133.82%	N/A
<b>NET PROFIT GROWTH</b>	345.53%	98.52%	N/A
<b>ASSETS GROWTH</b>	140.06%	97.57%	N/A

# SinoTharwa Drilling Company

## "Limited Liability Company Private Free Zone"

Balance Sheet as of 31 December 2008 (Amounts Expressed in US Dollar)

	Note	31/12/2008	31/12/2007
<b>Long Term Assets</b>			
Fixed assets (net)	3-2f	187,684,791	64,265,124
Projects under construction	4-2g	122,878,407	53,027,390
<b>Total Long Term Assets</b>		<b>310,563,198</b>	<b>117,292,514</b>
<b>Current Assets</b>			
Inventory	5-2h	12,949,402	4,921,651
Accounts receivables	6-2k	20,752,850	5,860,176
Debtors and other debit balances	7	1,779,552	539,722
Cash and bank balances	8-2i	3,650,343	17,056,739
<b>Total Current Assets</b>		<b>39,132,147</b>	<b>28,378,288</b>
<b>Current Liabilities</b>			
Loans annuities due within a year	13-2q	21,095,855	9,490,220
Creditors and other credit balances	9	11,055,580	6,038,389
Dues to affiliated parties	12	15,876,525	7,304,087
Provisions		140,000	--
<b>Total Current Liabilities</b>		<b>48,167,960</b>	<b>22,832,696</b>
Working capital		(9,035,813)	5,545,592
<b>Total Investments – Financed as Follows:</b>		<b>301,527,385</b>	<b>122,838,106</b>
<b>Quota Holders Equity:</b>			
Capital	10	40,000,000	40,000,000
Legal reserve	11	511,736	171,422
Retained earnings		3,531,504	1,145,428
Net Profit for the year		15,162,156	3,403,140
<b>Total Quota Holders Equity</b>		<b>59,205,396</b>	<b>44,719,990</b>
<b>Long Term Liabilities</b>			
Long term loans	13-2q	240,812,334	76,982,753
Creditors for purchasing fixed assets	9	1,509,655	1,135,363
<b>Total Long Term Liabilities</b>		<b>242,321,989</b>	<b>78,118,116</b>
<b>Total Investment and Long Term assets</b>		<b>301,527,385</b>	<b>122,838,106</b>

The accompanying notes are an integral part of these financial statements.  
 Auditors' report attached

# SinoTharwa Drilling Company

## "Limited Liability Company Private Free Zone"

### Income Statement (Amounts Expressed in US Dollar)

For the period from 1st January 2008 to 31st December 2008

Description	Note	31/12/2008	31/12/2007
Operating revenue		71,097,690	22,495,928
<b>Deduct:</b>			
Operating expenses		44,342,932	14,477,774
<b>Gross Profit</b>		<b>26,754,758</b>	<b>8,018,154</b>
<b>Deduct:</b>			
General & administrative expenses		5,595,150	2,755,071
Financing expenses		5,836,077	1,914,174
Board of directors' allowances		133,414	67,096
Provisions formed during the year		240,000	--
<b>Add:</b>			
Capital gain (loss)		28,719	(69,757)
Interests received		183,320	191,084
<b>Net Profit for the Year</b>		<b>15,162,156</b>	<b>3,403,140</b>

The accompanying notes are integrated part of these financial statements

# SinoTharwa Drilling Company

## "Limited Liability Company Private Free Zone"

### Cash Flow Statement (Amounts Expressed in US Dollar)

For the period from 1st January 2008 to 31st December 2008

Description	31/12/2008	31/12/2007
<b>Cash Flow from Operating Activities</b>		
Net profit for the period	15,162,156	3,403,140
<b>Adjustments to the net profit with the cash flow from operating activities</b>		
Fixed assets depreciation	12,471,593	4,952,419
Gain on sale of fixed assets	(793,399)	(301,915)
<b>Operating Profit before changes in working capital</b>	<b>26,840,350</b>	<b>8,053,644</b>
<b>Working Capital Changes</b>		
(Increase) in inventory	(8,027,751)	(3,746,503)
(Increase) in clients	(14,892,674)	(4,439,637)
(Increase) in - debtors & other debit accounts	(1,239,830)	(498,900)
Increase in creditors and other credit accounts	5,017,191	3,389,005
Increase in affiliated parties	8,572,438	(897,573)
(Increase) in provisions	140,000	--
<b>Net Cash Flow from operating activities</b>	<b>16,409,724</b>	<b>1,860,036</b>
<b>Cash Flow from Investing activities</b>		
Gain on sale of fixed assets	793,399	301,915
Purchase of fixed assets	(135,891,259)	(48,817,302)
Increase in projects under construction	(69,851,018)	(13,325,497)
<b>Net Cash Flow (used) for Investment Activities</b>	<b>(204,948,878)</b>	<b>(61,840,884)</b>
<b>Cash Flow from Financing Activities</b>		
Increase in short term loans	11,605,635	4,059,138
Increase in long term loans	164,203,875	40,384,852
Paid profit dividends	(676,750)	(397,371)
Capital payment	--	22,000,000
<b>Net Cash Flow from Financing Activities</b>	<b>175,132,760</b>	<b>66,046,619</b>
Net increase in cash and cash equivalent	(13,406,395)	6,065,771
Cash and cash equivalent beginning balance	17,056,739	10,990,968
<b>Cash and cash equivalent ending balance</b>	<b>3,650,343</b>	<b>17,056,739</b>
<b>Cash and Cash equivalent represent :</b>		
Cash at banks	3,650,343	17,056,739
	<b>3,650,343</b>	<b>17,056,739</b>

The accompanying notes are integrated part of these financial statements.

