

Sinotharwa Drilling company



2016 Annual Report

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Annual report 2016:

SINOTHARWA DRILLING COMPANY

OPENING SPEECH: *Nothing can stop us*

With the ambition of realizing the desired growth for Sinotharwa Drilling Co. and building strong reputation, it worth stating that we have been through a series of challenges since its first establishment to create concrete market share, realize considerable rigs fleet development and simultaneously maintain the operations efficiency within the distressed economy sharply affected by global financial crisis and oil price dramatic decrease.

Despite all obstacles faced, we continued our steady growth intensifying our operations all over Egyptian deserts and retrieve all stacked rigs operation for National water wells drilling project completion.

At last but not least, on behalf of the board of Directors, we extend our appreciation for our management and staff for their positive attitude and steadfast commitment showed throughout this year that allowed our clientele base expansion and establish a strong foothold in Algeria though tough circumstances in Oil & gas industry.

We would also like to thank our shareholders, partners, suppliers, customers and business associates for their unwavering trust looking for strengthening our relationships for many years to come.



Li Hongyan

General Manager & MD



Amal Abdel Lattif

Chairman & M

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HR & SERVICES DEPARTMENT:

TRAINING DIVISION:

The technical internal and external training played a great role in raising all Sinotharwa staff awareness that was required to be managed in an effective way, taking into consideration the soft skills training that was also required especially at managerial levels.

Highlighted Training Hours in 2016

QHSE Training: Safety Workplace is one of the most essential responsibilities of SinoTharwa; accordingly we provide all our staff with what's required to be updated in regards to the health & safety requirements always aiming to identify their hazards, minimize & control risk.

Course Name	Actual Training Hours	Planned Training Hours
First Aid Practice & Basic Life Support	330	180
BOSIET/FOET	576	180
OJT HSE Training Package	3,920	3,920
PTW	300	54
Foet	24	24
Environmental Impact Assessment (EIA)	360	54
Total Training Hours	5,510	4,412

Operation Training: Comprehensive technical training is crucial for our business to improve the technical competence of our employees; we provide all technical required knowledge of theoretical and practical aspects through a group of advanced drilling courses.

Course Name	Actual Training Hours	Planned Training Hours
Basic Drilling Practice	930	900
Advanced Drilling Practice	888	768
Casing , Cementing & Plug Setting	336	336
Rig Mathematics	450	450

Stuck Pipe Prevention	360	360
Down Hole Problems	540	540
Basic Well Control	930	900
Drilling Fluid School & Solid Control Equip.	1080	900
Hydraulics Calculation of Drill String	252	252
Basic Bit Design And Dull Bit Grading	900	384
Painting	78	78
Drilling For Non-Drilling Employees	210	-
Total Training Hours	6,954	5,868

Engineering Training Hours: Provide practical skills and hands-on training through well selected engineering courses, where employees are given the opportunity to apply practically. Our specialized engineering courses are tailored to the needs of the drilling industry.

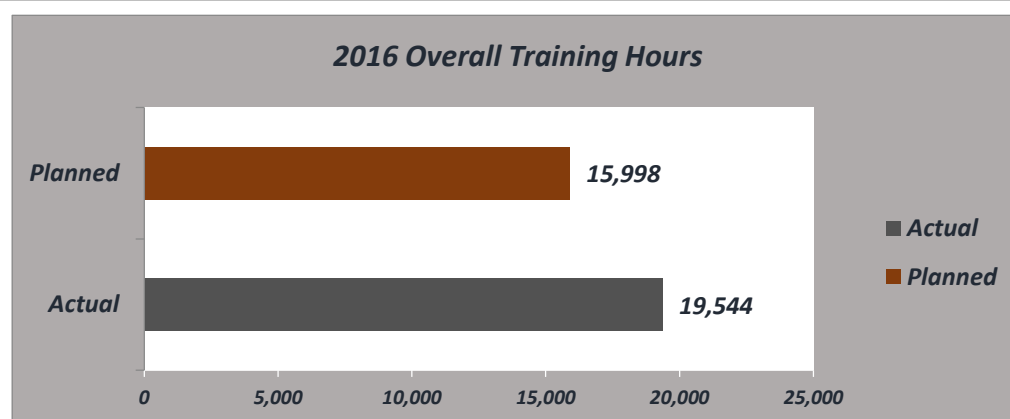
Course Name	Actual Training Hours	Planned Training Hours
Top Drive Varco	288	288
T.D	288	288
Mud Pump	144	144
Gen	360	288
Tesco Top Drive	108	72
VFD	288	288
SCR	234	144
Draw Works	72	72
OJT	2,136	2,136
Basic Diesel Engine	144	144
CAT-ET	348	144

Block Control System	60	60
Engine 3500 series	666	144
Drill Watch System	120	120
Amphion System	288	144
Refrigerators, Air Conditions	204	144
Total Training Hours	5,748	4,620

Soft Skills Training Hours: we started applying a developed plan to the implemented training needs analysis which offered assistance to our employees to become more assertive and develop their analytical & managerial skills that played a vital role in the importance of our business's success.

Course Name	Actual Training Hours	Planned Training Hours
Effective Decision making	180	90
Planning Skills For Multi - Tasking	270	216
Facilitating Two Ways Communications	216	216
Creating Strategic Alignment For Results	216	216
Adaptive Written Communication	270	270
Total Training Hours	1,152	1,008

	Actual	Planned
2016 Overall Training Hours	19,544	15,998



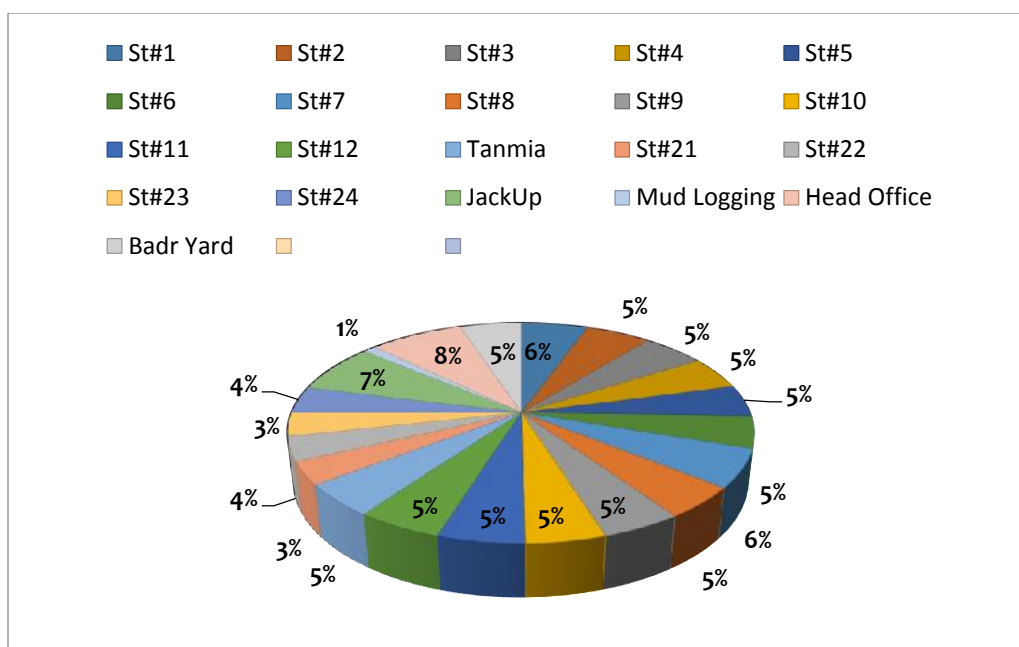
PERSONNEL DIVISION:

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

Overview on personnel activities during 2016:

- 1- Monitoring and analyzing 2015 performance appraisal score for all the working staff.
- 2- Maintaining company salary structure due to new positions formation in order to face the new business requirements achieving the company goals and objectives inside/outside.
- 3- Finalizing annual medical exemption of 2016 that is related to social insurance authority which saved annually EGP 3,200,000.
- 4- Maintaining the company organization chart to ensure covering all departments needs to face the company new challenges in 2017.
- 5- Finalizing all personnel issues related to company staff offshored in Algeria project in order to achieve the same work environment without any obstacles during work flow.

Location	No. of Employees	Location	No. of Employees
St#1	69	Tanmia	63
St#2	70	St#21	53
St#3	74	St#22	31
St#4	69	St#23	55
St#5	63	St#24	51
St#6	54	JackUp	114
St#7	60	St25	15
St#8	72	St26	50
St#9	63	Algeria Office	5
St#10	61	Integrated Services	17
St#11	75	Head Office	158
St#12	73	Badr Yard	77
St#14	38	St#15	32



MEDICAL DIVISION:

Medical insurance: According to Sinotharwa rig sites' staff demand, we have contracted the best medical service provider in the market in attempt to achieve our employees ultimate satisfaction. As part of our plan to expand and improve Sinotharwa direct medical network, we have successfully added several pharmacies and hospitals in different locations in order to fulfill our employees' needs.

Medical procedures: Chronic Diseases screening: Mass screening for rig site employees for HTN and DM and start the medication plan for positive cases

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 1,018,000 EGP

GENERAL SERVICES DIVISION:

We are ensuring expats work permits issuance on timely manner enabling smooth business travel for all Sinotharwa expats, duly issued 36 work permits during 2016.

During 2016, we succeeded to provide continuous specialized maintenance & follow up for all our company's premises (Head office & Guest house), we overcame all repairs related obstacles raised assuring a high business standard of services level.

PUBLIC RELATION DIVISION:

Hotel & tickets reservation:

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

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

Protocols:

Egypt Air protocol had been renewed for the 11th year with the best advantage within our permanent success & mutual cooperation. In consequence & result of strength with partner of success.

Exhibition:

MOC: Sinotharwa has participated in the Mediterranean offshore conference & Exhibition (MOC) that was held in Alexandria, Egypt from April 18th till April 21st, 2016.

GEO: Sinotharwa has participated in GEO Exhibition in Bahrain, from March 6th till March 11th 2016. We are aiming for expanding our business activities through concrete interaction in new markets, participating in essential exhibitions that reflects our achievements and realizations.

QHSE DEPARTMENT

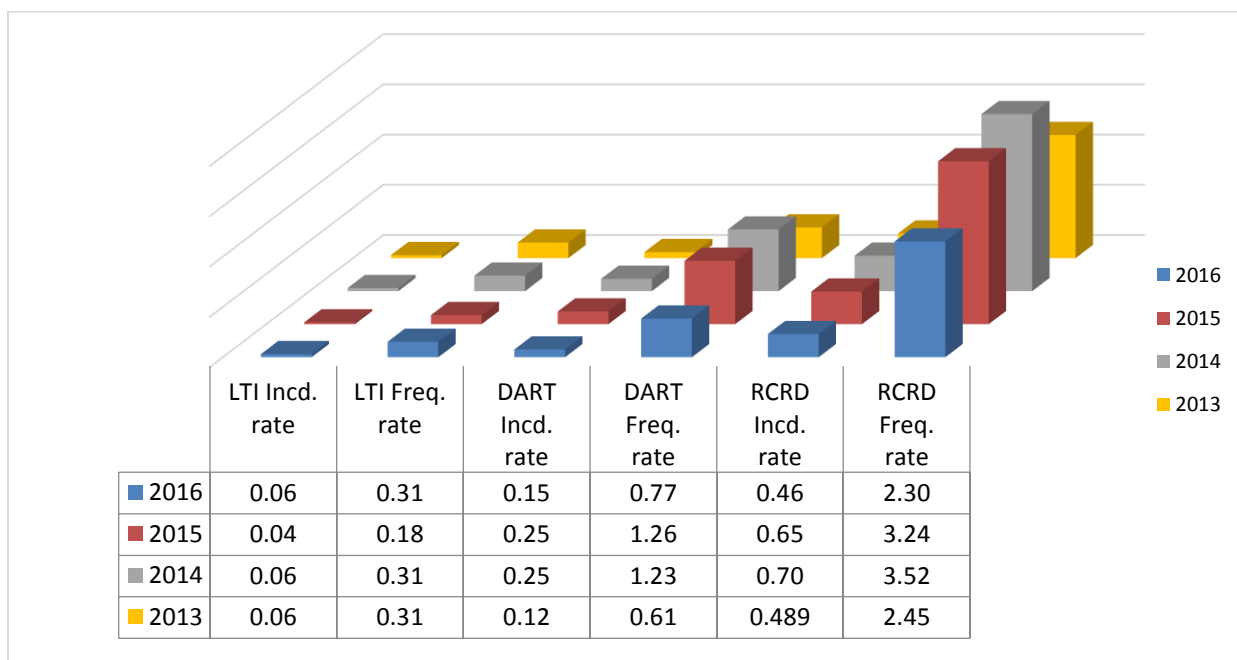
2016 WORK INJURY STATISTICS

2016 was a year of **ACHIEVEMENTS** when the total incident statistics tend to decrease in comparison to the previous year but still didn't meet our expectations to reach the required target to operate with zero incident rate.

What was achieved in 2016 that there are no fatalities recorded nor partial disabilities to Sinotharwa staff or third parties and that reflects the realization of our crew members toward their own safety and transmittal of lessons learned from previous incidents.

- 1) Two LTI have been occurred during the whole year of 2016
- 2) Three Restricted Work Cases happened during 2016, required medical services according to physician instructions.
- 3) Ten Medical Treatment Cases during 2016 including cases required some rest hours to return back to the normal duties and were handled by rig physicians at time.
- 4) The total recordable injuries during 2016 were fifteen cases through the amount of **5953504** working hours.

WORK INJURY STATISTICS BENCHMARKING



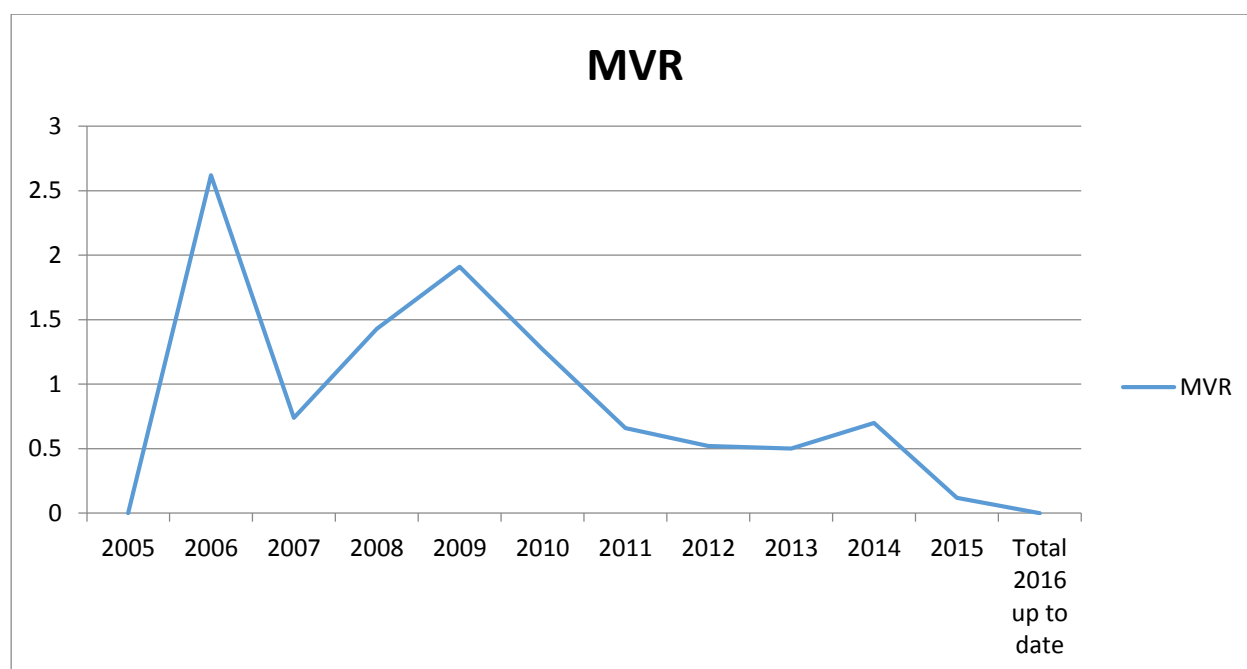
Working hours	MTOs	RWCs	LTIs	FTLs	RCRD
6517533	10	3	2	0	15

MOTOR VEHICLE ACCIDENTS RATE ALONG SINOTHARWA YEARS (MVAR):

Since **THE BEGINNING OF 2016**, the QHSE Department aims to further reduce the number of our employees affected in road accidents through a range of measures including better road safety education and monitoring.

The proper speed monitoring that was subjected to our whole fleet was as good as its reflected to our road accident rates that became zero road accidents which was magnificent when compared with the previous year 0.12%.

This achievement shows how our drivers got the lesson well from our previous dramatic experience and changed their way of thinking to return back to their family safely.



SAFETY AWARENESS CAMPAIGNS:

Safety campaigns became one of the department methods to deliver the core of its message which is achieving a free accident work place by increasing the awareness of our employees and working partner about the major hazards related to our industry which classified one of the higher risky industries all over the planet. This campaign was conducted by new technic “E- campaign” the

participation of Sinotharwa Top management as well as he clients' management, this campaign covered the most important issue like:

Slips, Trips and falls

Work-related slip, trip, and fall incidents can frequently result in serious disabling injuries that impact a healthcare employee's ability to do his job, often resulting in (lost workdays, reduced productivity, expensive worker compensation claims, and diminished ability to care for patients)

The goal of the campaign is to familiarize our employees with common S,T,F hazards in healthcare facilities so he will be able to recognize the risk. Throughout the campaign pictures show either prevention strategies or hazards in healthcare facilities.

Ramadan campaign.

This campaign was conducted before Ramadan putting into consideration the long fasting day for employees and how to overcome their fatigue and stress through safety tips including medical and general recommendation to avoid dehydration, fatigue, low blood pressure and accident/incident during fasting hours.

ENVIRONMENTAL PROTECTION

Now a day's many environmental problems have increased as the result of human activities and unplanned management of the technological development. Therefore, it's essential to promote the conservation and preservation of ecosystems to protect the environment thus SinoTharwa is exerting a lot of effort to promote the ecofriendly systems and reduce the pollution with its different phases.

ENVIRONMENTAL EVENTS DURING 2016

- ❖ First, was in the occasion of the world water day at March 2016.
- ❖ Second, was in the occasion of Earth day at May 2016.
- ❖ Third, was in the occasion of Environmental training awareness that was conducted in September 2016.

OPERATIONS DEPARTMENT

OUR MISSION:

- ❖ To be our customers' trusted partners and their preferred solution providers.
- ❖ Conduct our operations in an accident-free workplace, all the time, everywhere.
- ❖ Our staff's passion and commitment to overcome obstacles will be our trademark.
- ❖ Deliver outstanding value to our customers, our employees, and our shareholders.

