

## **Appreciation**

In recognition of the wise strategy and the marvelous future vision set by His Excellency Eng. Sameh Fahmy Minister of Petroleum to expand and develop the drilling field in Egypt, which afforded the absolute success for SinoTharwa Drilling Company.

SinoTharwa Drilling Company's Management would like to express its deep appreciation for the generous support donated continuously and graciously by His Excellency for reinforcing SinoTharwa Drilling Company on the map of Drilling and Working over Companies in Egypt.

The challenge of the first two rigs arrival without the availability of the work space for the main office in Cairo or the enough manpower either in the main office or the technical personnel for the rigs that SinoTharwa management had faced at the company start up phase was a great motivation for gaining success for this phase.

The great support we had from the two Shareholders (Tharwa Petroleum Company and Sinopec Star) in enduing a temporary work space, the required cash for starting up the company's activities and in the meantime having loan for facilitating earning the additional equipment / materials for the rigs, had a great effect in earning all the requirements for the company start up.

From the beginning of SinoTharwa company there were a great team consist of the board of directors members and the employees whose had did a great efforts from the day the responsibilities had assigned for them. They had done great efforts in enduing most of the company requirements for the company's work start up. In the meantime the great teamwork spirit – one of the company features from the start up phase till now – is the secret of putting the company on the right track in the our working field as a drilling and working over contractor which we hope and work on to be pioneers in such a field in Egypt and Middle East.

When we had the great honor of commanding SinoTharwa, from His Excellency Eng. Sameh Fahmy the Ministry of Petroleum it gave us a great motivation to accomplish the best for this company and this led to work as hard as we could in order to reach the required level for our company, in the meantime to achieve the goal of the company establishment. The unlimited support yielded by His Excellency Minister of Petroleum helped us to achieve this vision. When His Excellency attended the ceremony of signing contract of fabricating some of our rigs in China gave us more motivation for developing our company and putting it on the Drilling and working over contracts' map.

In year 2006, SinoTharwa had raised the investment from the working capital – which was 18 million USD – to 82 million USD and owned 7 Rigs in such a short period.

From our beginning we worked on developing our technical personnel on the rigs and our employees in the main office, also we managed to hire professional employees and enduing direct and indirect work opportunities for more than five hundreds for technical and non-technical positions through the last year, this is according to His Excellency Minister of Petroleum instructions for enduing work opportunities for youth as a trial of solving part of the unemployment problem.

Finally, I would like to thank everyone supported in the company success and I hope to continue in this way all a way long.

**Ali Salem Mobarak**

**Chairman**

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# Company's General Information

## Company's Formulation

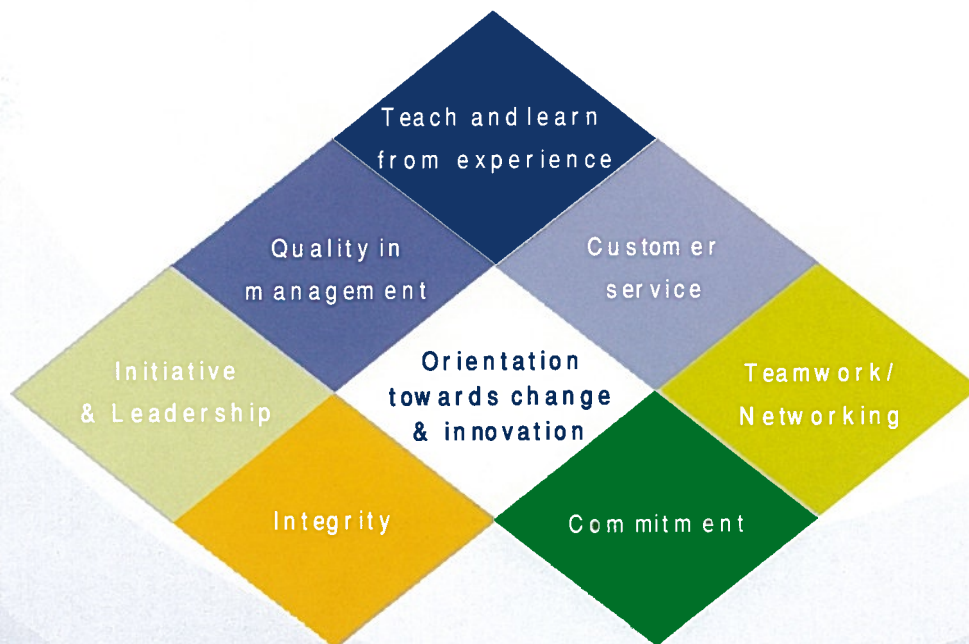
SinoTharwa Drilling Company is Limited Liability Company Private Free Zone formulated on 05th September 2005 with initial working capital of 18 million US Dollars equally divided between the two share holders (Tharwa Petroleum Company & Sinopec Star Petroleum Company).