# SinoTharwa Drilling Company

## "Limited Liability Company Private Free Zone"

### Changing in Shareholders Equity Statement (Amounts Expressed in US Dollar)

For the period from 1st January 2008 to 31st December 2008

Description	Capital	Legal Reserve	Retained Earnings	Net Profit	Total
Shareholders equity as at 1 January 2007	18,000,000	--	--	1,714,224	19,714,224
Payment of Capital	22,000,000	--	--	--	22,000,000
Dividends	--	--	--	(1,714,224)	(1,714,224)
Transferred to legal reserve	--	171,422	--	--	171,422
Transferred to retained earnings	--	--	1,145,428	--	1,145,428
Net profit for the year	--	--	--	3,403,140	3,403,140
<b>Shareholders equity as at 31st December 2007</b>	<b>40,000,000</b>	<b>171,422</b>	<b>1,145,428</b>	<b>3,403,140</b>	<b>44,719,990</b>
<b>Shareholders equity as at 1st January 2008</b>	<b>40,000,000</b>	<b>171,422</b>	<b>1,145,428</b>	<b>3,403,140</b>	<b>44,719,990</b>
Transferred to legal reserve	--	340,314	3,062,826	(3,403,140)	--
Transferred to retained earnings	--	--	(676,750)	--	(676,750)
Net profit for the year	--	--	--	15,162,156	15,162,156
<b>Shareholders equity as at 31st December 2008</b>	<b>40,000,000</b>	<b>511,736</b>	<b>3,531,504</b>	<b>15,162,156</b>	<b>59,205,396</b>

Attached: Notes to financial statements

# **SinoTharwa Drilling Company**

## **“Limited Liability Company Private Free Zone”**

### **Notes to financial statements As of December 31st , 2008**

(Amounts Expressed in US Dollar)

#### **1. The Company:**

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

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

#### **2. Significant Accounting Policies:**

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

##### **A. Accounting Basis:**

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

##### **B. Measurement Basis:**

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

##### **C. Functional and Reporting Currency:**

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

##### **D. Use of Estimate:**

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

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

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

## **E. Foreign Currency Transactions:**

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

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

## **F. Fixed Assets:**

### **i. Initial Recognition:**

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

### **ii. Subsequent Cost:**

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

### **iii. Depreciation:**

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

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

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

## **G. Projects Under Construction:**

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

## **H. Inventory:**

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

Cost is determined according to Weighted Average Cost method.

Inventory In-Transit is priced using the purchase cost and all incidentals up to December 31st 2008.

## **I. Cash and Cash Equivalents:**

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

## **J. Impairment**

### **i. Financial assets:**

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

### **ii. Non-financial assets:**

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

## **K. Accounts Receivable:**

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

**L. Suppliers – Current Account :**

Suppliers and other credit balances are stated at cost.

**M. Dividends:**

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

**N. Expenses:****i. Rent expense**

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

**O. Provisions:**

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

**P. Revenue Recognition:**

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

**Q. Borrowing Cost:**

Cost of loans is charged as an expense during the period in which the company incurred such cost excluding the interest directly related to the acquisition and construction of the new rigs, which is capitalized over the entire cost of the rig and depreciated throughout the estimated lifetime of the Rig. Capitalizations cease upon the completion of the preparation of the rigs and are rendered for use.

**R. Employees' Pension System:**

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

### 3. Fixed Asset (Net):

Description	Land	Rigs & Drilling Equip	Drill String	Building	Trans. Units	Furniture	Computer	Total
Assets Cost as of December 31st 2007	--	56,777,003	8,375,859	4,671,742	878,781	618,283	348,064	71,669,732
Additions during the period	1,949,573	114,247,152	13,268,266	6,108,345	730,225	87,185	590,241	136,980,988
Disposal during the period	--	(31,507)	(1,000,518)	--	(56,650)	(1,054)	--	(1,089,729)
Asset Costs as of Dec. 31st 2008	1,949,573	170,992,648	20,643,607	10,780,087	1,552,355	704,414	938,305	207,560,991
Accumulated Depreciation as of Jan 1st 2008	--	(4,122,793)	(2,392,621)	(570,612)	(186,057)	(42,300)	(90,225)	(7,404,608)
Period Depreciation	--	(7,982,829)	(3,606,673)	(791,809)	(220,979)	(38,510)	(155,842)	(12,796,642)
Accumulated Depreciation as of disposal	--	2,632	295,037	--	27,381	--	--	325,050
Accumulated Depreciation as of Dec. 31st 2007	--	(12,102,990)	(5,704,257)	(1,362,421)	(379,655)	(80,811)	(246,067)	(19,876,200)
Net Assets as of Dec. 31st 2008	1,949,573	158,889,658	14,939,350	9,417,666	1,172,701	623,604	692,239	187,684,791
Net Assets as of Dec. 31st 2007	--	52,662,191	5,983,238	4,101,129	692,724	575,983	257,839	64,265,124

\* Additional to rigs and drilling equipment for the year amounted to \$114,247,152 including the amount of \$1,726,968 as interest capitalized according to the capitalization conditions based on interest rates applied on loans used to finance the equipment.