OUR BUSINESS STRATEGY

Our business strategy is to be modernized our drilling units; onshore and offshore operations. We believe that we have one of the most modern fleets in the industry and by combining quality assets, experienced and skilled employees, we will be able to provide our customers with safe and effective operations, establish, develop and maintain a strong 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 developed 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.

KEY ELEMENTS IN OUR STRATEGY:

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 the most modern and advanced mud logging units as a new service provider.

SINOTHARWA RIGS FLEET:

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	Without contract	-	Not Active
ST-3	Bomco, China	2006	2000	20,000	Available	Petrobel	Abu rudies	Active
ST-4	Bomco, China	2007	2000	20,000	Available	Khalda	El Salam	Active
ST-5	Bomco, China	2007	1500	16,000	Available	Petro Ziet	Zeit-Bay	Active
ST-6	Bomco, China	2007	1500	16,000	Available	Without contract	-	Not Active
ST-7	Bomco, China	2008	1000	12,000	Available	Agiba	Meleiha	Active
ST-8	EPHH	2008	1500	16,000	Available	Agiba	Meleiha	Active
ST-9	EPHH	2007	2000	20,000	Available	GPC	Ras Gharib	Active
ST-10	EPHH	2008	1500	16,000	Available	Khalda	Abu Elgharadig	Active
ST-11	Bomco, China	2008	2000	20,000	Available	Petrobel	Abu rudies	Active
ST-12	Bomco, China	2008	2000	20,000	Available	Petrobel	Abu rudies	Active
Tanmia-1	EPHH	2011	1500	16,000	Available	Al Alamien	Al Alamien	Active
ST-14	EPHH	2014	1500	16,000	Available	GTIM, Algeria	Adrar	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

LAND WORK OVER RIGS:

Rig	Manufacturer	Year of Built	HP	Max. Work over Depth W/3.5" DP, ft	Operator	Location, Field	Status
ST-21	SJ Petroleum , China	2006	650	12,000	Agiba	Meleiha	Active
ST-22	SJ Petroleum , China	2007	650	12,000	Qarun	Karama	Not Active
ST-23	SJ Petroleum , China	2007	650	12,000	Petrobel	Abu Rudies	Active
ST-24	SJ Petroleum , China	2008	650	12,000	Khalda	El Salam	Active
ST-25	SJ Petroleum , China	2014	650	12,000	Not Yet	-	Not Active
ST-26	SJ Petroleum , China	2014	650	12,000	Dana Gas	Damietta	Active
ST-27	SJ Petroleum , China	2016	650	12,000	Not Yet	-	Not Active
ST-28	SJ Petroleum , China	2016	550	10,000	Not Yet	-	Not Active
ST-29	SJ Petroleum , China	2016	550	10,000	Not Yet	-	Not Active

WATER WELL LAND DRILLING RIG:

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	Ministry of Irrigation	W. Elminia	Active
ST-31	SJ Petroleum , China	2016	550	5,000	Ministry of Irrigation	W. Elminia	Active

ST-32	SJ Petroleum , China	2016	550	5,000	Ministry of Irrigation	W. Elminia	Active
ST-33	SJ Petroleum , China	2016	550	5,000	Armed Forces	Sinai	Not Active
ST-34	SJ Petroleum , China	2016	550	5,000	Armed Forces	Sinai	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

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	Water well rigs	Jack Up	
2005	1	-	-	-	-	-	-	1
2006	-	1	-	-	-	-	-	1
2007	2	-	-	2	-	-	-	4
2008	2	4	1	2	-	-	-	9

2009	1	-	-	-	-	-	-	1
2010	-	-	-	-	-	-	-	-
2011	-	1	-	-	-	-	1	2
2012	-	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-	-
2014	1	2	-	2	-	-	-	5
2015	-	-	-	-	-	-	-	-
2016	-	-	-	1	2	7	-	10
Total	7	8	1	7	2	7	1	33

TOTAL RIGS NUMBER: 33 RIGS

FACTORS AFFECTING OUR OPERATIONS:

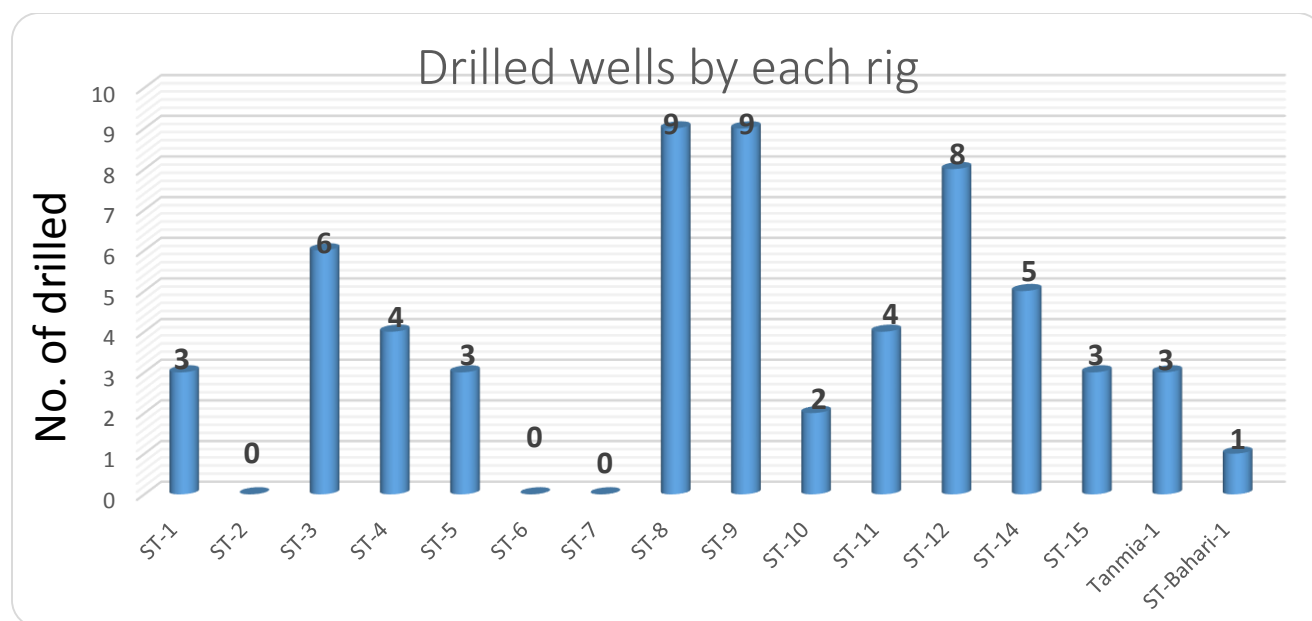
The principal factors which have affected our results since 2005 and are expected to affect our future results of operations and financial position include:

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

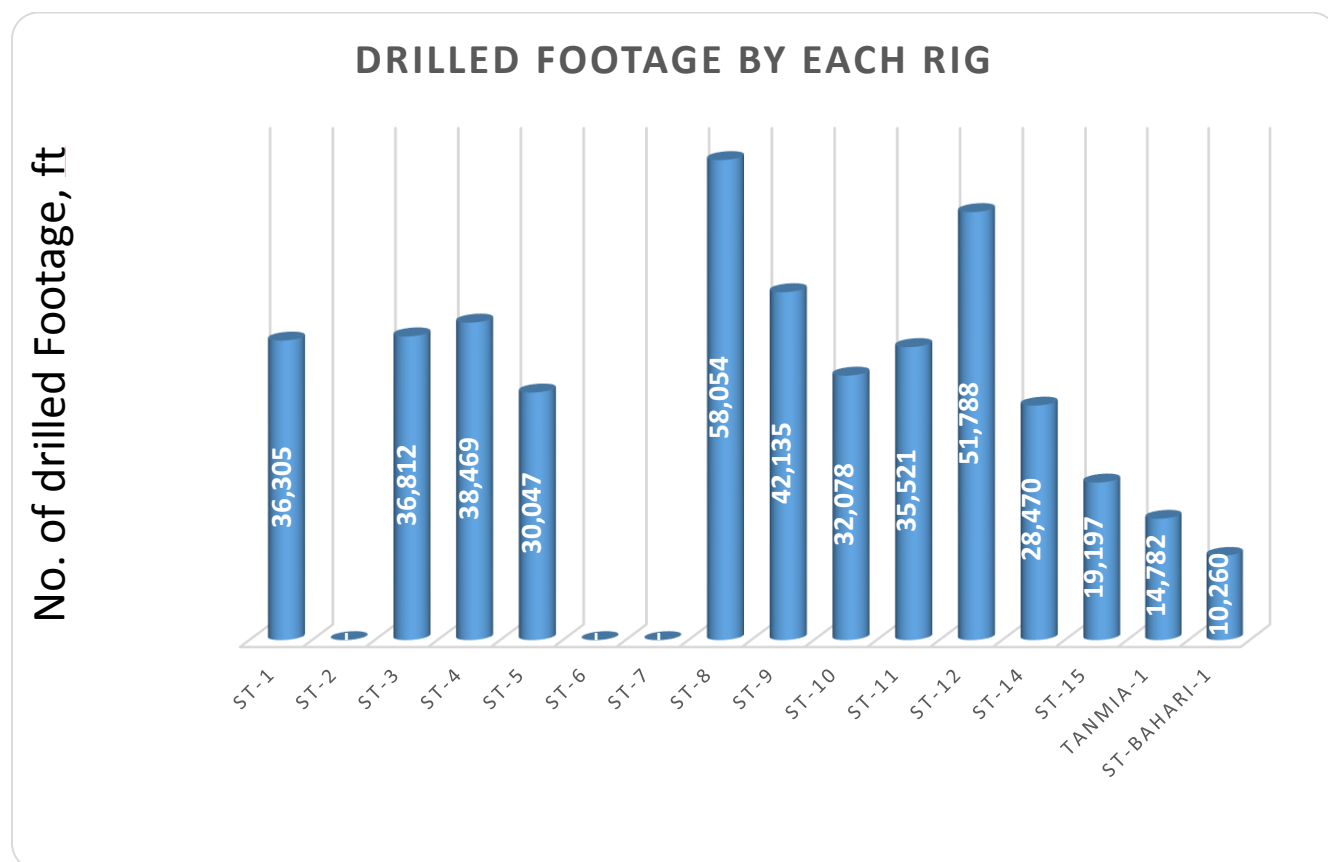
STRATEGIC MEASUREMENTS FOR 2016:

In 2016 the following actions, among others, were the direct result of implementing our strategy:

- 1- Average rigs utility (Excluding move & maintenance time) 99.61 %.
- 2- Average rigs utility (Including move time only) 97.21 %.
- 3- Average rigs utility (Including move & maintenance time) 95.81 %.
- 4- Total working (operating) days 6,423 days.
- 5- Total drilled wells during 2016: 60 wells.

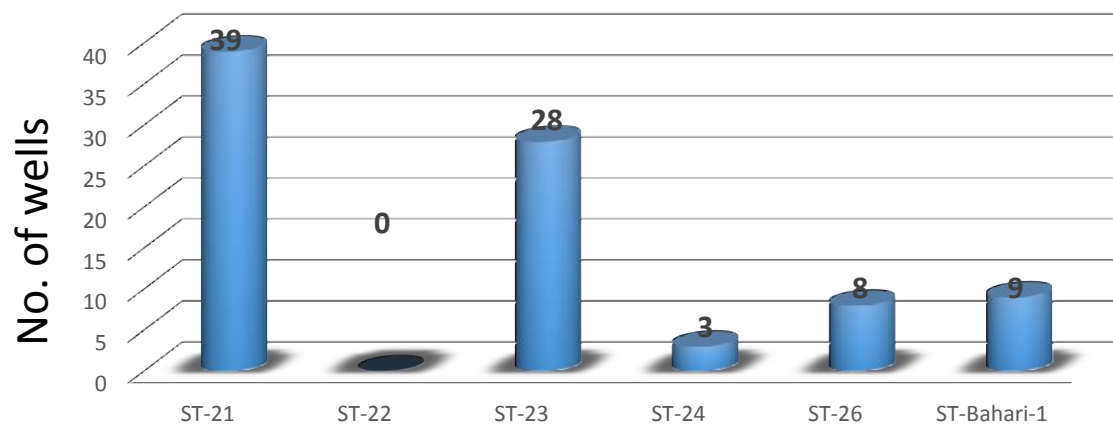


6- Total drilled footage during 2016: **433,918 ft.**



7-Total work over wells during 2016= **87 wells**.

Worked Over wells by each rig



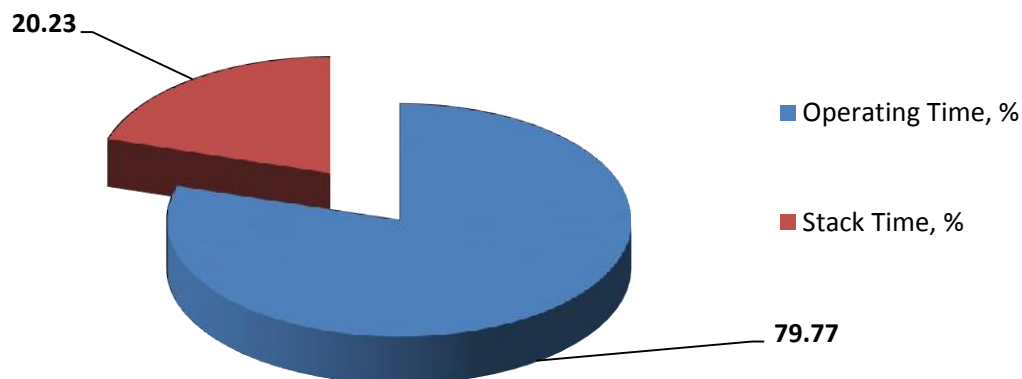
8- Provide training in a wide range of drill rig operations and procedures.

9- Negotiate with all service companies to decrease the prices to save our cost without affecting the quality of service.

OPERATING TIME VS STACK TIME DURING 2016:

- ❖ Total Stacking time = **1,629 days**.
- ❖ Operation time = **6,423 days**.
- ❖ Total time = **8,052 days**
- ❖ Stacking time / Total time = **20.23 %**.

Stack time VS Operating time



RIGS UTILITIES DURING 2016:

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	335	92.82	94.17	5.83	1.34	3	12.68
ST-2	308	100.00	100.00	0.00	0.00		
ST-3	366	89.14	91.10	8.90	1.96	6	12.75
ST-4	244	94.72	95.98	4.02	1.26	4	9.88
ST-5	315	99.05	99.15	0.85	0.09	3	8.58
ST-6	134	100.00	100.00	0.00	0.00		
ST-7	310	100.00	100.00	0.00	0.00		
ST-8	366	98.50	99.76	0.24	1.26	9	6.29
ST-9	366	96.02	99.18	0.82	3.16	9	6.75
ST-10	281	99.58	100.00	0.00	0.42	2	6.59
ST-11	303	91.85	93.63	6.37	1.78	4	7.15
ST-12	366	95.75	100.00	0.00	4.25	8	8.28
Tanmia-1	73	100.00	100.00	0.00	0.00	2	7.43
ST-14	286	89.22	98.05	1.95	8.83	5	10.8
ST-15	200	96.08	99.96	0.04	3.88	3	11.89
ST-21	366	91.01	99.49	0.51	8.48	31	1.5
ST-22	321	100.00	100.00	0.00	0.00		
ST-23	366	93.81	95.26	4.74	1.45	20	1.24
ST-24	329	99.43	100.00	0.00	0.57	4	3
ST-25	366	100.00	100.00	0.00	0.00		
ST-26	187	86.03	100.00	0.00	13.97	9	4.20

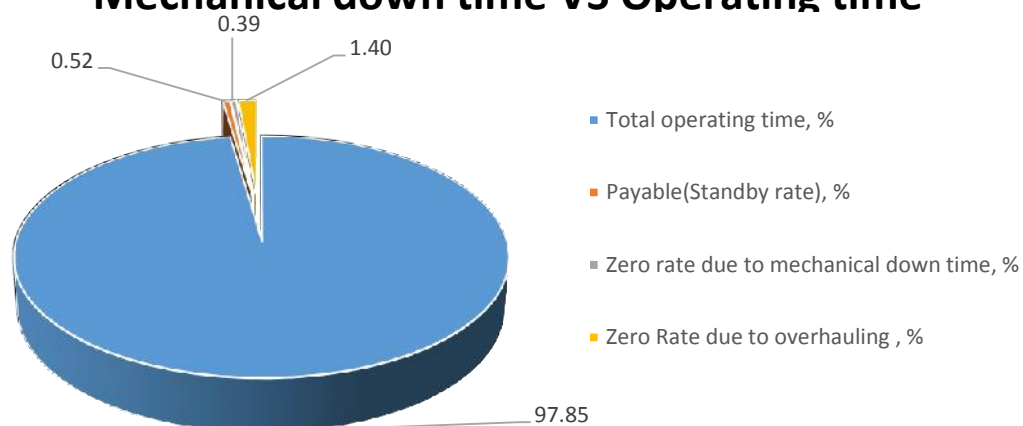
Bahari-1	236	100	100	0	0		
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MECHANICAL DOWN TIME VS OPERATING TIME IN ALL SINOTHARWA

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, %
151,129.0	147,634.0	3,495.0	784.8	595.3	2,115.0
	97.69 %	2.31 %	0.52 %	0.39 %	1.4 %

Mechanical down time VS Operating time

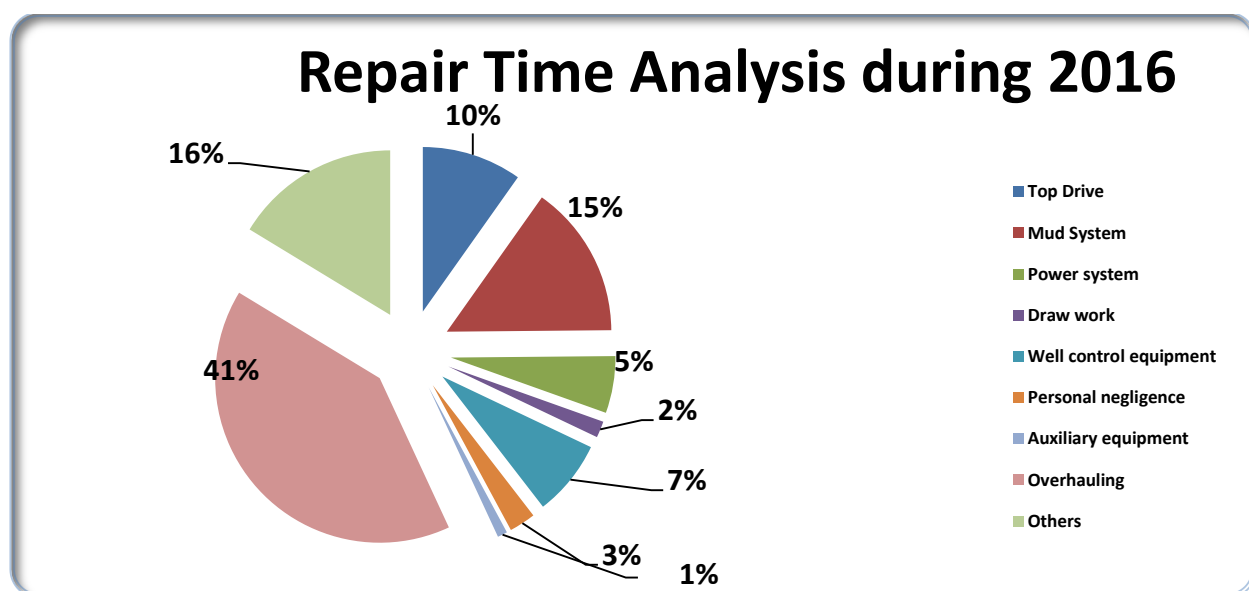


REPAIR TIME ANALYSIS DURING 2016:

Rig	Top Drive	Mud Syst.	Power Syst.	Draw works	Well Cont. Equipment	Personnel Negligence	Auxiliary equipment	Over-hauling	Others	Total
ST-1	37	47.5	27	6.5	8.5	14	0	204	217.5	562
ST-2	0	0	0	0	0	0	0	0	0	0
ST-3	16.5	201.5	6	2.5	51	7.5	1	429	9	724
ST-4	9	37	0	9.5	16	1	0	24	75.5	172
ST-5	1.5	45.5	38.5	2	7.5	2.5	27	0	11.5	136
ST-6	0	0	0	0	0	0	0	0	0	0
ST-7	0	0	0	0	0	0	0	0	0	0
ST-8	6	45.5	1	2	11.5	21	0	0	3	90

ST-9	15.5	4.5	2	0	8	6.5	1	0	72	109.5
ST-10	11.5	4	0	0	17.5	0	0	0	4	37
ST-11	211	50	3.5	0	14.5	24	1.5	168	20	492.5
ST-12	21	18	0	5	0	8.5	1	0	1	54.5
ST-14	7.75	22.5	0	2.25	118	0.75	1.25	0	13	165.5
ST-15	2	6	0	0	0	0	0	0	18.5	26.5
Tanmia-1	4	9	2.5	10.5	0	0	1	0	1.5	28.5
Bahari-1	0	0	0	0	0	0	0	0	0	0
ST-21	0	0	60.5	6.5	4.5	5	0	0	4	80.5
ST-22	0	0	0	0	0	0	0	0	0	0
ST-23	0	34	54.5	6	4	0	0	246	111	455.5
ST-24	0	0	0	0	0	0	0	0	0	0
ST-25	0	1	0	3.5	0	0	0	0	5.5	10
ST-26	0	0	60.5	6.5	4.5	5	0	0	4	80.5
Total	342.75	526	195.5	56.25	261	90.75	33.75	1071	567	3144

***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 audit 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:

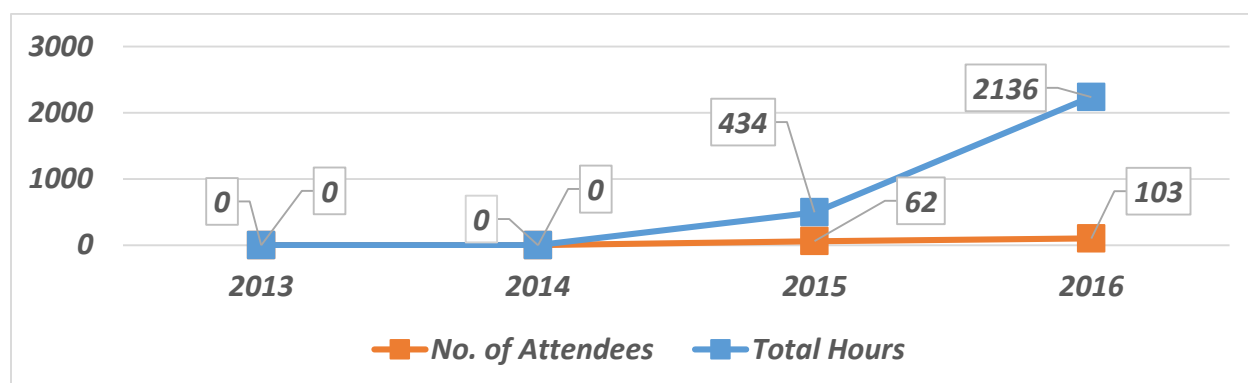
While we achieved in 2015, we remain singularly focused on our future and the continued execution of our strategy in 2016. We expect to deliver and commence operations on both onshore and offshore drilling safely and reliably. We will invest in improving the management systems for our business as we prepare for the significant growth of Sinotharwa. We will continue to train, motivate and retain our people to sustain our reputation for operational excellence.

ENGINEERING DEPARTMENT

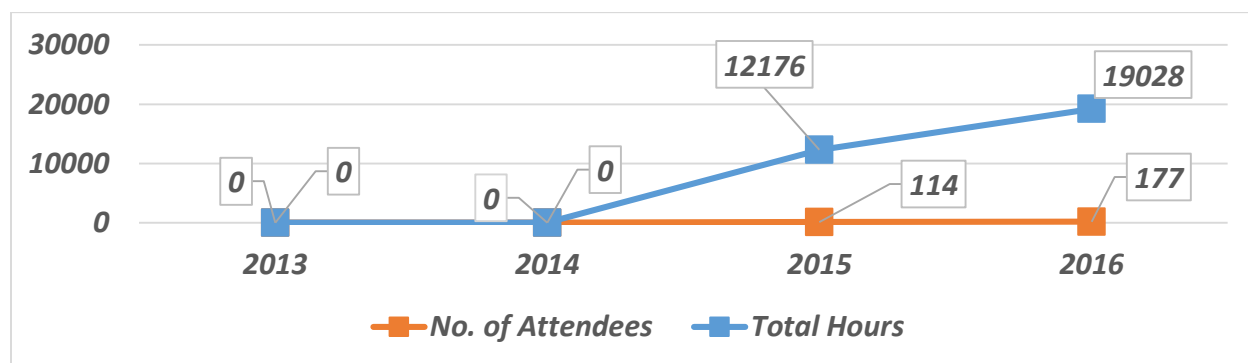
INVESTMENT IN TRAINING & DEVELOPMENT (T & D):

- As a part of the engineering activity is to improve technical skills & qualification for all maintenance crew at rig sites.
- Engineering department implementation training programs in 2015, which was continued in 2016 for all maintenance crew at rig site, in our training rooms & our workshop to assure that all maintenance crew at rig sites are theoretically & practically trained.

On Job Training (OJT) (Held in workshop):



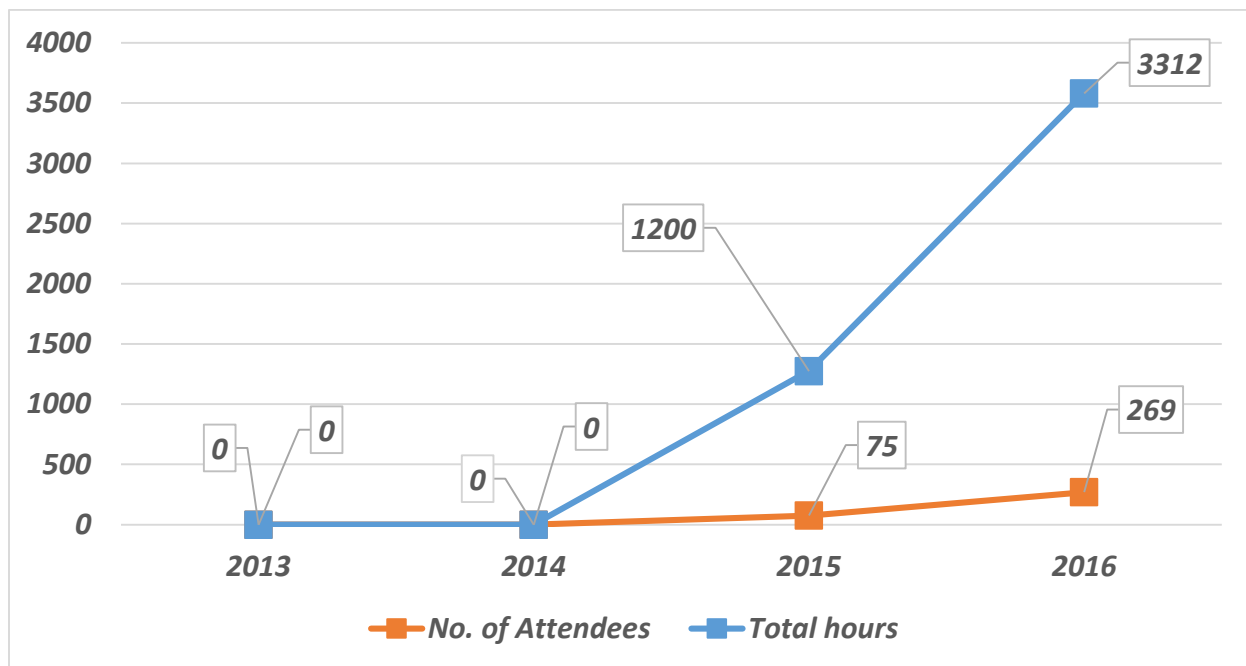
Rigs Visit Training (held in rig site):



Internal Technical Training (Held in SINOTHARWA Training Room):

Course name	No. of Attendees	Total Hours
Basic Diesel Engine	12	144
CATERPILLAR Engines 3500 Series	37	666
CAT ET	29	348
Generators	23	276
AMPHION SYSTEM	16	288
Top Drive	54	648

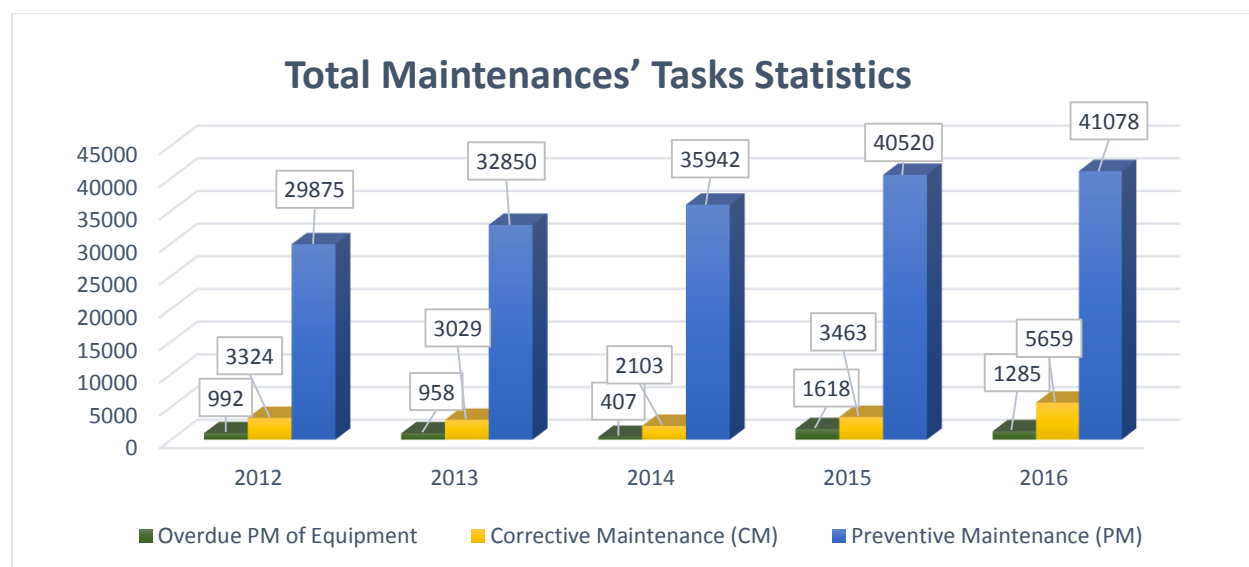
DRAWWORKS	9	54
Mud Pump	24	144
VFD	13	156
SCR	22	264
Block Control System	6	36
Drill Watch System	10	120
Refrigerators - Air Conditions	14	168
TOTAL	269	3312



MAINTENANCE OFFICE TEAM PERFORMANCE:

Corrective Maintenance (CM) vs Preventive Maintenance (PM)

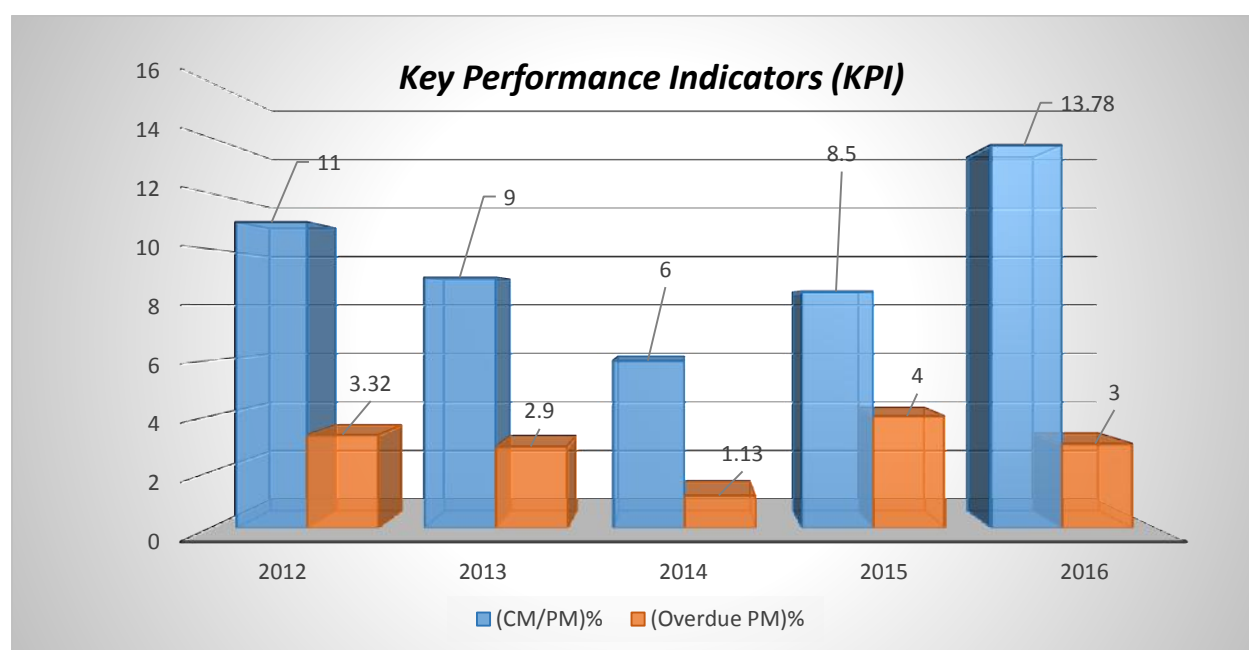
Year	Preventive Maintenance (PM)	Corrective Maintenance (CM)	Overdue PM of Equipment
2012	29875	3324	992
2013	32850	3029	958
2014	35942	2103	407
2015	40520	3463	1618
2016	41078	5659	1285



MAINTENANCE OFFICE TEAM PERFORMANCE:

Key Performance Indicators (KPI):

Sr.	Key Performance Indicators (KPI)	Year 2012 value	Year 2013 value	Year 2014 value	Year 2015 value	Current Value (Year 2016)
1	CM/PM for Equipment	11 %	9 %	6 %	8.5 %	14 %
2	Overdue PM of Equipment	3.32 %	2.90 %	1.13 %	4 %	3 %



TECHNICAL SUPPORT ACTIVITIES:

- Rigs software library: Collecting backup for main software applications for all rigs including (PLC programs – HMI & instrumentation systems).
- Prepared full training packages for the main equipment: (Engines – Drawworks - Mud Pump – Top Drive – Air conditioners – AMPHION System – Distributed Control System).
- Finalized 257% (3084 Hours) of planned training sessions (1200 Hours) for Engineering Teams (Mechanics & Electricians).
- Prepared renovation plans for (ST#2 – ST#4 – ST#6 – ST#7 – ST#10).
- Install Top Drive for (ST#16) (ESI-1350HP) on (ST#4).
- Study and Add Top Drive for ST#7 (ECI-900) at the end of year 2016, and the rig was accepted on 03 – JAN - 2017.
- Review Rigs shutdown items and strategic spares.
- Modifying the internal lubrication system of Mud pump to be external lubrication to be more effective and safely.
- Plan to switch drill watch by another system to decrease down time.



BADR WORKSHOP OVERHAULS:

1- Heavy Equipment Overhauls:

- 1 EA Drawworks (ST-11).
- 2 EA Auxiliary Brake (ST-6 & 23).
- 4 EA Mud Pump (ST-1 & 3 & 5 & 8).
- 4 EA BOP Closing Unit (ST-1 & 8 & 9 & 10).
- 3 EA Choke Manifold (ST-8 & 9 & 10).
- 2 EA Annular Preventer (ST-1 & 3).
- 2 EA Double Ram (ST-3 & 11).
- 3 EA Air compressors (ST-4 & 12 & 21).
- 1 EA Top Drive (ST-8).
- 3 EA Power Tong (ST-1 & 3 & 21).
- 5 EA Fire Pump (ST- 1 & 3 & 5 & 12 & 21).
- 2 EA Air Winch (ST-8 & 12).
- 2 EA travelling block (ST-1 & 11).
- 1 EA Mud pump Gearbox (ST-21).
- 2 EA Man Rider Winch (ST-4 & 11).



2- ENGINES OVERHAULS:

Miller Engine	1 EA Major Overhaul (ST-1)
Volvo Engine	1 EA Major Overhaul (ST-3)
Caterpillar Engine C15	1 EA Top Overhaul (ST-24)
Caterpillar Engine C15	1 EA Major Overhaul (ST-22)
Caterpillar Engine C18	2 EA Major Overhaul (ST-22 & 24)
Caterpillar Engine 3406	5 EA Major Overhaul (ST-9 & 11 & 12 & 24 & Water Well Project)
Caterpillar Engine 3512	1 EA Major Overhaul (Short Block)(ST-12)
Caterpillar Engine 3512	4 EA Major overhaul (ST-1 & 3 & 5 & 12)
Caterpillar Engine 3512	5 EA Top overhaul (ST- Bahari & 8 & 11 & 12 & 12)



MANAGING THE NEW BUILD PROGRAM

- ST-14 RIG UP 100%, SPUD IN 24-MAR-2016 IN ALGERIA.
- ST-15 RIG UP 100%, SPUD IN 16-JUN-2016 IN ALGERIA.