\* Rigs as of 31/12/2008 amounted to 15 (Fifteen) rigs.

### 4. Projects Under Construction:

Projects under construction reached an amount of US\$ 122,878,407 on December 31st, 2008 consisting:

Description	31/12/2008	31/12/2007
Plot of land situated in Badr City (storage areas and workshops)	--	1,964,141
Advance payments for the purchase of rigs	122,878,407	51,063,248
	122,878,407	53,027,389

The advance payments represent the amounts paid for the purchase of offshore Jack-up Rig & 2000 HP Land Drilling Rig.

The advance payment includes an amount of US\$ 1,777,797 as loan interest.

Capital investment commitment as of December 31st 2008 is US\$ 182,349,236 representing remaining balance of Jack-Up Rig.

### 5. Inventory:

The balance of inventory on December 31st, 2008 amounted to US\$ 12,949,402 comprised the following:

Description	31/12/2008	31/12/2007
Materials and spare parts	9,807,526	4,921,651
Inventory in Transit	3,141,876	--
	12,949,402	4,921,651

## 6. Account Receivables:

Accounts Receivables balances as of December 31st, 2008 amounted to US\$ 20,752,850 is represented as follows:

Description	31/12/2008	31/12/2007
Balayeim Petroleum Company – Petrobel (ST1 & ST3& ST23)	4,533,702	2,185,648
North Baharia Petroleum Company – Norpetco (ST2 & ST21)	178,020	929,623
Arabian Oil Company (ST4)	--	1,528,704
AGIBA (ST8)	1,880,820	535,025
Khalda Petroleum Company (ST5)	1,437,224	--
Petrodara Petroleum Company (ST7)	1,202,116	--
Wastani Petroleum Company (ST10)	1,209,937	--
VEGAS Petroleum Company (ST9)	1,651,537	--
El Hamra Oil Company (ST4)	3,405,322	--
West Bakr Petroleum Company (ST2)	94,944	--
Qarun Petroleum Company (ST6 & ST22)	1,554,358	588,877
Badr El Din Petroleum Company- Bapetco (ST24 & ST21)	1,023,935	--
Oasis Petroleum Company (ST2)	171,377	--
Nafto Gas (ST11)	1,528,058	--
East Ziet Petroleum Company	667,625	--
Other Customers	313,875	92,299
	20,852,850	5,860,176
Bad Debt Provision	(100,000)	--
	<b>20,752,850</b>	<b>5,860,176</b>

## 7. Debtors and Other Debit Balances:

Debtors and other debit balances amounted to US\$ 1,779,552 on December 31st 2008 as follows:

Description	31/12/2008	31/12/2007
Prepaid Expenses	67,618	155,137
Advances	11,015	11,162
Deposits with others	55,966	19,930
Accrued revenue	1,241,273	13,896
Advances paid to suppliers	314,190	245,357
Other debit balances	89,490	94,240
<b>Total</b>	<b>1,779,552</b>	<b>539,722</b>

## 8. Cash and Bank Balances:

Cash and bank balances amounted to US\$ 3,650,343 consist of:

Description	31/12/2008	31/12/2007
Current accounts	846,829	877,090
Time deposits	2,703,514	16,016,649
Letter of guarantees cover	100,000	163,000
<b>Total</b>	<b>3,650,343</b>	<b>17,056,739</b>

## 9. Creditors and Other Credit Balances:

Creditors and other credit balances amounted to US\$ 12,565,235 on December 31st, 2008, comprised the following:

Description	31/12/2008	31/12/2007
Creditors for purchase of fixed assets	1,642,398	3,015,834
Suppliers	6,423,544	992,276
Accrued expenses	2,927,553	846,508
Tax Authority – withholding tax	36,502	5,399
Warranty guarantee deducted	--	779,524
Warranty withheld from suppliers	922,781	387,906
National Institution for Social Insurance	99,616	93
Other Credit Balances	12,841	10,849
Income Tax	500,000	--
	<b>12,565,235</b>	<b>6,038,389</b>

\* Creditors for purchase of fixed assets include US\$ 1,509,655 long term commitments

## 10. Capital:

Cash and bank balances amounted to US\$ 3,650,343 consist of:

Description	Equity	Dollar Value	Contribution Percentage
Sinopec Star Petroleum Co.	2,000	20,000,000	50%
Tharwa petroleum Co.	1,450	14,500,000	36.25%
E-Gas Co.	550	5,500,000	13.75%
	<b>4,000</b>	<b>40,000,000</b>	<b>100%</b>

## 11. Legal Reserve:

According to the company statutes, the company must deduct 10% of its profit to form a legal reserve until it reaches 50% of the paid up capital and whenever it decreases. Deductions are resumed. No dividends are allowed out of this reserve.