IT & TELECOMMUNICATIONS DEPARTMENT

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

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

TELECOMMUNICATIONS, SYSTEMS & NETWORKING INFRASTRUCTURE:

2016 Achievements:

Enhance Rigs Internet Connectivity: Install Next Generation Firewall with Apply Secure Sockets Layer (SSL) encryption

- UTM Filtering Feature is providing multi-threat security to decreasing number of attacks via hacking, viruses, and blended and Fileting data content
- SSL inspection is the key that uses to unlock encrypted Sessions like HTTPS web sites, also to controlling access or block Wi-Fi and hotspot application.

Increasing business productivity by Enhancing and Accelerating performance of HTTP and ERP Application over SinoTharwa Cloud

- WAN optimization Solution: Category of technologies and techniques maximize the efficiency of data flow,
- Accelerate application performance and Enhancing both latency and bandwidth

Improve Network Reliability of Algeria Office

- High Availability with two Firewall: a backup FortiGate unite installed and connected to a previously installed FortiGate, to provide redundancy if the primary FortiGate unit fails

Avaya Solution in Algeria Office

- Driving the international communication cost between Cairo office, Algeria office and rig site to be charged as local calls cost by using local Prima Cell, that allow Cairo to call Algeria with local Algerian tariff and allow Algeria to call Cairo with local Egyptian tariff

Implementing Antispam System:

- Enhanced email security to most recent technologies

- More features added like blocking a whole country from sending emails to SinoTharwa to provide maximum protection in emergency risk situations
- Enhanced reports and easy to manage.
- Powerful antivirus to scan incoming emails.

TECHNICAL SUPPORT

2016's Achievements:

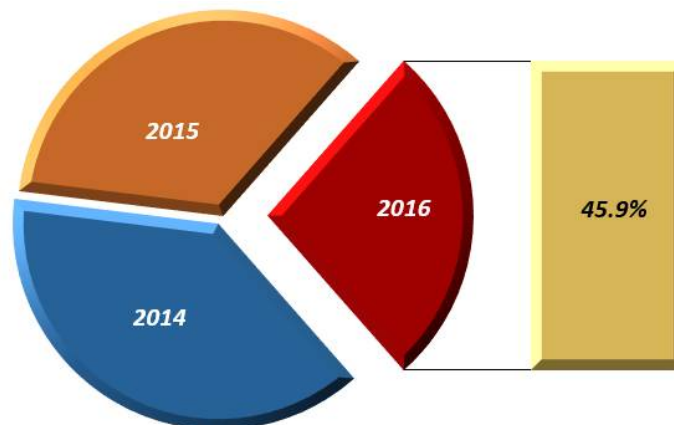
- Upgrading ST workforce skills for today's knowledge Technology: Our employees are the lifeblood of ST organization, and the skills they need to keep ST organization competitive are constantly changing, and to ensure that our workers will have the most up-to-date, cutting-edge skills to improve performance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

We enhance and enrich solutions' knowledge base in Service Desk Application that can improve employee technical skills.

- Provides Technical Guidance Tips and Solutions for the most common computerized problems.
- Keeping ST employee's aware of the latest technology news over the Monthly Report.

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

The graph below shows the improvement percentage done in 2016 over the past 3 years based on Service Desk Application requests.



ENTERPRISE RESOURCE PLANNING:

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:

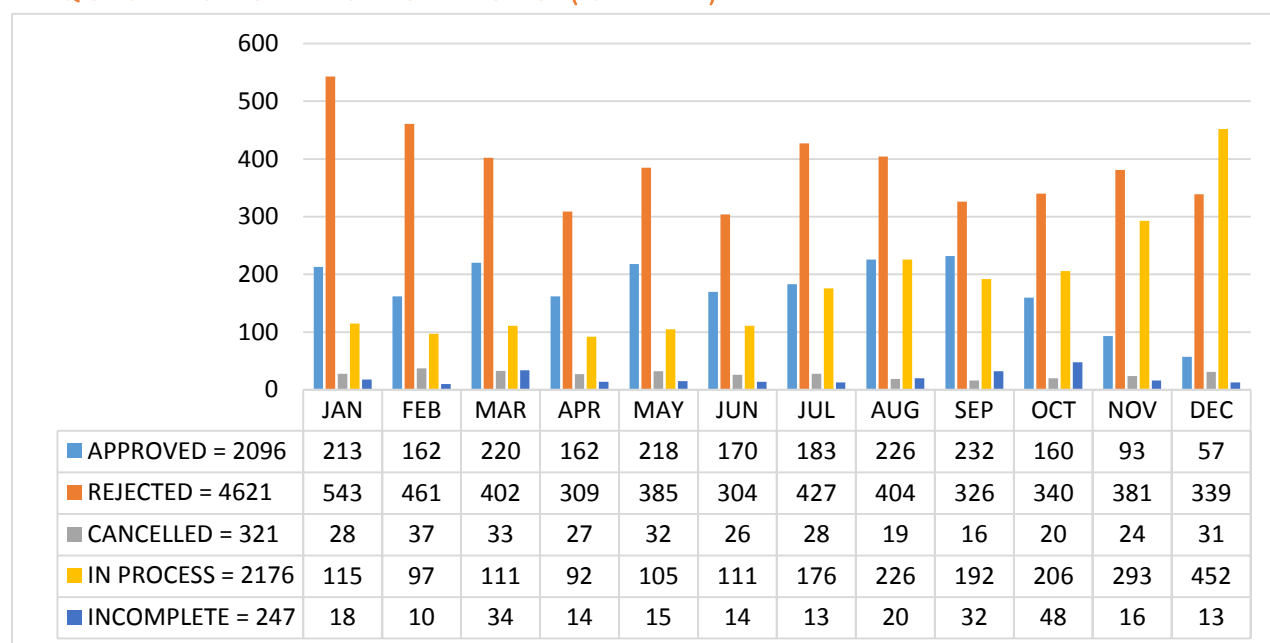
- Start testing and updating Oracle R12 Payroll application.
- Build new HR structures for Security, Transportation and Integrated Services Departments.
- Go-Live for Enterprise Asset Management Application for ST#1.
- Build customized business reports for fast actions and cost saving.
- Update the existing Approval Cycles according to many positions' amendments.
- Build new Approval Cycles for Algeria Project, Security, Transportation and Integrated Services Departments (POs and Requisitions).
- Complete the analysis and training phases for the Sourcing project.
- Build and test new screen for 'Internal Requisition' function.
- Build new Mud Logging Inventory Organization.

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.

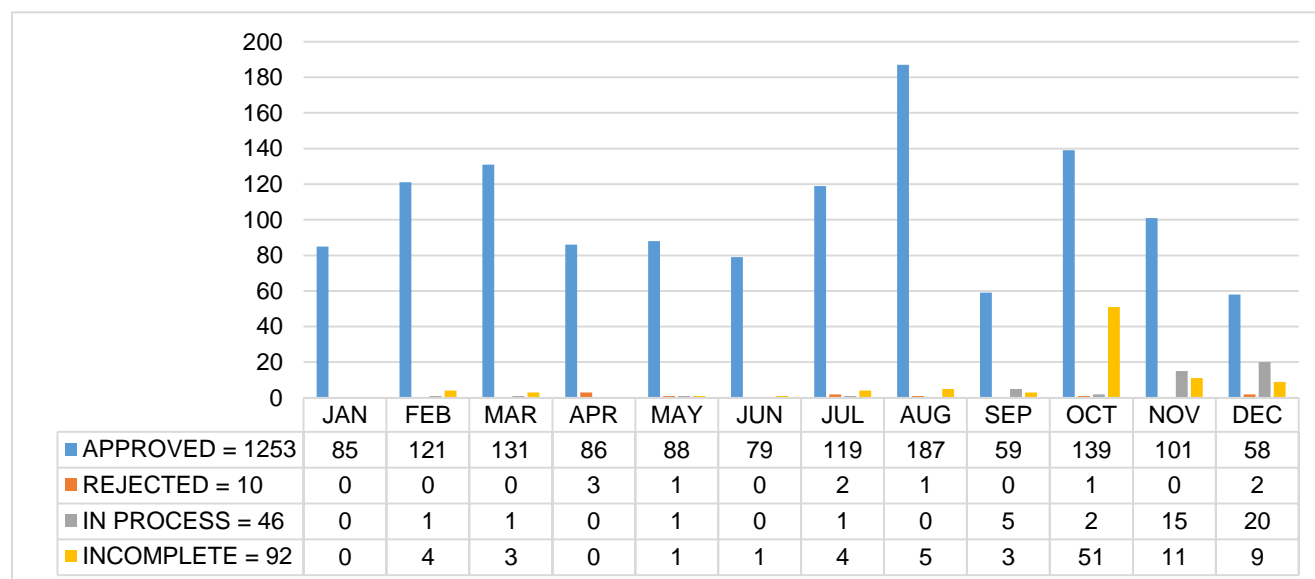
Decision Support System: ERP system provides a real-time view of the company's overall performance and provide the right information at the right time which helps managers to make proper decisions in a timely manner. This allows for better decision making and therefore ERP acts like a decision support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

Producing KPIs Reports on weekly and monthly basis.

REQUISITIONS KPIS FOR 2016 (GRAPH).



PURCHASE ORDERS KPIS FOR 2016 (GRAPH).



PROCUREMENT DEPARTMENT

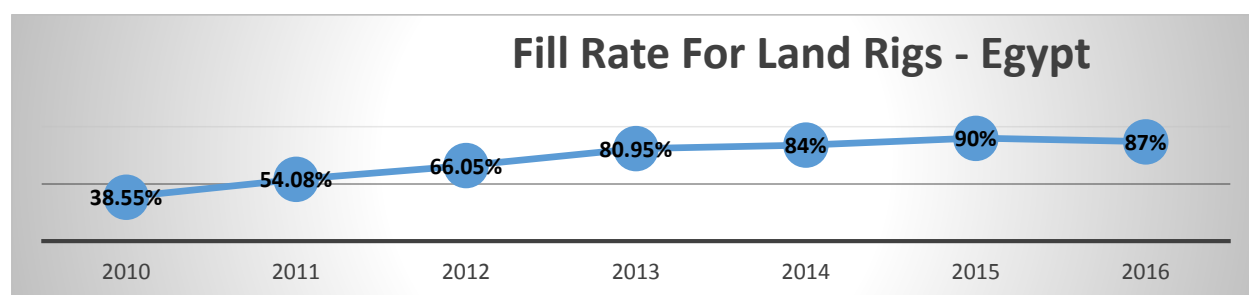
CHALLENGES:

- Supporting water well activities.
- Support new operation activities internationally in Algeria ST#14 & ST# 15 to achieve highest level of utility.
- Transfer Water Rigs to oil & Gas.
- Cooperate with Suppliers to deliver required Materials with Lowest prices.
- Reactivate stack Rigs to operate in Oil & Gas field.

PLANNING FILL RATE:

Reflect number of requisition lines covered through planned inventory, this only for concerning OPEX items

Year	2010	2011	2012	2013	2014	2015	2016
Fill Rate For Land Rigs – Egypt	38.55%	54.08%	66.05%	80.95%	84%	90%	87%

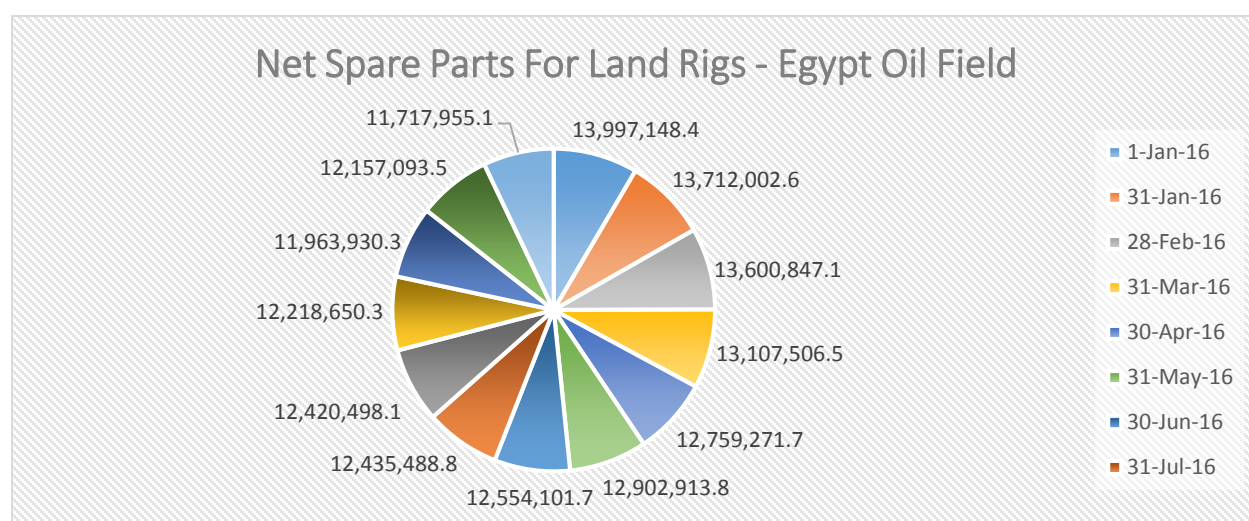


NET SPARE PARTS FOR LAND RIGS

Value of net spare parts inventory for land rigs -working in Egypt oil field- decreased by 16.28% during 2016 as per below table.

Value /Month	1-Jan-16	31-Jan-16	28-Feb-16	31-Mar-16	30-Apr-16	31-May-16	30-Jun-16
Net Spare Parts For Land Rigs- Egypt	13,997,148.4	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	0	285,145.8	396,301.2	889,641.9	1,237,876.7	1,094,234.6	1,443,046.7
Shrinkage Percentage	0	2.04%	2.83%	6.36%	8.84%	7.82%	10.31%

Value /Month	31-Jul-16	31-Aug-16	30-Sep-16	31-Oct-16	30-Nov-16	31-Dec-16
Net Spare Parts For Land Rigs- Egypt	12,435,488.8	12,420,498.1	12,218,650.3	11,963,930.3	12,157,093.5	11,717,955.1
Shrinkage Value	1,561,659.6	1,576,650.3	1,778,498.1	2,033,218.1	1,840,054.9	2,279,193.2
Shrinkage Percentage	11.16%	11.26%	12.71%	14.53%	13.15%	16.28%



NET SPARE PARTS FOR OFFSHORE RIG:

Net spare parts value for offshore rig decreased by 6.7% during 2016 as per below table

Value /Month	1-Jan-16	31-Jan-16	28-Feb-16	31-Mar-16	30-Apr-16	31-May-16	30-Jun-16
Net Spare Parts – Offshore Rig	8,467,975.7	8,429,297.3	8,366,924.0	8,338,054.9	8,291,672.4	8,238,289.4	8,228,899.1
Shrinkage Value	0.0	38,678.4	101,051.7	129,920.8	176,303.3	229,686.3	239,076.6
Shrinkage Percentage	0.0%	0.5%	1.2%	1.5%	2.1%	2.7%	2.8%

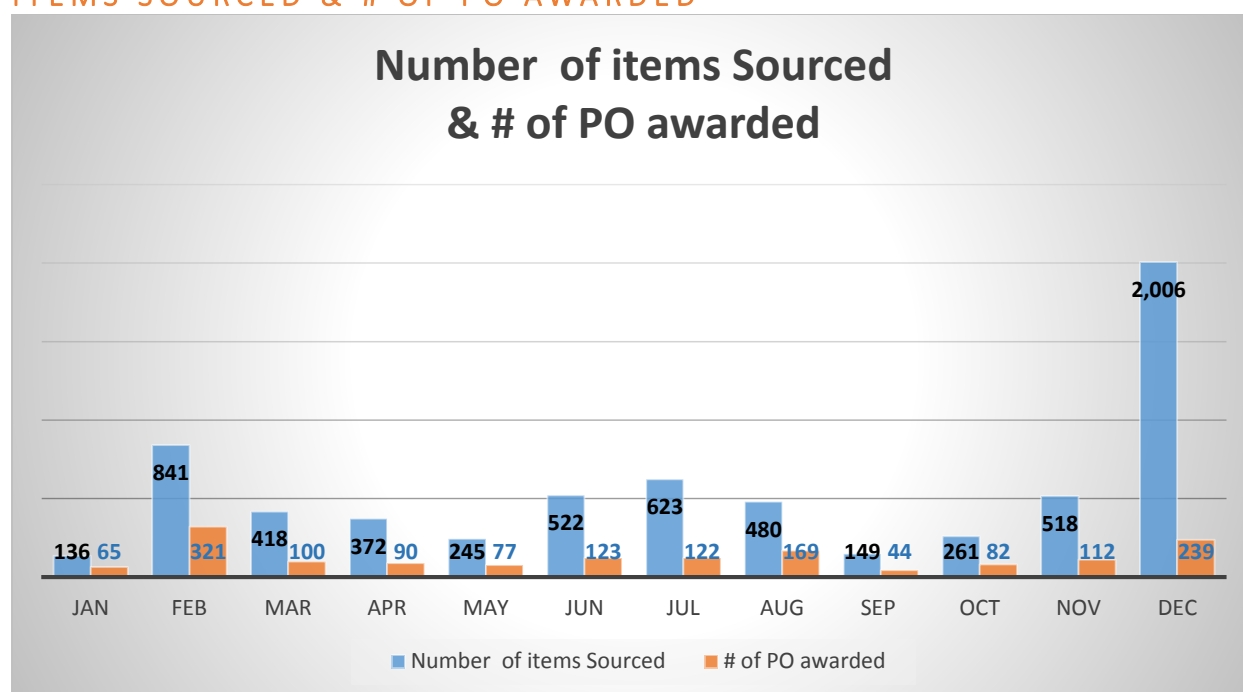
Value /Month	31-Jul-16	31-Aug-16	30-Sep-16	31-Oct-16	30-Nov-16	31-Dec-16
Net Spare Parts – Offshore Rig	8,006,241.3	8,023,281.7	7,960,054.0	7,843,138.6	7,886,146.5	7,902,857.5
Shrinkage Value	461,734.4	444,694.1	507,921.7	624,837.1	581,829.3	565,118.3
Shrinkage Percentage	5.5%	5.3%	6.0%	7.4%	6.9%	6.7%



Purchasing KPIs (in million USD)

Procurement KPIs	Jan	FEB	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Number of items Sourced	136	841	418	372	245	522	623	480	149	261	518	2,006
# of PO awarded	65	321	100	90	77	123	122	169	44	82	112	239
Total value awarded	\$ 385.87	\$1.29	\$ 1.07	\$1.52	\$666.5	\$ 1.72	\$13.45	\$1.047	\$718.4	578.1	1.6	2.6
% of cost saving per negotiation	1.04%	0.60%	0.68%	0.97%	0.21%	4.64%	5.42%	0.51%	5.58%	0.70%	41.47%	1.05%

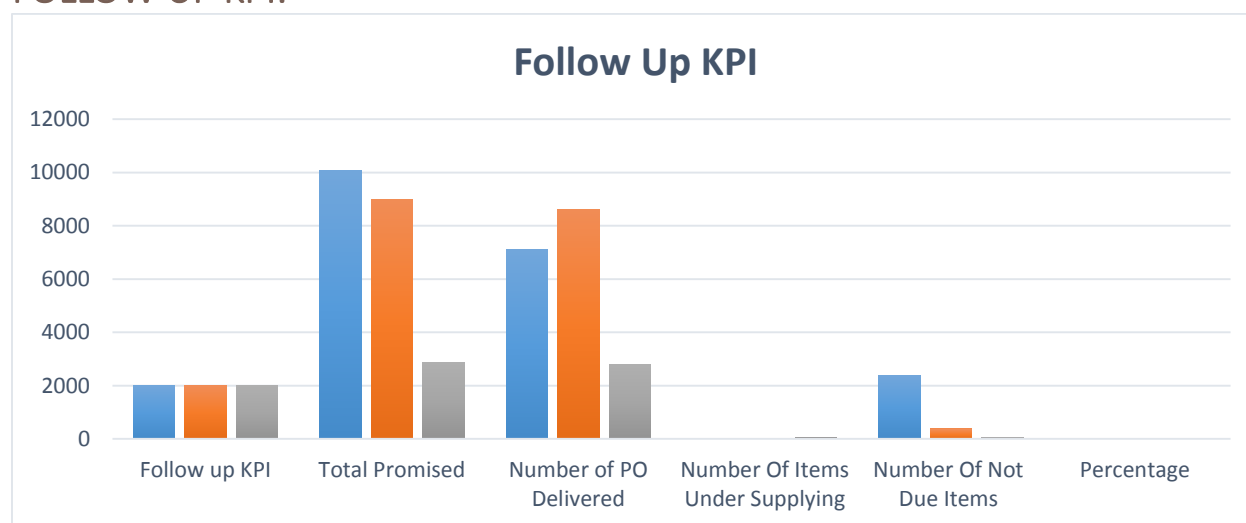
ITEMS SOURCED & # OF PO AWARDED



KPI COMPARISON BETWEEN YEARS 2014, 2015, 2016:

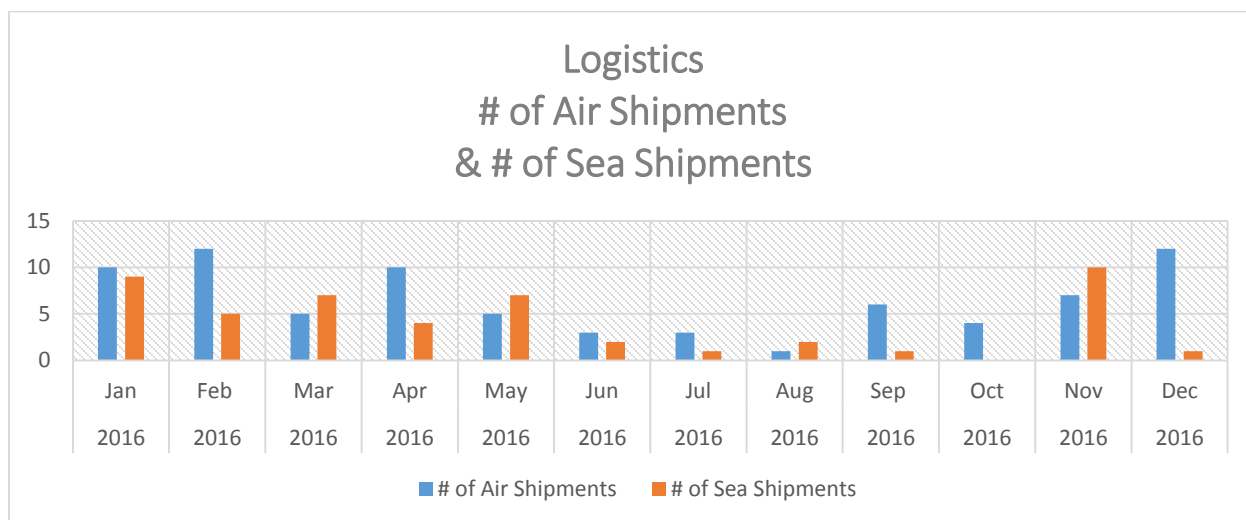
Follow up KPI	2014	2015	2016
Total Promised	10069	9000	2886
Number of PO Delivered	7123	8622	2790
Percentage	93%	96%	97%

FOLLOW UP KPI:



LOGISTICS:

	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Logistics KPIs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# of Air Shipments	10	12	5	10	5	3	3	1	6	4	7	12
# of Sea Shipments	9	5	7	4	7	2	1	2	1		10	1

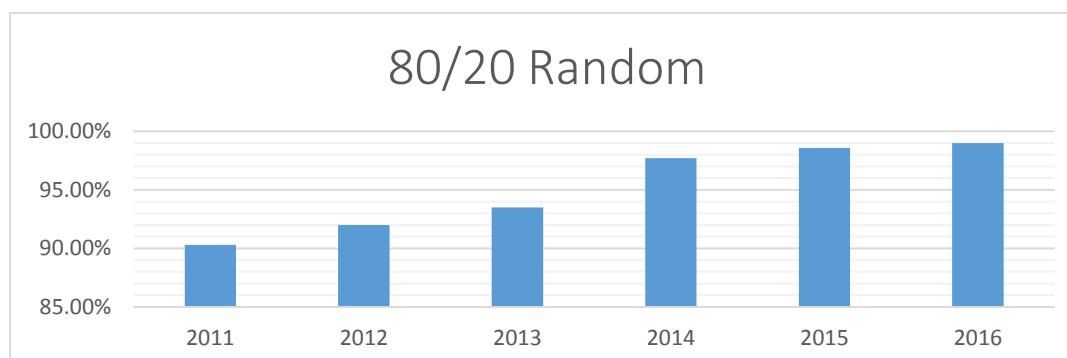
*Logistics Customs*

	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Customs KPIs	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
# of customs declarations	22	17	15	12	10	14	14	11	11	6	16	23
# of renewal	12	10	10	7	9	8	9	7	8	7	3	10
Total clearance & delivery issued	34	27	25	19	19	22	23	18	18	13	19	33

Warehouses & Stock Control

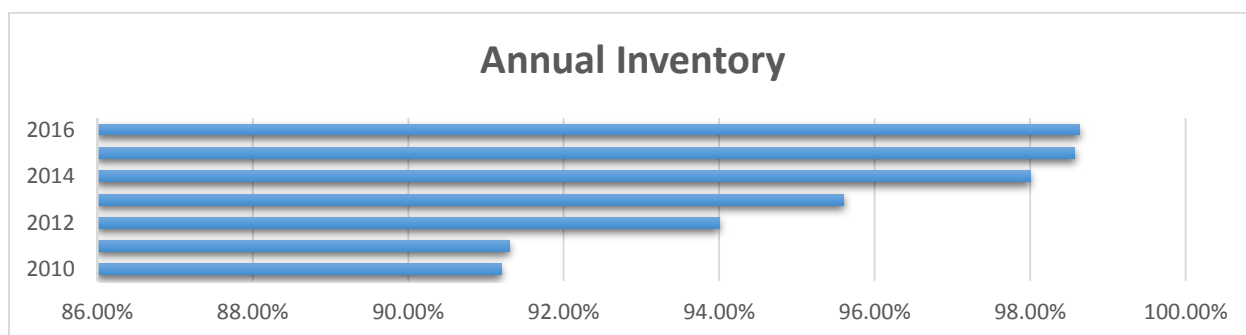
80/20 RANDOM AUDIT DATA ACCURACY

Year	2011	2012	2013	2014	2015	2016
Percentage	90.30%	92%	93.50%	97.70%	98.58%	99.00%



Stock Control Annual Inventory Data Accuracy

Year	2010	2011	2012	2013	2014	2015	2016
Percentage	91.20%	91.30%	94%	95.60%	98.00%	98.57%	98.63%



CONTRACTS DEPARTMENT

MISSION:

Our mission in Year 2016 was not only to **SURVIVE** and **OVERCOME** the worldwide Oil & Gas crisis resulted from the drop in the oil prices and the unstable economic conditions but also to expand domestically and internationally as well as to gain additional market share in the Oil & Gas Market.

OBJECTIVES:

- Retain our current drilling operators contracts with the highest rates relative to the daily fluctuation of the oil Prices as well as sustain long term contracts.
- Enhance our strategy to meet the market needs and the available market opportunities, through expanding our activities in the water wells drilling project.
- Perform extensive marketing for current assets 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 building SinoTharwa image in the Algerian market.
- Execute comprehensive retrenchments and cost optimization in all services as well as sustain SinoTharwa QHSE standards.
- Develop innovative ways of working with Contractors to survive the market situation and reach a win-win situation as well as seeking new Contractors with the best provided prices and quality standards in the market through service tenders and offers.

DRILLING SECTION:

In Year 2016, the global oil and gas industry is in the midst of one of the severest downturns in 30 years, SinoTharwa Contracts department has set its main objectives to sustain its current Rig fleet as well as to seek new contracts and markets both domestically & internationally in the significant falling of oil prices.

The main strategies of the Contracts department were bidding in several Onshore and Offshore Rigs 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 and registration in new markets.

In 2016, SinoTharwa has been successfully registered in Saudi Aramco Company in the kingdom of Saudi Arabia.

In order to attain new opportunities in the market as well as to increase our market share, SinoTharwa has acquired 10 new Work over Rigs and pulling Units to increase its rig fleet to be a total of 32 Rigs as follows:

- Sixteen (16) Onshore Rigs (2000 HP– 1500 HP –1000 HP)

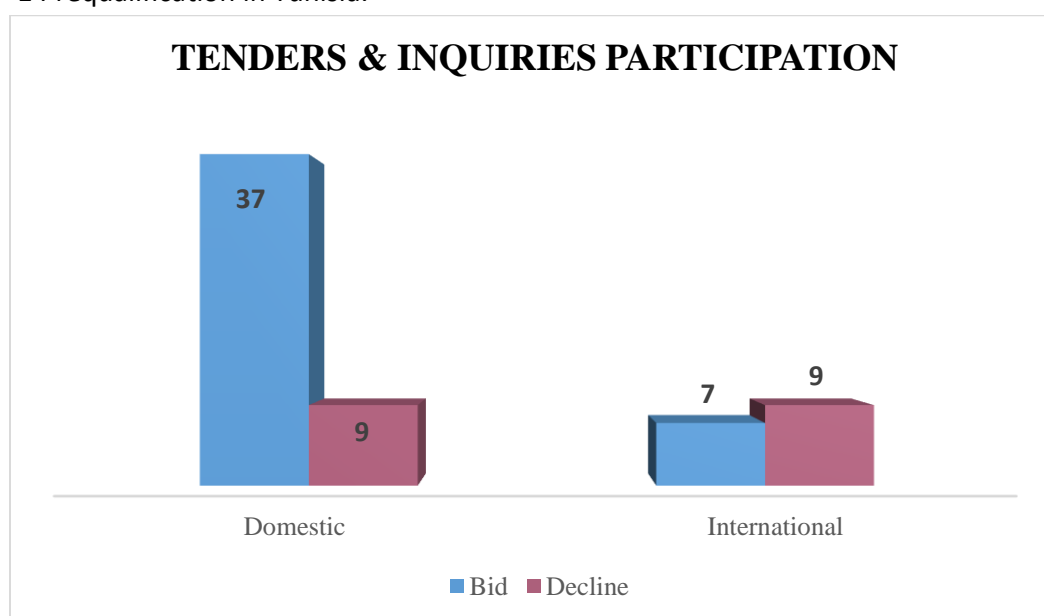
- Nine (9) work over rigs (550 HP)/ (650 HP)
- Six (6) Mud Logging Units
- Seven (7) Pulling Units
- One (1) offshore Rig (3200 HP)

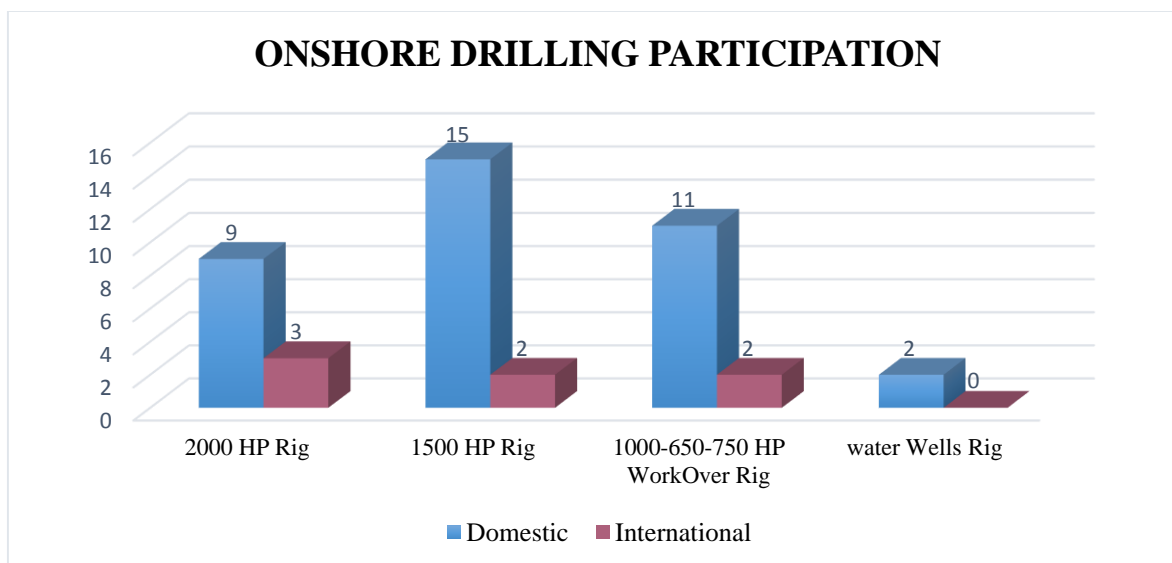
1. ONSHORE TENDERS & INQUIRES:

During 2016, we participated in a total of 44 tenders and inquiries and declined in 18 tenders due to the short term contracts duration.

Part of SinoTharwa international expansion plan, we have participated in 7 international tenders and prequalification as follows:

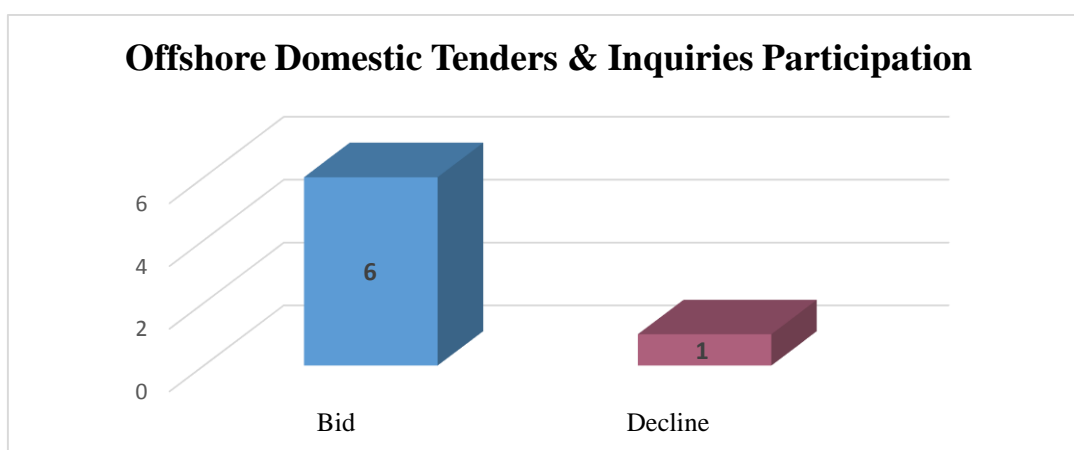
- 3 tenders and prequalification in Algeria
- 2 tenders in the Kingdom of Saudi Arabia
- 1 Prequalification in the state of Kuwait & Tunisia.
- 1 Prequalification in Tunisia.





2. OFF-SHORE TENDERS & INQUIRES:

SinoTharwa participated in 6 tenders in order to seek a long term contract for Bahari-1 Jack up with higher rate than the current applied rate. We commenced to offer Bahari-1 Jack up Rig internationally by submitting SinoTharwa prequalification documents to National Drilling Company in the United Arab of Emirates.



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. The Contracts department started its challenge to contract all services required to support the drilling operations. In order to select the most competitive contractors in the Algerian market, the Contracts Department has selected its suppliers through tenders and offers.

In 2016, Services contracts has been extended to cover the Drilling contracts period. In addition, new service Contracts have been signed such General services and supply, Security, Catering, Communication, Heavy and Light Transportation, water supply & waste Disposal Services etc.

SinoTharwa main goal is to gain more market share in the Algerian oil and gas market by seeking new long term drilling contracts through bidding in 3 new tenders during 2016 for Drilling and mud logging Services.

4. DRILLING CONTRACTS:

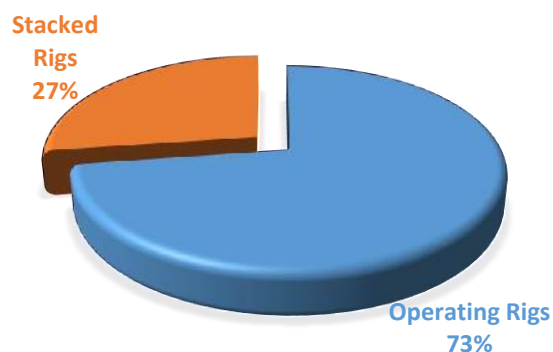
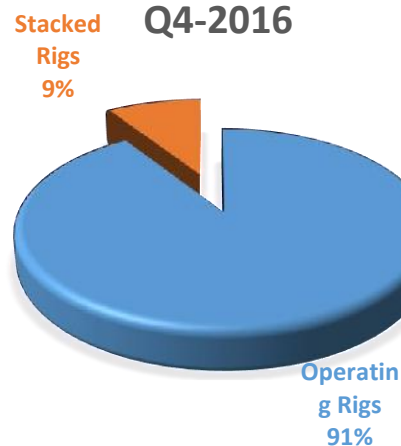
One of the main Challenges of SinoTharwa Contracts department in 2016 was to retain our current drilling operators contracts with the highest rates relative to the daily fluctuation of the oil Prices as well as to sustain long term contracts. Negotiation plans took place in order to maximum SinoTharwa profitability and to reach win-win situation with SinoTharwa main operators in order to survive the worldwide oil crisis.