## 12. Transactions with Related Parties:

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

Name of Related parties	Nature of Relationship	Nature of Transaction	Balance on December 31st 2007	Transaction Value		Balance on December 31st 2008
				Debit	Credit	
Tharwa petroleum Co.	36.25% Quota Holder	Rent free zone land.	345	4,026	3,681	--
Sinopec Star Petroleum Co.	50% Quota Holder	Purchase of drilling rigs, sustaining rigs, spare parts and technical consultancy.	7,303,742	39,530,857	48,103,640	15,876,525
			<b>7,304,087</b>			<b>15,876,525</b>

## 13. Loans:

Long-term loans amounted to US\$ 240,812,334 as of 31 December 2008 are comprised of the following:

Bank Name	Loan/Date	Loan End	Grace Period	Loan Financing Purpose	Loan amount	Payment Method	2008 Installment Due		2007 Installment Due	
							Short Term	Long Term	Short Term	Long Term
NBE	15/02/2006	Aug-2007	6 month from loan date	Purchase of Onshore land Drilling ST 1 & ST 2	8,000,000	Quarterly Basis Installment	2,006,243	--	2,668,000	2,022,508
NBE	7/6/2006	Dec-2016	One year from loan date	Purchase of Onshore land Drilling ST 3	18,000,000	Semi-annual Basis Installment	1,800,000	12,599,740	1,800,000	14,400,022
NBE	1/8/2006	Jul-2017	One year from loan date	Purchase of Onshore land Drilling ST 4 & ST 21	18,000,000	Quarterly Basis Installment	1,800,000	13,948,769	1,800,000	15,749,112
NBE	15/11/2007	Nov-2017	One year from loan date	Purchase of Onshore land Drilling ST 8 & ST 9 & ST 10	58,500,000	Quarterly Basis Installment	6,500,000	52,000,495	--	14,489,017
NBE	18/2/2008	Dec-2018	One year from loan date	Purchase of Onshore land Drilling ST 11 & ST 12 & ST 24	50,000,000	Quarterly Basis Installment	5,000,000	43,490,345	--	--
NBE	1/7/2008	Dec-2020	Two year from loan date	Purchase of Jack up Offshore Drilling Rig	210,000,000	Quarterly Basis Installment	--	86,354,233	--	--
Arab bank	11/12/2006	Sep-2016	One year from loan date	Purchase of Onshore land Drilling ST 5& ST 22	20,000,000	Quarterly Basis Installment	1,989,612	15,419,514	2,222,220	17,772,517
Arab African Bank	14/6/2007	Jun-2018	15 month from loan date	Purchase of Onshore land Drilling ST 6 & ST 7	20,000,000	Quarterly Basis Installment	2,000,000	16,999,237	1,000,000	12,549,576
<b>Total</b>							<b>21,095,855</b>	<b>240,812,334</b>	<b>9,490,220</b>	<b>76,982,752</b>

\* Average interest rate on the above loans during the year is 0.95% above LIBOR.

\* The amount of unused bank credit facilities as of December 31st, 2008 is US\$ 125,155,422.

## 14. Tax Status:

- According to Article 35 of Law 8 for the Year 1997, the company profits are not subject to Egyptian tax and customs duties throughout the lifetime of the project as recorded in the Tax Card.
- Establishment contracts and mortgage agreements are exempted from stamp tax, registration and state development tax for the period of 5 years as from the date of annotation in the Commercial Registry.

### A) Payroll Tax:

The company regularly pays the salary tax. A settlement was reached for the period as from the date of the commencement of activities up to December 31st, 2007 and it was delivered to the Tax Investment Department.

### B) Withholding Tax:

The company applies the withhold tax deduction system and prepares tax forms according to the Tax Authority's instructions which are submitted together with the deducted amounts on a quarterly basis.

## 15. Financial Instrument and Risk Management:

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

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

**A) Credit Risk:**

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

**B) Foreign Currency Risk:**

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

**C) Liquidity Risk:**

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

**D) Market Risk:**

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

**E) Financial Instruments Fair Value:**

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

## Operating Revenue:

Description	31/12/2008	31/12/2007
Rig No ST 1	6,629,657	4,969,599
Rig No ST 2	6,054,686	4,948,093
Rig No ST 3	6,489,773	6,635,761
Rig No ST 4	9,872,397	3,122,696
Rig No ST 5	5,445,605	--
Rig No ST 6	5,026,925	--
Rig No ST 7	3,389,966	--
Rig No ST 8	5,363,387	--
Rig No ST 9	6,160,206	--
Rig No ST 10	4,315,199	--
Rig No ST 11	2,921,623	--
Rig No ST 21	2,735,127	2,230,903
Rig No ST 22	2,640,735	588,876
Rig No ST 23	2,465,686	--
Rig No ST 24	1,586,700	--
<b>Total</b>	<b>71,097,690</b>	<b>22,495,928</b>

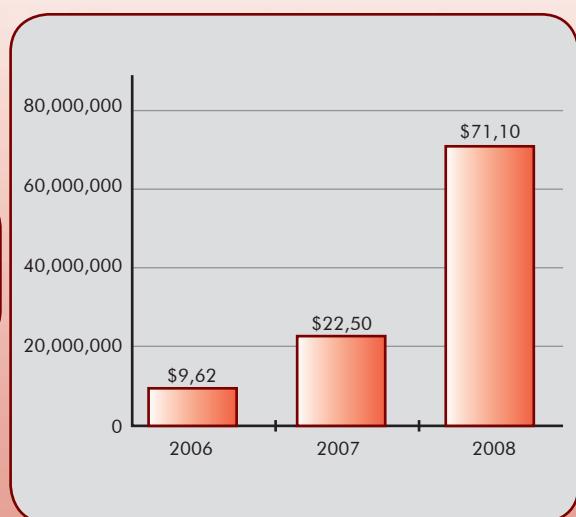
- The following shows the risks related to the financial instruments and the procedures followed to mitigate the effort of such risks:

## Operating Cost:

Description	31/12/2008	31/12/2007
Rig No ST 1	4,772,569	4,448,005
Rig No ST 2	4,392,215	3,355,416
Rig No ST 3	4,876,844	3,800,212
Rig No ST 4	4,734,702	1,223,979
Rig No ST 5	3,417,873	--
Rig No ST 6	3,094,262	--
Rig No ST 7	1,863,043	--
Rig No ST 8	2,845,890	--
Rig No ST 9	3,626,933	--
Rig No ST 10	2,205,363	--
Rig No ST 11	703,503	--
Rig No ST 21	2,574,915	1,522,486
Rig No ST 22	2,747,879	127,676
Rig No ST 23	1,703,805	--
Rig No ST 24	783,135	--
<b>Total</b>	<b>44,342,932</b>	<b>14,477,774</b>

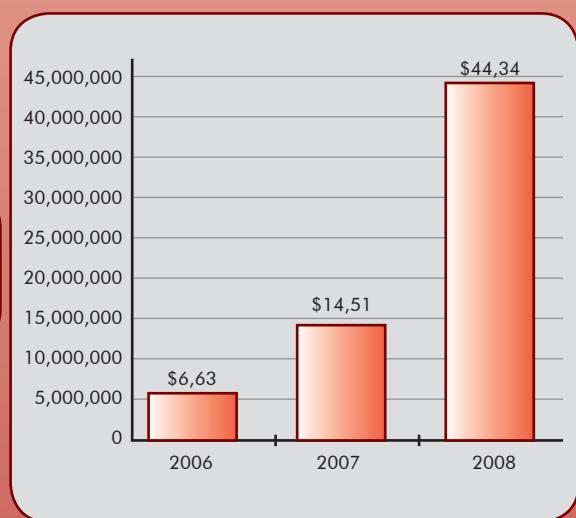
## 1. Revenue

Year	2006	2007	2008
Revenue \$	9,621,044	22,495,928	71,097,690

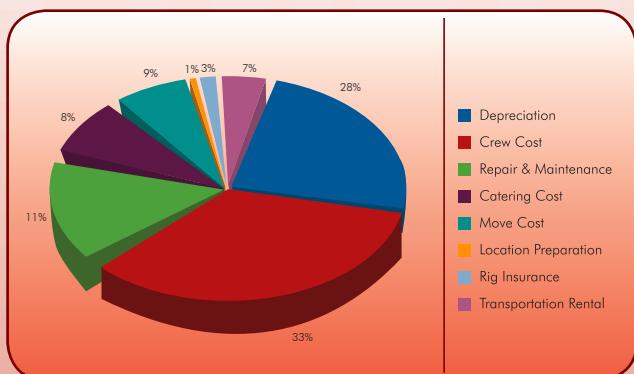


## 2. Total Operating Cost

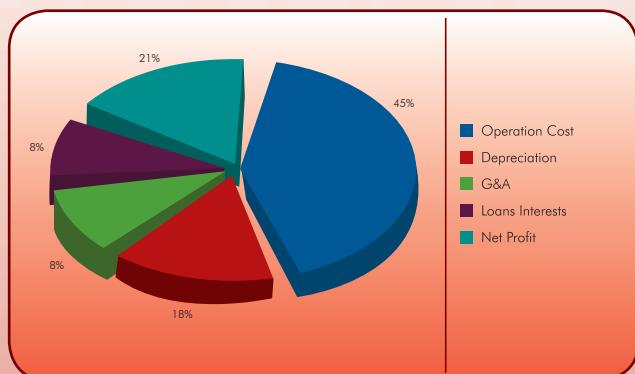
Year	2006	2007	2008
T. OPEX. \$	6,629159	14,514,228	44,342,932