RIG NAME	RIG FLEET DURING 2016
DRILLING RIGS	
ST-1	BELAYIM PETROLEUM COMPANY (PETROBEL) <ul style="list-style-type: none"> • Extended for Two years Firm ending 8 December 2016 • Under Maintenance & Inspection from 9 December 2016 till 1 March 2017 • Extended One Well firm plus One Well optional starting 1 March 2017
ST-2	WATER WELLS PROJECT <ul style="list-style-type: none"> • Operating from November 2015 till 3 November 2016 • Stacked from 4 November 2016 till 31 December 2016 WESTERN DESERT OPERATING PETROLEUM COMPANY (WEPCO) Awarded for 1 Year starting January 2017
ST-3	BELAYIM PETROLEUM COMPANY (PETROBEL) Extended for Two years ending 1 January 2017
ST-4	GENERAL PETROLEUM COMPANY (GPC) <ul style="list-style-type: none"> • Operating till 26 July 2016 • Stacked from 27 July 2016 till 5 December 2016 KHALDA PETROLEUM COMPANY Contracted for One year Firm starting 6 December 2016
ST-5	PETRO AMIR PETROLEUM COMPANY <ul style="list-style-type: none"> • Operating from December 2015 till 21 March 2016 • Stacked from 22 March 2016 RAS EL KHAIMAH GAS COMPANY Farm out (from Petro Amir) for one well firm starting from 25 May 2016 till 19 July 2016. GEBEL EL ZEIT PETROLEUM COMPANY Farm-out (from Petro Amir) for one well firm and Two wells optional starting from 11 August 2016 till 26 January 2017.
ST-6	Stacked from 26 June 2015 WATER WELLS PROJECT Operating from 17 May 2016

ST-7	<p>WATER WELLS PROJECT</p> <ul style="list-style-type: none"> • Operating from October 2015 till 3 November 2016 • Stacked from 4 November 2016 till 8 December 2016 <p>AGIBA PETROLEUM COMPANY Awarded for One Year firm and One year optional starting 9 December 2016</p>
ST-8	<p>AGIBA PETROLEUM COMPANY</p> <ul style="list-style-type: none"> • Extended for One Year starting from 1 July 2015 • Extended for 6 months firm plus 6 months optional starting from 1 July 2016
ST-9	<p>GENERAL PETROLEUM COMPANY (Farm out from petro Amir) Extended for two years firm starting from June 2016.</p>
ST-10	<p>KHALDA PETROLEUM COMPANY Stacked starting from 19 February 2016</p> <p>WATER WELLS PROJECT</p> <ul style="list-style-type: none"> • Operating from 16 May 2016 till 7 November 2016 • Stacked from 8 November 2016 till 29 November 2016 <p>APACHE PETROLEUM COMPANY Contracted for Two wells Firm starting 30 November 2016.</p>
ST-11	<p>BELAYIM PETROLEUM COMPANY (PETROBEL) Extended for Two Years starting from 8 January 2015</p>
ST-12	<p>BELAYIM PETROLEUM COMPANY (PETROBEL) Extended for Two Years starting from 8 January 2015</p>
WORK OVER RIGS	
ST-21	<p>AGIBA PETROLEUM COMPANY Extended for One year Firm ending 1 June 2017</p>
ST-22	<p>WATER WELLS PROJECT</p> <ul style="list-style-type: none"> • Operating from October 2015 till 26 October 2016 • Stacked from 27 October 2016 till 21 December 2016 <p>QARUN PETROLEUM COMPANY Contracted for one year Firm Ending June 2017.</p>
ST-23	<p>BELAYIM PETROLEUM COMPANY (PETROBEL) Contracted for one year Firm Ending March 2017.</p>
ST-24	<p>WATER WELLS PROJECT</p> <ul style="list-style-type: none"> • Operating till 25 November 2016 • Stacked from 26 November 2016 till 31 December 2016 <p>KHALDA PETROLEUM COMPANY Contracted for one year firm starting January 2017</p>
ST-25	<p>WATER WELLS PROJECT</p> <ul style="list-style-type: none"> • Operating from October 2015 till 17 January 2017

ST-26	EL WASTANI PETROLEUM COMPANY <ul style="list-style-type: none"> Extended for six Months firm and released on July 2016.
	WATER WELLS PROJECT Operating from October 2016
OFFSHORE RIG	
BAHARI-1	GULF OF SUEZ PETROLEUM COMPANY Extended for eight Months Firm starting
NON-OWNED RIGS	
TANMIA-1	Stacked from 19 December 2015 till 27 June 2016
	AL ALAMEIN PETROLEUM COMPANY
	<ul style="list-style-type: none"> Contracted two wells Firm starting from 28 June 2016 till 17 July 2016 Stacked from 18 July 2016 till 20 November 2016 Operating from 21 November 2016 till 31 December 2016
	GENERAL PETROLEUM COMPANY Farm-out (from Al Alamein contract) for six months starting January 2017.

SinoTharwa reached its goal to secure its Rig fleet during the oil crisis, during Q4-2015, 16 Rigs were operating and 6 rigs were stacked; however, in Q4-2016, SinoTharwa acquired 4 new contracts; accordingly, ST Operating Rigs reached 20 Rigs and the remaining non-operating Rigs were offered to several operators domestically and internationally

Q4-2015**Q4-2016**

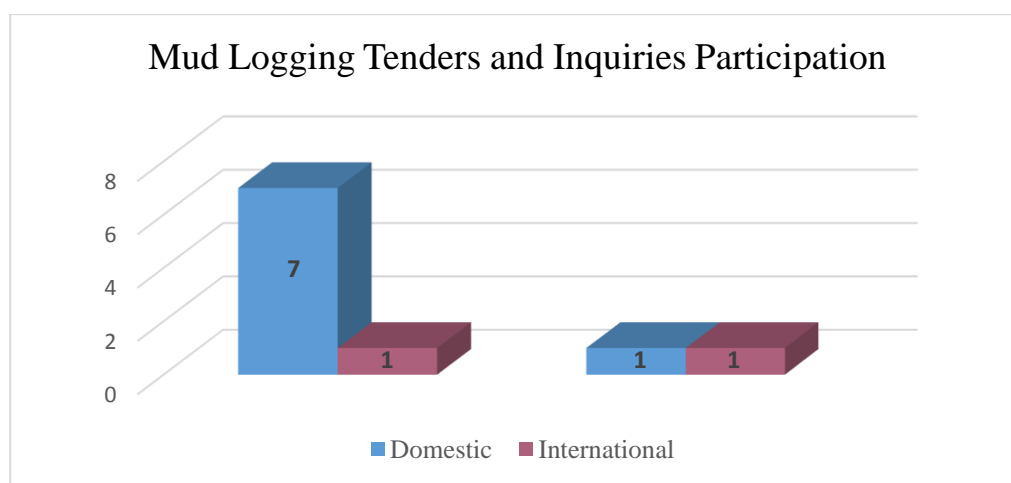
5. MUD LOGGING SERVICES :

SinoTharwa plan is to secure its current contracts for Mud Logging Units as well as to acquire new contracts in order to expand SinoTharwa market share in the mud logging services in Egypt; as summarized below:

- Petrosilah Petroleum Company and El Manousra Petroleum Company contracts have been extended for 2 years firm.
- Qarun Contract has been Farm-out to Alamein Petroleum Company for 1 year firm.
- One Unit has been contracted with Petrobel upon being awarded in a tender for to 2 years firm.

UNIT	OPERATOR	CONTRACT DURATION	CONCESSION/FIELD
CMS Unit # 1	Petrosilah Petroleum Company	Extended for 2 Years Contract Duration till 19 July 2017	Fayoum Western Desert
CMS Unit# 2	Alamein Petroleum Company (Farm-out from Qarun Contract)	1 Year till 21 of June 2017	Alamien Operations Field in the Western Desert
CMS Unit # 3	Mansoura Petroleum Company	Extended for 2 Years Contract till 31 January 2018	Nile Delta
CMS Unit # 4	Qarun Petroleum Company	2 Years Contract Duration till 14 December 2017	Qarun Operations Field inside the Western Desert
CMS Unit # 6	Petrobel	2 Years till 30 April 2018	Gulf of Suez and onshore Nile Delta Activities

As part of SinoTharwa plan is to expand our Mud logging market share in Egypt as well as to start our international expansion; we have participated in 7 domestic mud logging tenders and 1 international mud logging tender, and 1 international tender has been declined due to the short contract duration.



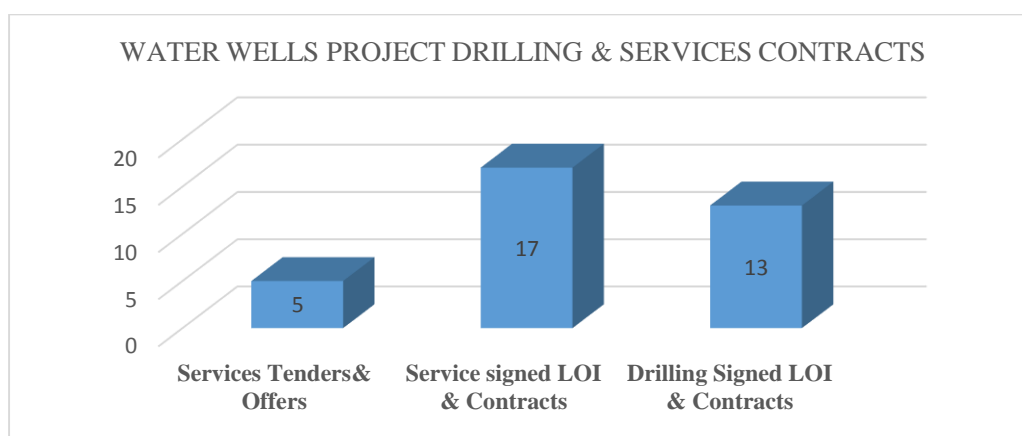
6. WATER WELL PROJECT:

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

The Contracts Department supported the drilling activities in the Water wells Projects by issuing the needed tenders and quotation requests in order to select the best service provider with the best market price; accordingly, 6 tenders and offers have been launched for heavy transportation services, camp rental and supply, steel fabrication and water well testing ...etc

The following contracts have been signed:

- 13 Signed drilling contracts on a turnkey basis, Daily rate basis.
- 17 Letter of Intent and Service contracts for location preparation & road pavement, Catering and housekeeping services, rental water tankers, testing pump, etc.



In March 2016, SinoTharwa was assigned by the Ministry of Defense to execute 15 wells with average depth ± 1000 meters at El Farafra area, where SinoTharwa has successfully completed the assigned wells and the Contracts department started to support the drilling activities by selecting the best contractors through collecting offers and issuing tenders to provide all the required services as transportation, catering & housekeeping, cementing, wire logging, Rig moves ...etc

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

Project Assigned Rigs are as follows:

Rig	Commencement date
ST-2	November 2015
ST-6	May 2016
ST-7	October 2015
ST-10	May 2016
ST-22	October 2015
ST-24	March 2016
ST-25	November 2015

SERVICES SECTION:

During 2016, SinoTharwa succeeded to keep its optimization plan initiated during 2015, and extended its applied discount on services contracts as follows:

SERVICES DESCRIPTION	DISCOUNT APPLIED
Catering & Housekeeping Services	15%
Heavy Transportation Services	15%
Machine Shop Services : - Repair Services - Fabrication Services	10% 20%
Tubular Inspection services	4% to 83% (based on items description)
Repair & Calibration for Rig Instrumentation	10%
Vsat Communication Services	10% to 21.9%
Rental Of Solid Control	15%

Similar to the Drilling section, the services market faced severe conditions summarized the change in the tax system by imposing of the value-added tax (VAT) of 13%, the government increased the fuel prices, in addition to the currency float in Nov. 2016 where the Egyptian pound lost half its value against the dollar.

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:

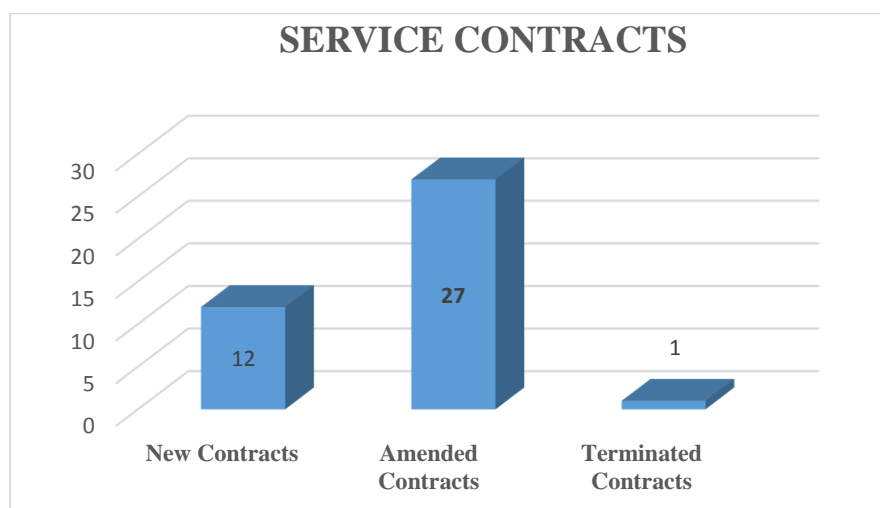
In order to support other departments, the Contracts department launched service tenders and collected offers such as complete camps supply at Abu Rudies Area, sandblasting and painting and heavy transportation services...etc in order to select the best contractors offering the best quality with competitive prices available in the Egyptian market

Due to the economic changes in the Egyptian market, the transportation sector and the Catering sector were the most affected services by the currency floatation and fuel prices increase; accordingly, based on several requests received from our main Contractors, the Contracts department studied the current contracts rates through issuing market surveys and tender to avoid any drop in SinoTharwa QHSE standards and reach a win-win situation with our long-term contractors in order to survive the turbulent market situation.

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, and price and delivery time.

Through the year, 40 new contracts and addenda had been issued with different service providers (Location Preparation services, General repair & Fabrication services, Medical services, Lifting Gears and Tubular Inspection Services, Guarding Services, etc.) after being accepted by the QHSE department as well as the user department.



SEISMIC SERVICES:

Based on SinoTharwa plan to expand its activities in the oil and gas market; SinoTharwa has Signed an Agreement with Sinopec Geophysical Corporation for Seismic Services and accordingly; SinoTharwa completed its related registration process in EGPC to continue its long successful cooperation with Sinopec group

INSURANCE SECTION:

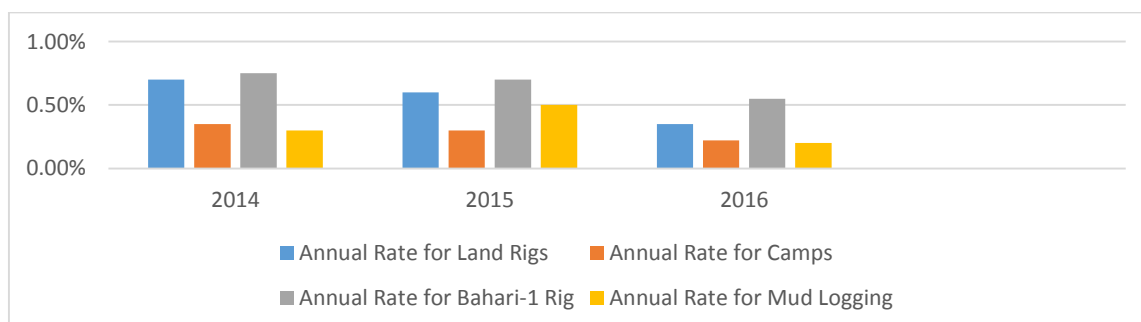
One of our main objectives is to protect and insure SinoThawra's assets and operations through appropriate and adequate insurance coverage to alleviate potential risks.

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.

In order to reach the best cost optimization strategy in the insurance aspects for applying the best rates available in the insurance Market, SinoTharwa decided to get several offers from 'A' Class brokers in the international Insurance Market to be able to negotiate and determine the best rates for year 2016. Since the insurance rates are mainly offered from the Insurance underwriters outside Egypt during the reinsurance process and such coverage shall be through Misr Insurance Company as the main Insurance Company in Egypt and 100% Egyptian Governmental Company with its experience in the oil and gas sector and its related Insurance terms and Conditions.

After evaluating all the received offers, SinoTharwa Insurance coverage has been renewed for one year starting from 1 April 2016 till 31 March 2017 by Reducing the rates compared to year 2015 rates as follows:

- 42% Reduction for Land Rigs
- 27% Reduction for Camps,
- 21% Reduction for Bahari-1 Jack Up Rig
- 60% Reduction for Mud Logging Units insurance coverage.



FINANCE DEPARTMENT

FINANCIAL HIGHLIGHTS

Amount Presented in Million USD

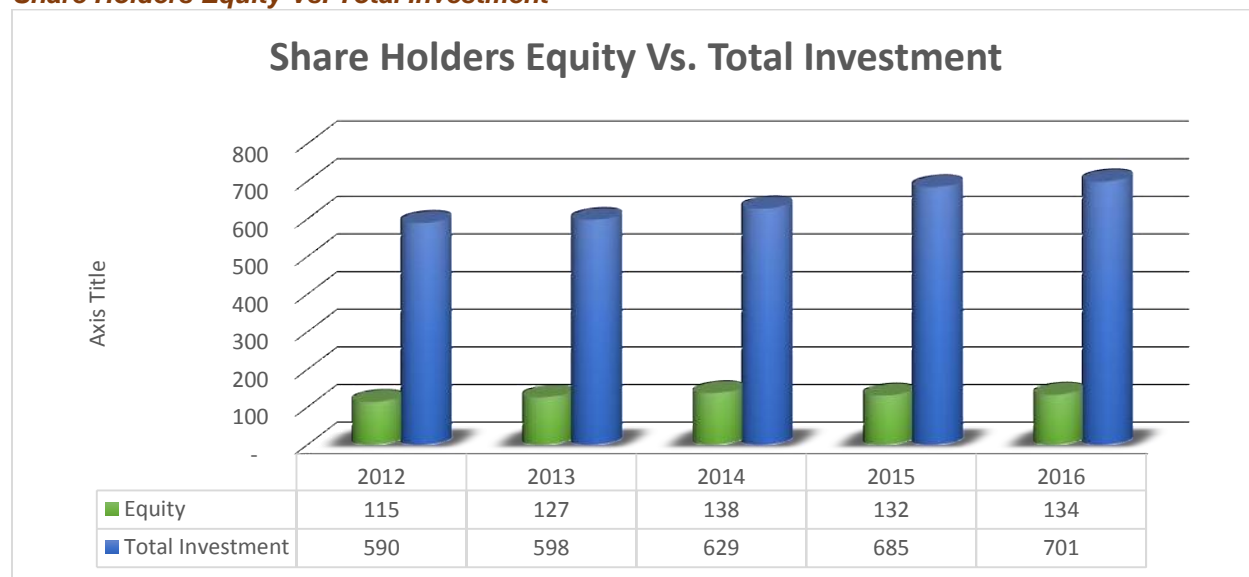
Description	2016	2015	2014
Revenue	118.76	116.64	146.71
Net Profit	2.06	0.49	17.64
Shareholders' Equity	134.31	132.26	138.28
Total Capital Investment	701.09	685.24	629.21
Fixed Assets	631.88	594.10	583.39
Accumulated Depreciation	216.10	206.38	177.36
Project under Construction	24.99	73.19	31.10
Inventory	32.44	29.42	27.20
Receivables	29.01	18.24	16.66
Operating Expenses	96.14	89.30	98.32
Collection	112.19	129.90	157.83
Interest Payment (Included Capital Interest)	17.73	18.48	18.20
Installments Paid	26.83	34.23	45.49

Description	2016	2015	2014
Return On Investment Rate	0.39%	0.09%	3.46%
Return On Equity Rate	1.54%	0.36%	13.30%
Financial leverage	2.91	3.01	2.67

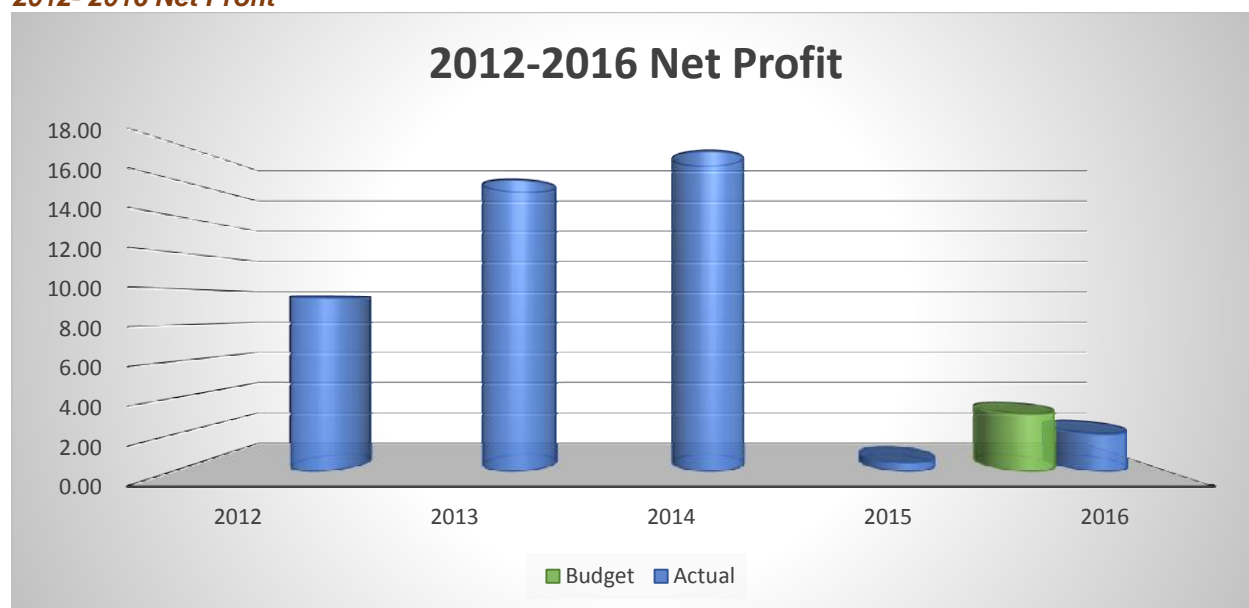
FINANCIAL SITUATION

COMPANY'S DEVELOPMENT

Share Holders Equity Vs. Total Investment



2012- 2016 Net Profit



INDEPENDENT AUDITOR'S REPORT



MOSTAFA SHAWKI & CO

*Translation of Auditors' Report**Originally Issued in Arabic*

INDEPENDENT AUDITOR'S REPORT

To the Quota Holders of Sino Tharwa Drilling Company

"A Limited Liability Company Private Free Zone"

Report on the Financial Statements

We have audited the accompanying financial statements of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone"**, which comprise the balance sheet as of December 31, 2016, 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.

INDEPENDENT AUDITOR'S REPORT



MOSTAFA SHAWKI & CO

Translation of Auditors' ReportOriginally Issued in ArabicOpinion

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, 2016, 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.

Explanatory Paragraph

- On July 9, 2015, the Minister of Investment decree No. 110 of 2015 was issued regarding the revised Egyptian Accounting Standards to replace the previous Egyptian Accounting Standards issued by virtue of the Ministerial decree (No. 243) of 2006 to be applied on entities that begin their financial year on January 1, 2016.
- On November 3, 2016, the Central Bank of Egypt announced the floatation of the Egyptian Pound exchange rate against the foreign currencies. The Central Bank of Egypt granted the banks operating in Egypt to price the purchase and sale of foreign exchange operations (No.24).

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 26, 2017

Dr. Ahmed Shawki

MAZARS MOSTAFA SHAWKI



BALANCE SHEET AS OF 31 DECEMBER 2016

(Amounts Expressed in US Dollar)

Description	31/ 12/ 2016	31/ 12/ 2015
Non-Current Assets		
Fixed assets	415,783,525	387,719,102
Projects under construction	17,992,240	56,719,865
Inventory of fixed asset spare part	7,002,277	16,474,279
Financial lease down payment	2,992,974	--
Total Non-Current Assets	443,771,016	460,913,246
Current Assets		
Inventory	32,442,543	29,418,184
Accounts receivables	29,009,275	18,239,637
Debtors and other debit balances	12,345,923	14,670,627
Cash and cash equivalent	8,073,466	7,631,559
Total Current Assets	81,871,207	69,960,007
Total Assets	525,642,223	530,873,253
Quota Holders Equity:		
Capital	80,000,000	80,000,000
Legal reserve	7,762,445	7,737,856
Retained earnings	44,494,860	44,027,678
Net Profit for the year	2,055,455	491,771
Total Quota Holders Equity	134,312,760	132,257,305
Non-Current Liabilities		
Long term loans	201,700,396	238,564,857
Deferred Revenue for more than a year - Financial Lease	9,385,705	--
Total Non-Current Liabilities	211,086,101	238,564,857
Current Liabilities		
Provisions	156,888	328,254
Bank Overdrafts	51,171,490	50,275,717
Creditors and other credit balances	37,961,910	43,050,467
Loans annuities due within a year	64,815,903	48,966,992
Deferred Revenue - Financial Lease	2,681,630	--
Transaction with Related Parties	23,455,541	17,429,661
Total Current Liabilities	180,243,362	160,051,091
Total Quota Holders Equity and Liabilities	525,642,223	530,873,253

INCOME STATEMENT FOR THE YEAR ENDED 31, DECEMBER, 2016

(Amounts Expressed in US Dollar)

Description	31/12/ 2016	31/12/ 2015
Operating revenue	118,760,462	116,640,416
Deduct:		
Operating expenses	(96,142,329)	(89,295,362)
Gross Profit	22,618,133	27,345,054
Add:		
Credit Interest	93,992	3,888
Other revenue	152,229	82,671
Net capital gain	637,336	112,353
Currency differences gains	8,355,487	489,972
Provisions no longer required	33,947	229,650
Deduct:		
General & administrative expenses	(10,112,008)	(10,292,757)
Financing expenses	(17,218,737)	(16,016,962)
Finance lease installment	(999,900)	--
Administrative expense - Financial lease	(228,648)	--
Finance lease down payment amortization	(213,785)	--
Equipment Depreciation	(962,440)	(1,147,487)
Board of directors' remuneration	(73,394)	(77,829)
Provisions formed during the year	(26,757)	(236,782)
Net Profit for the year	2,055,455	491,771

CASH FLOW STATEMENT FOR THE YEAR ENDED 31, DECEMBER, 2016

(Amounts Expressed in US Dollar)

Description	31/12/2016	31/12/2015
Cash Flow from Operating Activities:		
Net profit for the year	2,055,455	491,771
Adjustments		
Fixed assets depreciation	29,390,253	32,047,614
Provisions made during the year	26,757	236,782
Provisions used during the year	(708)	--
Provisions no longer required	(33,947)	(229,650)
Finance lease down payment amortization	213,785	
Capital (gain)	(637,336)	(112,353)
Operating Profit before changes in working capital	31,014,259	32,434,164
Working Capital Changes		
Change in inventory	(3,024,359)	(2,220,001)
Change in accounts receivable	(10,769,638)	(1,578,613)
Change in debtors and other debit accounts	3,179,839	(1,755,845)
Change in creditors and other credit accounts	(5,252,025)	19,247,811
Change in Transaction with Related Parties	6,025,880	5,854,241
Net Cash Flow from operating activities	21,173,956	51,981,757
Cash Flow from Investing activities		
Proceeds from sale of fixed assets	15,233,120	312,628
(Payments) for purchase of fixed assets	(8,176,293)	--
(Payments) for projects under construction	(17,141,101)	(45,212,351)
change in inventory of fixed assets spare parts	9,472,002	(10,824,685)
Net Cash Flow (used) for Investment Activities	(612,272)	(55,724,408)
Cash Flow from Financing Activities		
(Payment) of Installment for long term loan	(26,825,288)	(34,226,855)
Proceed from Installment for long term loan	5,809,738	41,518,441
Paid profit dividends	--	(6,516,509)
Net (decrease) Cash Flow from Financing Activities	(21,015,550)	775,077
Net change in cash and cash equivalent	(453,866)	(2,967,574)
Cash and cash equivalent beginning balance	(42,644,158)	(39,676,584)
Cash and cash equivalent ending balance	(43,098,024)	(42,644,158)
Cash and Cash equivalent represent:		
Cash and cash equivalent	8,073,466	7,631,559
Bank overdrafts	(51,171,490)	(50,275,717)
	(43,098,024)	(42,644,158)

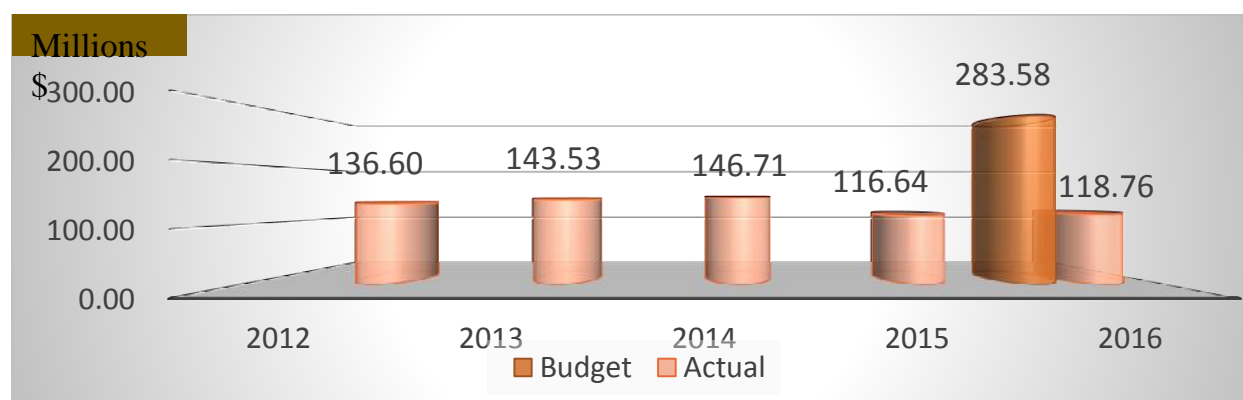
CHANGING IN QUOTA HOLDERS EQUITY STATEMENT FOR THE YEAR ENDED 31, DECEMBER, 2016

(Amounts Expressed in US Dollar)

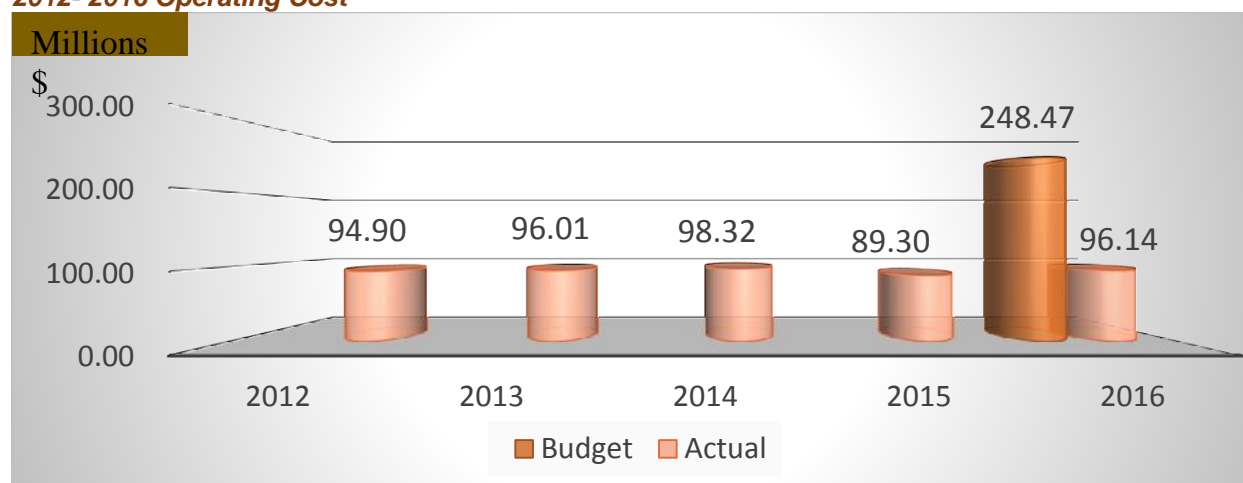
Description	Capital	Legal Reserve	Retained Earnings	Total
Quota holders equity as at January 1, 2015	80,000,000	5,973,501	52,308,542	138,282,043
Profit Dividends 2014	--	--	(6,516,509)	(6,516,509)
Transferred to legal reserve	--	1,764,355	(1,764,355)	--
Net profit for the year	--	--	491,771	491,771
Quota holders equity as at December 31, 2015	80,000,000	7,737,856	44,519,449	132,257,305
Quota holders equity as at January 1, 2016	80,000,000	7,737,856	44,519,449	132,257,305
Transferred to legal reserve	--	24,589	(24,589)	--
Net profit for the year	--	--	2,055,455	2,055,455
Quota holders equity as at December 31, 2016	80,000,000	7,762,445	46,550,315	134,312,760