### 3. Operating Cost \$ 44,342,932

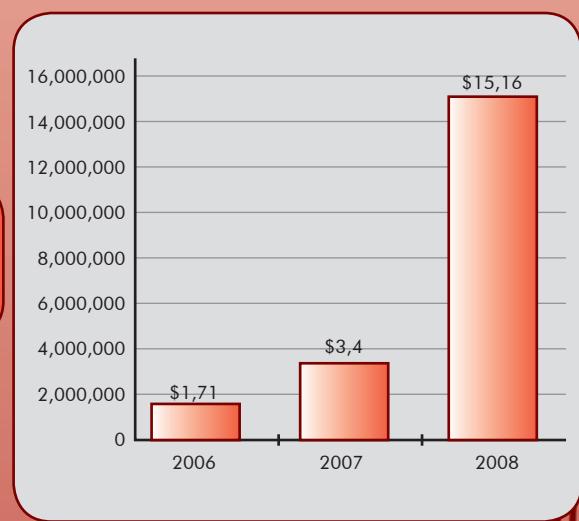


### 4. Total Revenue Breakdown 71,097,690



### 5. Net Profit

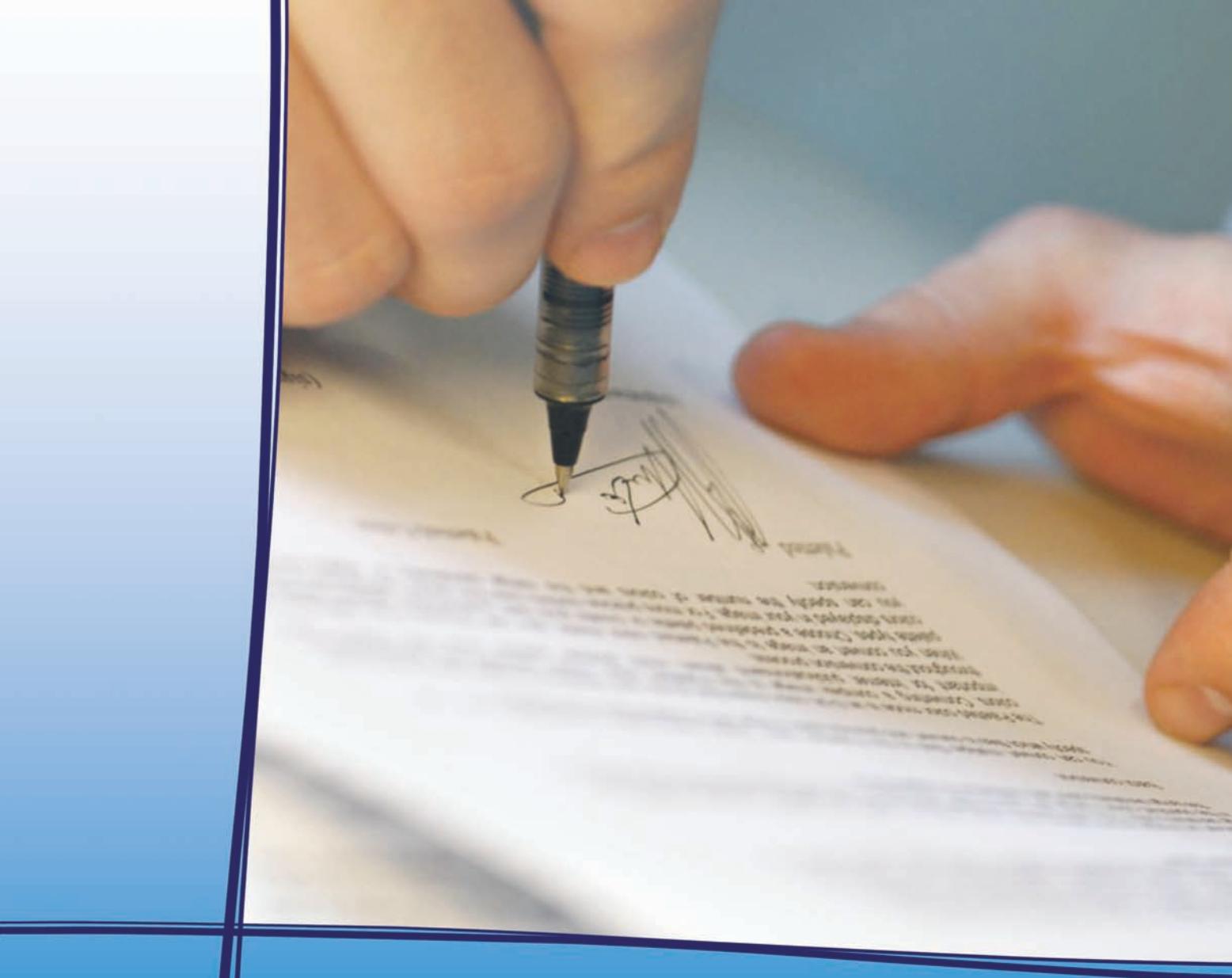
Year	2006	2007	2008
Net Profit \$	1,714,224	3,403,140	15,162,140



# **PROCUREMENT & CONTRACTS**

Team, communication, Supply chain excellence

PROCUREMENT



# ■ & CONTRACTS

The Procurement and Contracts department is committed to secure efficient sourcing for SinoTharwa rigs as well as to improving the delivery of the company's required materials and services with maximum competence and gaining the best value for money through effective sourcing.

## Procurement & Contracts:

Progress during the period of 2006-till 2008.

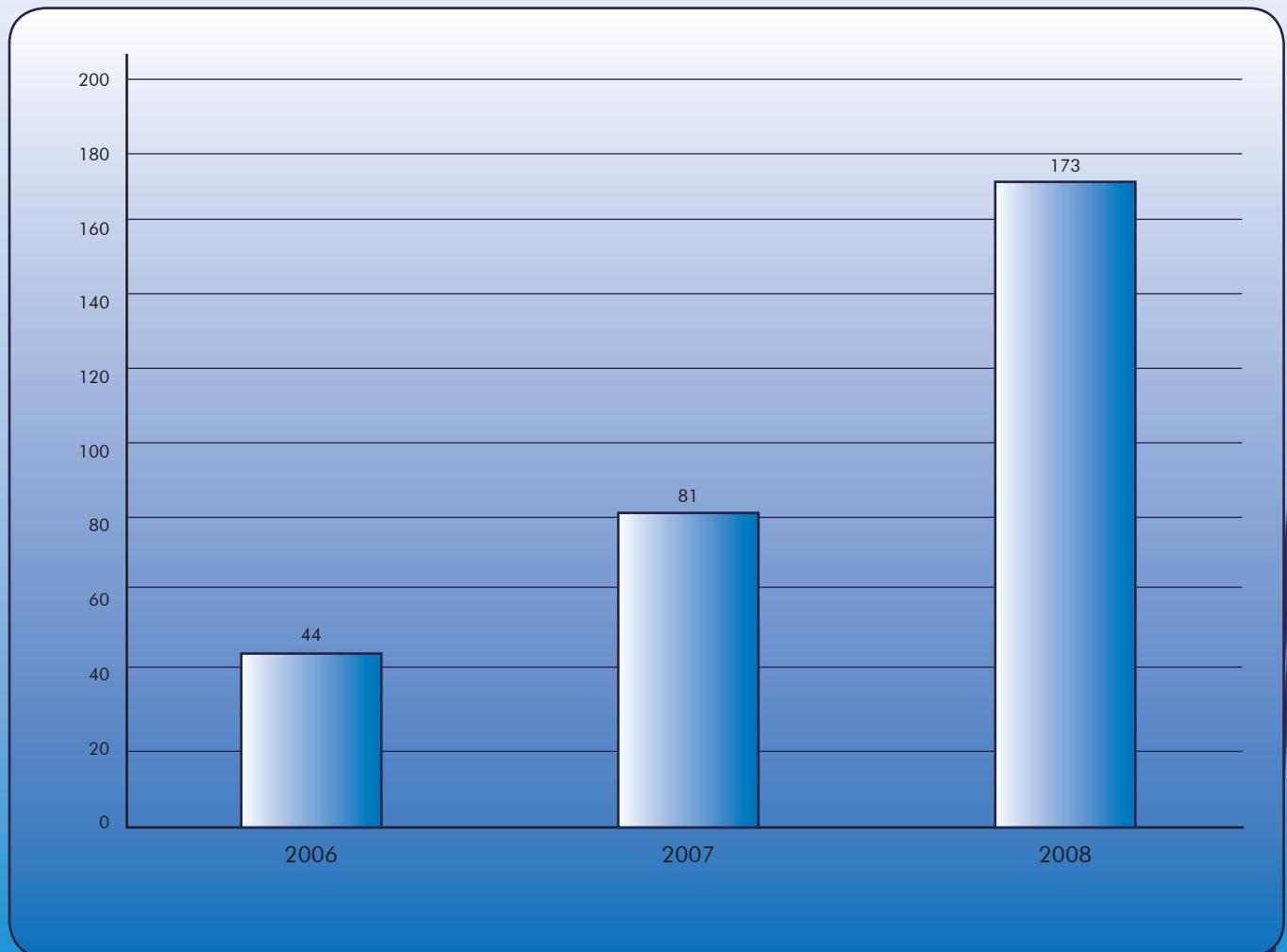
Year	Total expense in local market USD	Total expense in international market USD	Total number of purchase orders	Number of issued service contracts	Total number of awarded drilling rig contracts
2006	8,360,000,00	20,725,000,00	672	14	3
2007	17,600,000,00	41,450,000,00	1965	32	8
2008	68,279,235,80	152,104,245,15	3295	40	5

## Customs & Logistics operations:

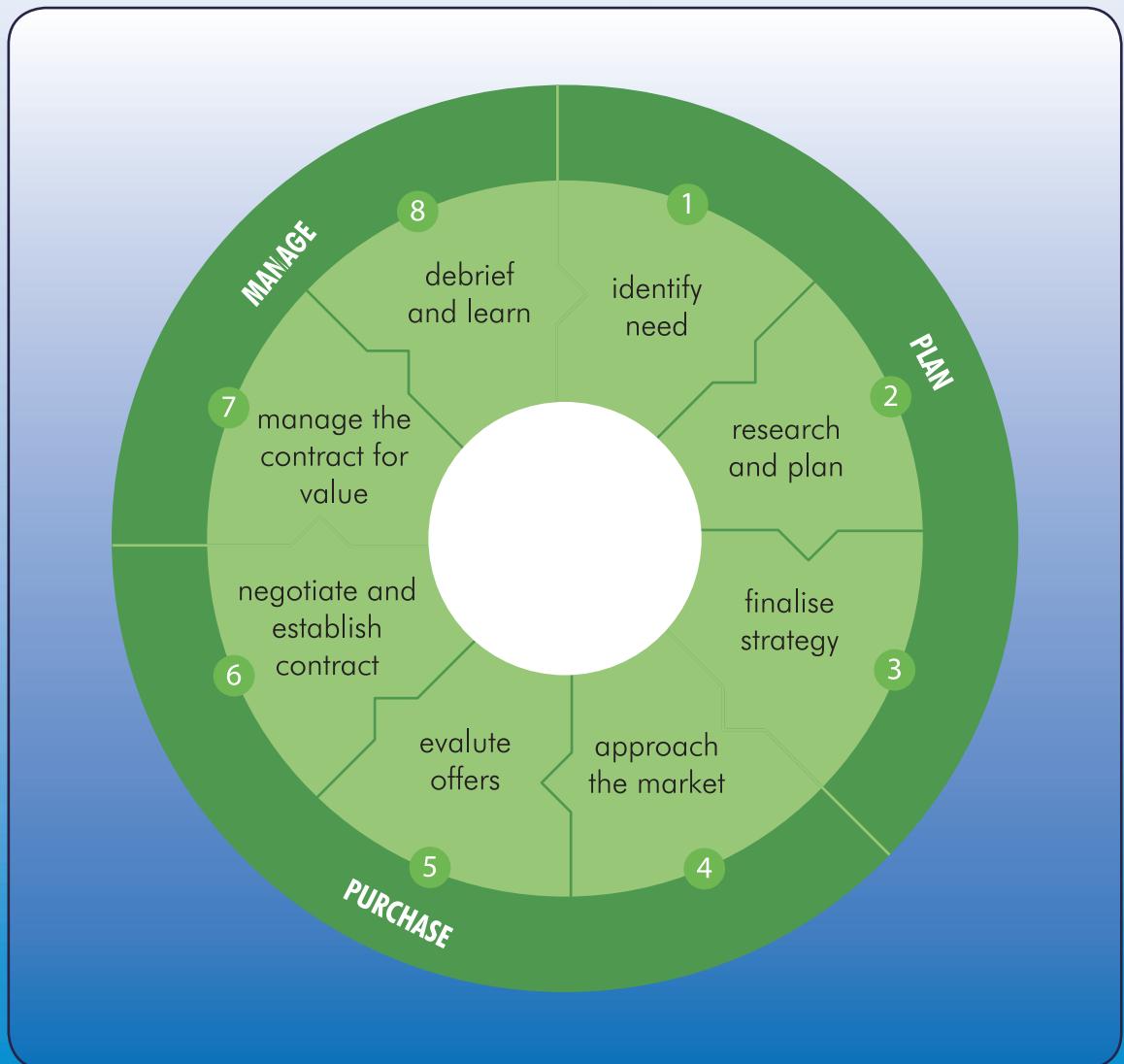
Progress during the period of 2006-till 2008.