FINANCIAL SITUATION

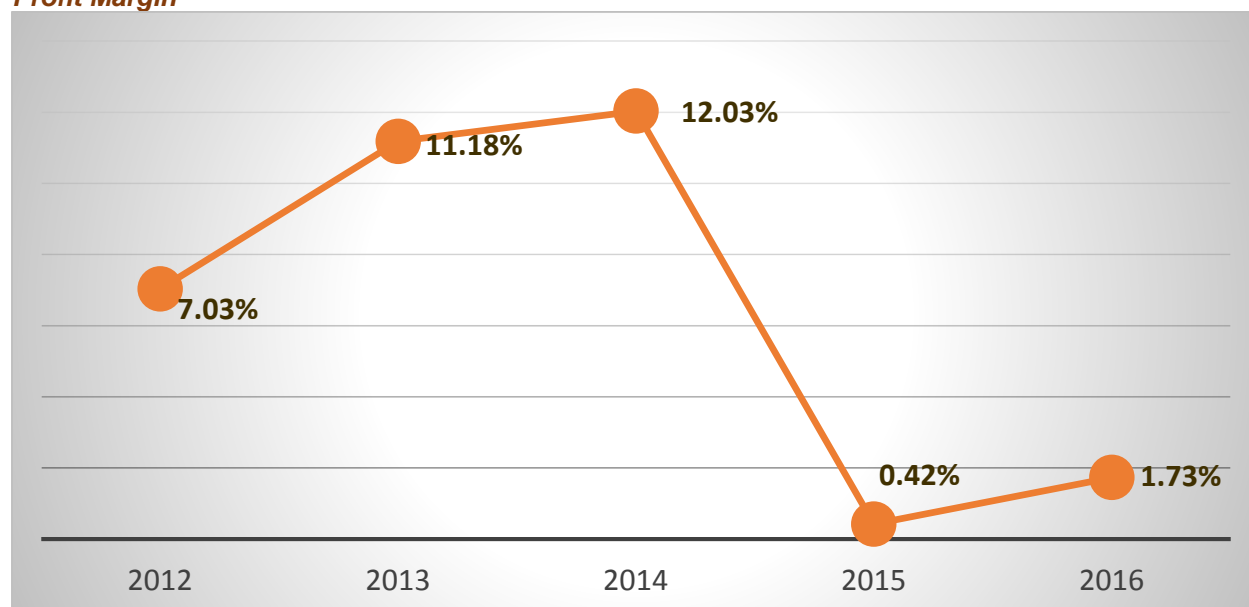
2012- 2016 Total Revenue



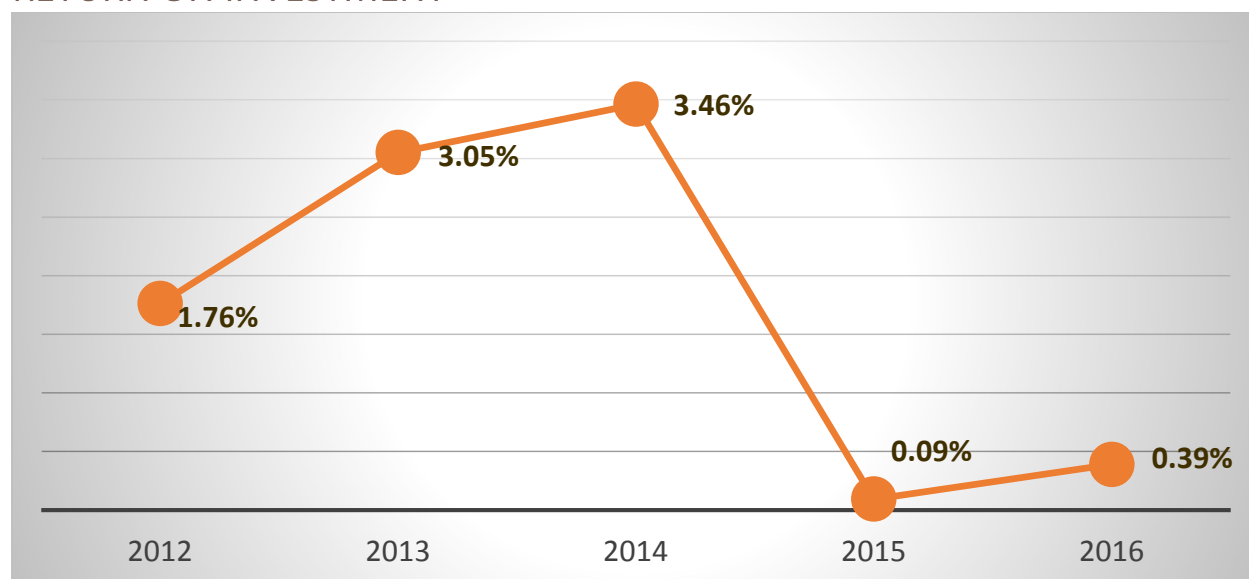
2012- 2016 Operating Cost



FINANCIAL SITUATION RATIOS

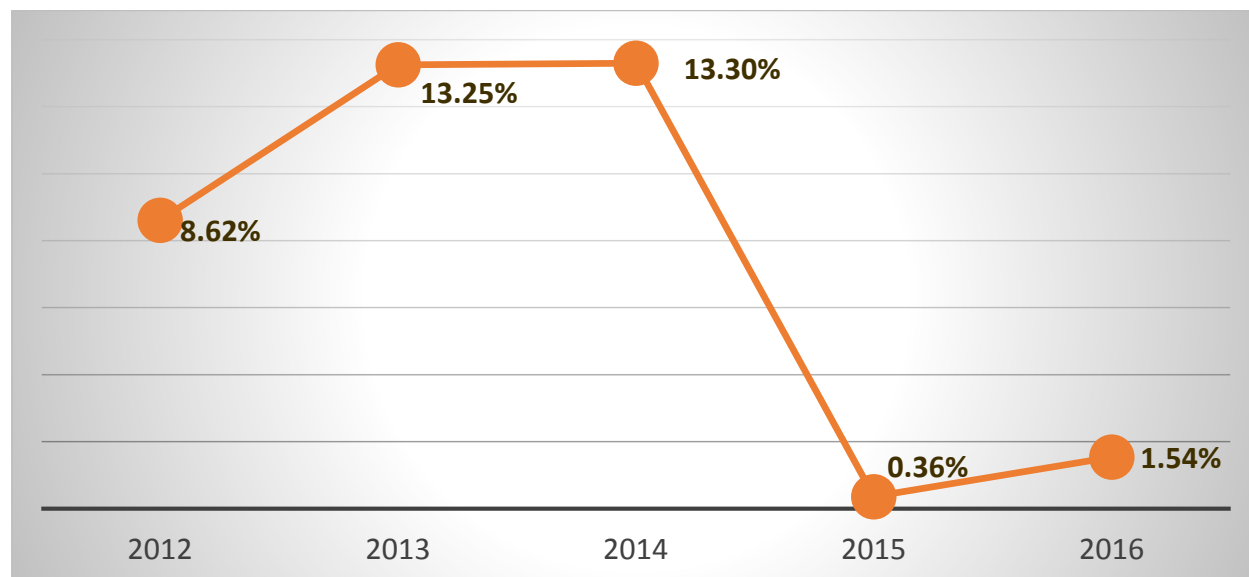
Profit Margin

RETURN ON INVESTMENT

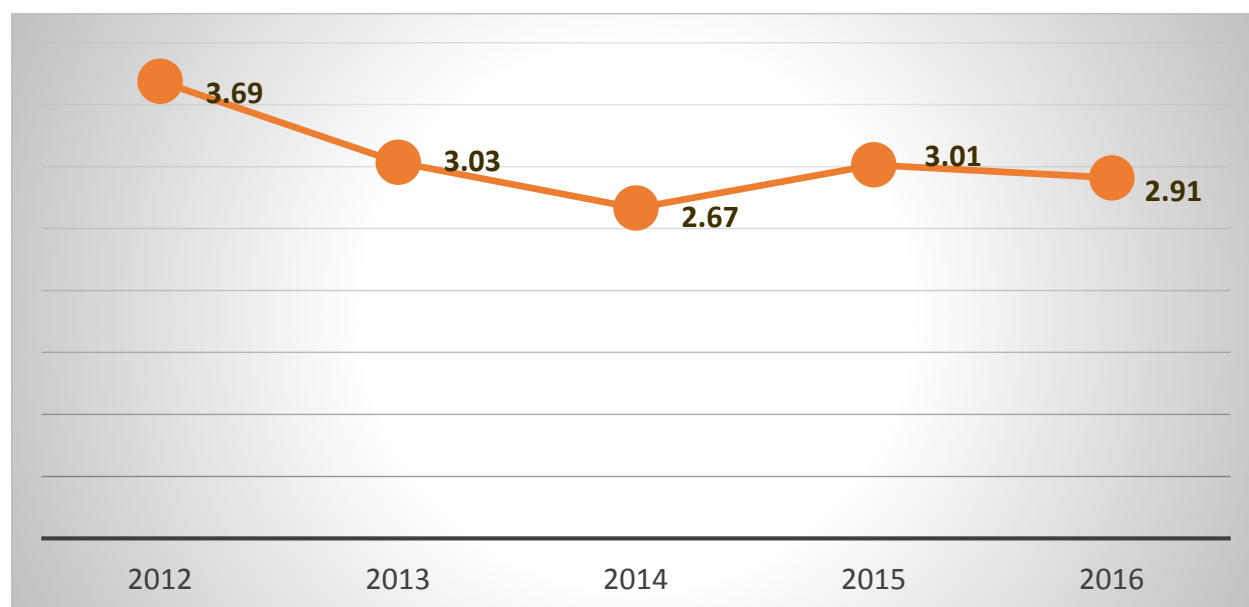


FINANCIAL SITUATION RATIOS

Return on Equity



Financial leverage



TRANSPORTATION DEPARTMENT

Transportation department seeks to support all the company service activities during all stages of the executing business needs by our safety Matrix.

Support the achievement of the highest utilization and the safest operations efficiently. Through responsiveness in order to meet our Company needs with the best efficiency and effectiveness, building mutual benefit relationships with our partners & subcontractors.

Our vision

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

Our mission:

- ❖ Perform all maintenance requests for the company fleet.
- ❖ Developing quality as Standardization.
- ❖ Enhance our Operation Rig Move by certified equipment, high efficiency and effectiveness.
- ❖ Providing advices and counsels.
- ❖ Prequalifying subcontractors to meet our needs.
- ❖ Conducting the Physical assessment by QHSE Matrix standard levels.
- ❖ Determining proper actions.
- ❖ Enhance our Fleet by adding new subcontractors and developing our Drivers.
- ❖ Activate ERP System to support company needs.

Goals:

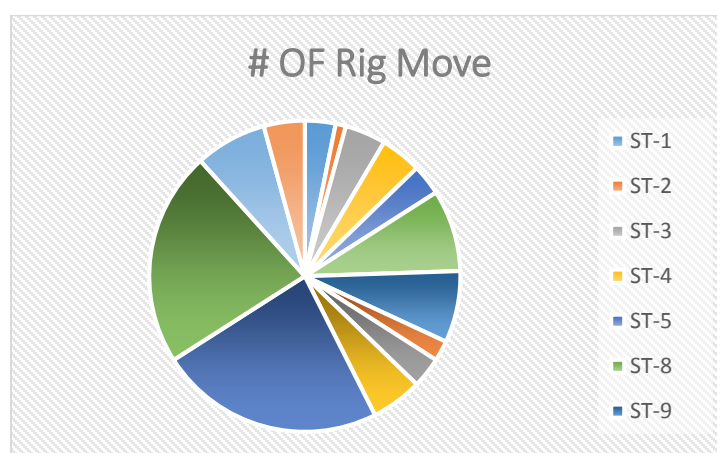
In preparing the performance-based transportation plan, it is useful to distinguish between goals and objectives.

RIG MOVE CHALLENGE

Rig Move Division seeks to obtain the highest-quality services movement at the lowest possible cost, we undertake each move, with specific planning and co-ordination with the Clients and our base-force. Everything is coordinated well so as to get the move done at the least possible time. Rig “down-time” is a costly affair. Rig Move Team is keen to assess subcontractors annually based on QHSE Matrix.

Oil Wells Rig Move

ST#	Count Of Rig Moves
ST-1	3
ST-3	4
ST-4	4
ST-5	3
ST-8	8
ST-9	7
ST-10	2
ST-11	3
ST-12	5
ST-21	22
ST-23	21
ST-26	7
Tanmia	4



Water Well Project

Water well drilling is a new challenge project with different techniques by choosing high qualified subcontractors to commit our challenges in WEST ELMENIA & ELFARAFRA for Rig Move and vehicles required.

ST#	Drilling Area
ST-24	ELMENIA
ST-22	ELMENIA
ST-7	ELMENIA
ST-2	ELMENIA
ST-10	ELMENIA
ST-6	ELMENIA
ST-2	EL FARAFRA

Maintenance

Auto maintenance describes the act of inspecting or testing the condition of car subsystems (e.g., engine) and servicing or replacing parts and fluids. Regular maintenance is critical to ensure the safety, reliability, drivability, comfort and longevity of a car. During preventive maintenance, a number of parts are replaced to avoid major damage or for safety reasons, e.g. timing belt replacement

VEHICLES PREVENTIVE MAINTENANCE

Preventive maintenance (PM) inspections are basic inspections to help provide an opportunity to detect and repair damage or wear conditions before major components need repairs.

These inspections generally cover:

- A list of specific items to be checked
- Record repairs and the routine application of fluids
- Indicate inspection interval (i.e., daily or weekly); and mileage
- Indicate if repair/replacement needed for an item

Also We have many problems in diesel and this affects negatively on the company's vehicles and that's cost more expenses in changing fuel pump, fuel injector, more filters.

So we installed extra purifier before primary fuel filter in order to increase the fuel filtration

We finished from Mainsheet of transportation new codes on Category (Transportation)

Driver Courses

Safe driving

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

So all company drivers and drivers for contractor crew change buss are well trained and they have defensive drive course

License & insurance

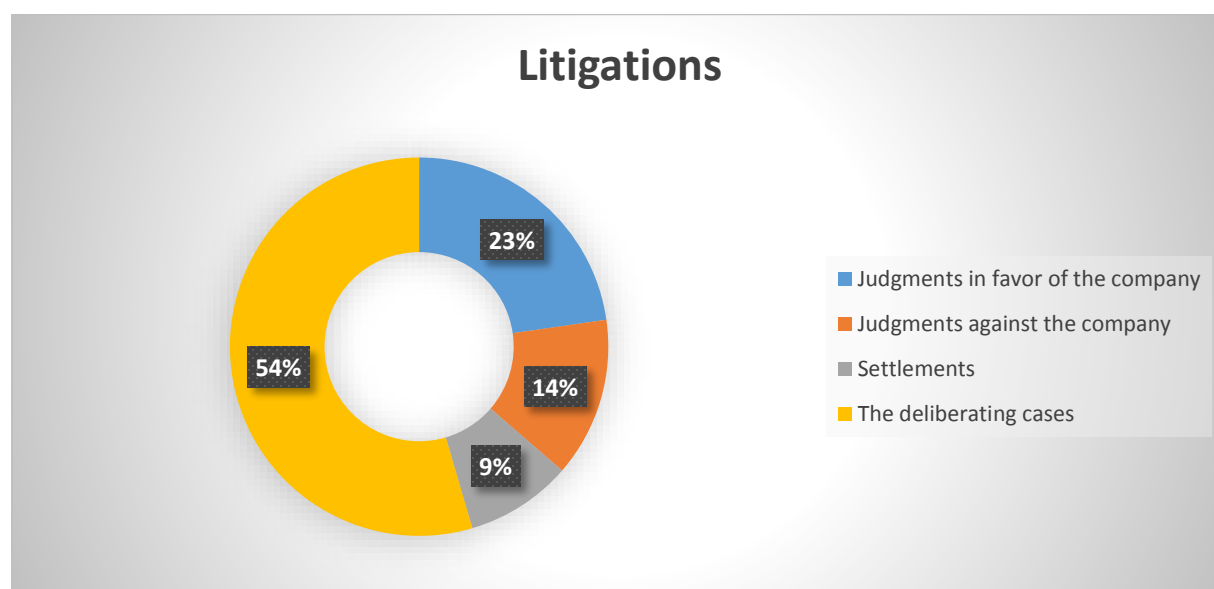
We add this sector at last quarter 2015 by Sinotharwa staff to save the money and time.

Badr Yard logistics

We are providing equipment and means of the necessary transport and conformity with the terms of occupational safety and health to the highest level so as to ensure the level of service and the preservation of individuals, property and the jungle for easy and provide mobility of Badr Yard to 20 rigs in different provinces always keen on high level of service to end all transport tasks.

LEGAL DEPARTMENT

LITIGATION REPORT



Court Case During 2016	Judgments in favor of the company	Judgments against The Company	Settlement	The deliberating cases
21	5	2	2	12

INVESTIGATION REPORT

Investigation cases during 2016	21
Reviewed contracts	48

CONTRACTS REVIEWING REPORT

- Authentication of Company Assembly & Board Members minutes.
- Company Tax Card renewal
- Company license activity renewal
- Issuance of the Security Acceptance for the Chinese Managers.
- Issuance of the investment residence visa for the Chinese General Manager.
- Legal objection notice on social insurance fees for water well project at El Mania area.
- Disputes committee following up.

EARNED & SAVING

Saving Dues	44,644,527.18 EGP
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MUD LOGGING SERVICES

- Sinotharwa started the Mud Logging project since 2012 as Integrated Services.
- Sinotharwa registered in EGPC, EGAS, GANOPE, GUPCO KHALDA, Qarun, Bapetco, Agiba and Petrobel as MLC.
- The First unit was started operating with the first client, PetroSilah, since May 2013 in El Fayoum with 100% Profitability.
- The second mud logging unit started operating with El Mansoura Oil Company in Nile Delta on March 2014. The contract renewed till 2018.
- SinoTharwa won a tender of three Mud Logging units with Qarun Petroleum Company in December 2015 and the Third mud logging unit started operating.
We purchase another THREE new Mud Logging Units, Recently, Sinotharwa owned a Six Mud Logging Units and planned to add another TWO Units.
- SinoTharwa won the tender with Petrobel and our Mud Logging Unit started operating since May 2016.
- Gupco farmed out our ML contract with Petrobel will start the operation with our offshore rig Bahari-1.
- We provide our services to our clients in Egypt (PetroSilah, El Mansoura, El Alamein, Qarun, Petrobel and Gupco.)

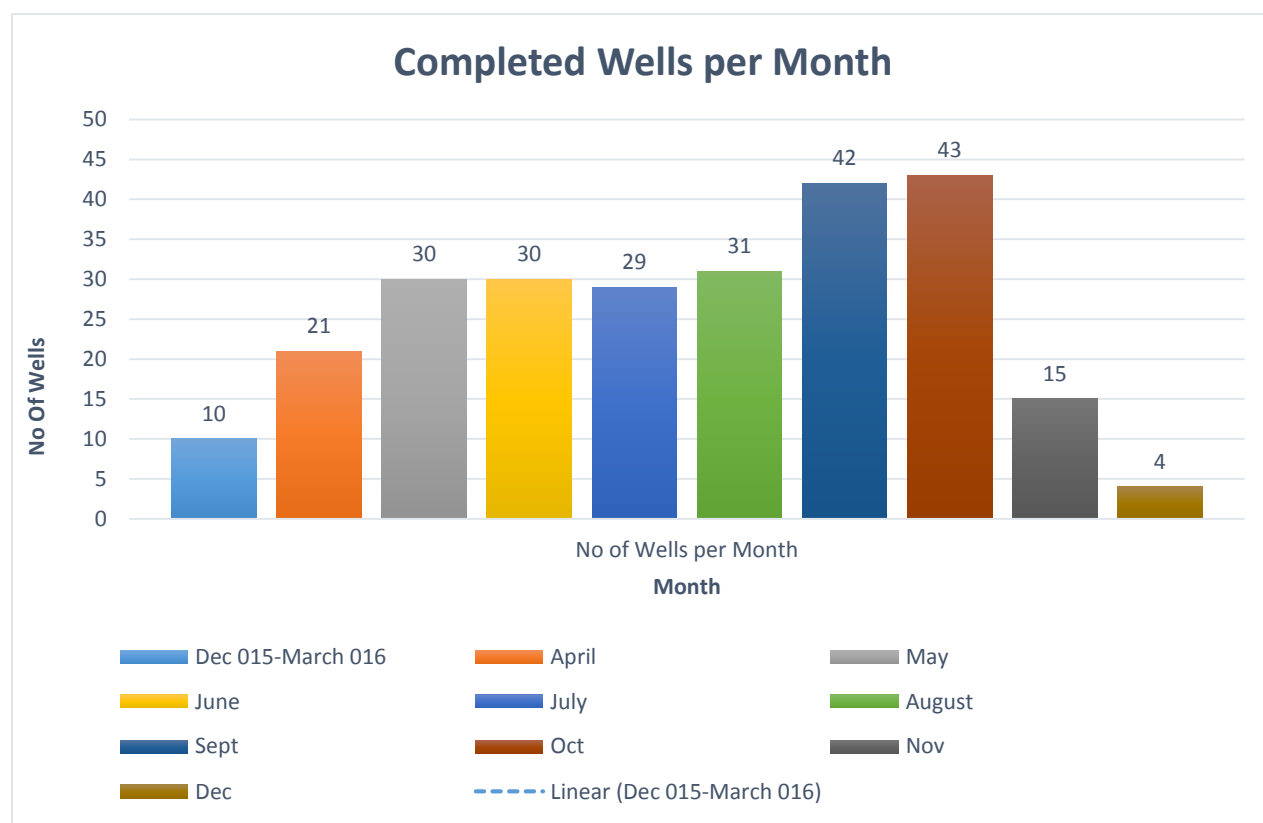


WATER WELLS DEPARTMENT

- Number of completed wells: 255
- Project completion period: one year
- Project Start date: 27.10.2015
- Number of rigs sharing in the project: 4 Rigs
- No. of companies sharing in the project : 5EA
- wells locations preparation with average 1,000 KM2
- 378 KM of the road had been prepared with average 1,890 KM2
- ± 1200 persons are in direct man power
- ± 350 persons are in- in-direct man power

COMPLETED WELLS

Month	Nov 015-March 016	April	May	June	July	August	Sept	Oct	Nov	Dec	Total
No of Wells per Month	10	21	30	30	29	31	42	43	15	4	255



Sinotharwa Drilling company



2016 Annual Report

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