Year	Air Shipments	Sea Shipment	Free zone Shipment	Total
2006	17	13	14	44
2007	34	39	8	81
2008	51	76	46	173

# Numbers of shipments per year 2006 till 2008



# 2008 was the year of success and achievements for SinoTharwa



# Procurement & Contracts Achievements during 2008:

- New eight rigs were contracted & delivered during 2008.
- Sourcing all materials & services required for new projects related to the new 8 rigs to engage them to operations.
- Successful support to the already working 8 rigs at beginning of 2008 & new rigs delivered within 2008.

## OUR TARGET IS BEST QUALITY WITH BEST PRICES:

- In order to overcome the frequent increase in the prices of required materials and services especially the first three quarters of the year, a long term contracts with fixed prices were signed and trying to work with contractors and suppliers to gain the maximum efficiency and value from contracts.
- 2008 challenge was the tensed delivery schedule and the tough competition in the drilling field and we succeeded in delivering all the required materials and services on time with best prices.
- In spite of the immense increase in the insurance market all over the world, we succeed to carry out full insurance coverage for all our rigs with the least rates in the market and in accordance with the international insurance standards.

## PLANS FOR 2009:

- As the company is moving very fast we keen to cover all the business needs in the most competent way by increasing the number of suppliers and contractors in order to be able to cover all the company needs on the requested time with efficient cost.
- Review & renegotiating the rates of all the current service and supply contracts in order to optimize the company's costs.





## الاجازات المشتريات والعقود خلال عام ٢٠٠٨

- تم التعاقد على و توريد عدد ثمانية اجهزه حفر خلال عام ٢٠٠٨ .
- تم تدبير جميع المهام والخدمات المطلوبة للمشروعات الجديدة الخاصة بأجهزة الحفر الجديدة حتى يتم تسليم الاجهزه للعمليات كما هو متعاقد عليه مع العملاء.
- تم تدبير احتياجات العمليات من مهام وخدمات لعدد ثمانية اجهزه حفر و التي تعمل بدأءاً من بداية العام ثم احتياجات العمليات لاجهزه الحفر الجديدة التي تم تسليمها خلال العام.

## هدفنا تدبير الاحتياجات بأعلى جودة و أفضل الأسعار

- للتغلب على زيادة الأسعار التي حدثت خلال عام ٢٠٠٨ خاصة خلال التسع أشهر الأولى من العام فلقد تم ابرام عقود بأسعار ثابتة وذلك من أجل الحصول على أفضل الأسعار و تعظيم الفائد للشركة و عملائها.
- إن التحدي الذي واجهنا خلال عام ٢٠٠٨ كان في تدبير الاحتياجات طبقاً للجدول الزمني و المنافسية القوية في قطاع خدمات الحفر و لقد تم إتمام ذلك بنجاح في الوقت المناسب و بفضل الأسعار.
- ولقد عملنا على تخفيض تكاليف التأمين على الرغم من إرتفاع أسعار التأمين عالياً و قد تم التوصل إلى أقل الأسعار مقارنة بأسعار السوق مع الأخذ في الاعتبار إرتفاع أسعار إعادة التأمين في السوق العالمي.

## المخطط المستقبليه لعام ٢٠٠٩

و مع تزايد حجم نشاط الشركة بصورة كبيرة فقد حرصنا على أن نغطي جميع إحتياجات الشركة بأكبر قدر من الكفاءة من خلال زيادة عدد المقاولين و الموردين من أجل ان تكون قادرين على توفير جميع المهام و الخدمات اللازمة للشركة في الوقت المطلوب بأفضل تكلفة ممكنة. إعادة النظر في جميع عقود الخدمات و المهام القائمة و التفاوض مع المقاولين و الموردين من أجل الحصول على أفضل الأسعار في ظل التغيرات العالمية ما يؤثر بالإيجاب على تخفيض تكاليف العمليات وبالتالي على ربحية الشركة.