## Our Mission in SinoTharwa

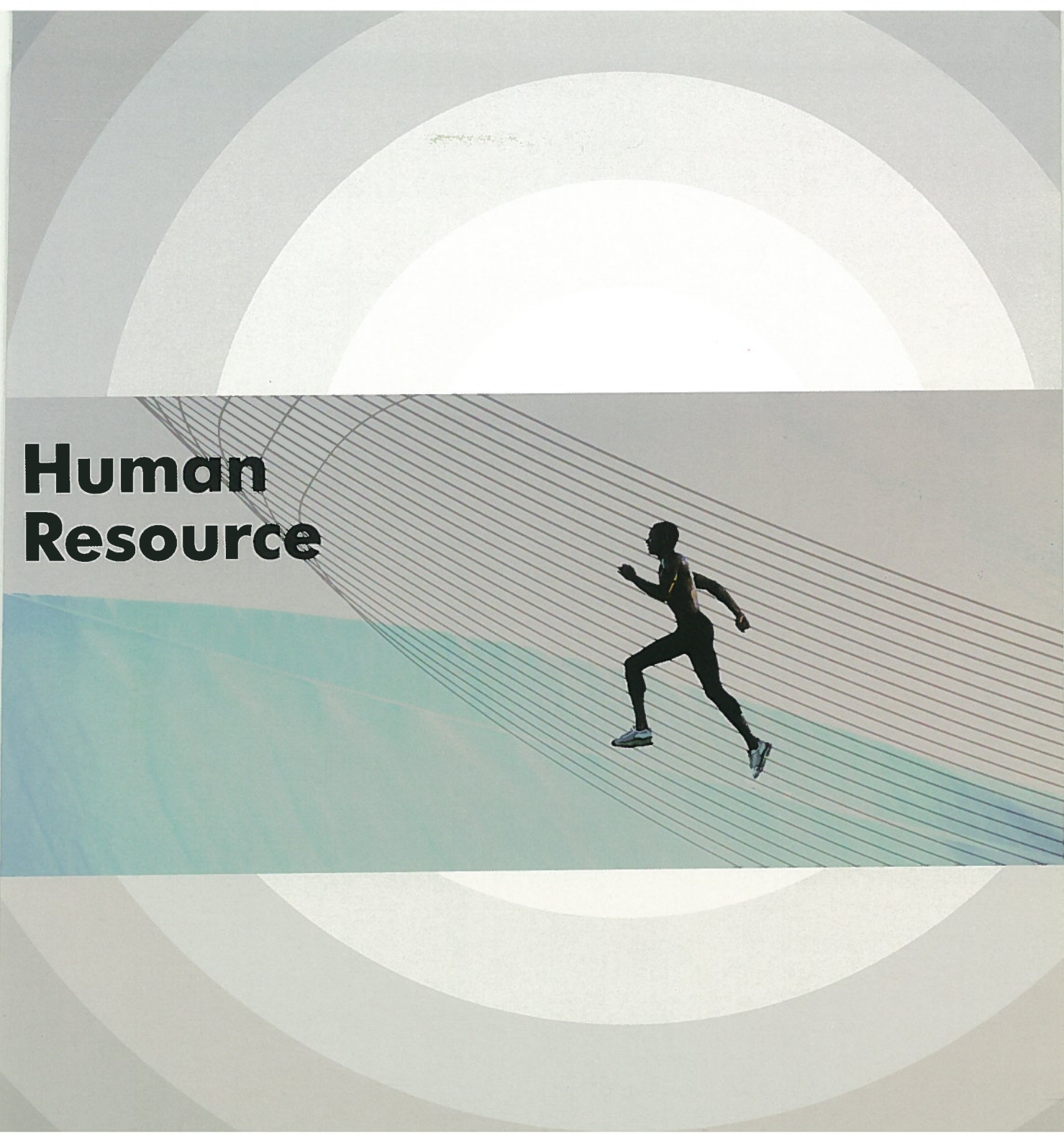
Cover internal and external drilling and workover rigs' needs with high quality and accident free work place without hurting people, equipment or environment. Developing our employees is one of the company main missions with the training, communication and implementing a good environment.

## Our Values

The following are Company's Values include all principles that are orientating the behavior to its employees:







# **Human Resource**

# SinoTharwa Connotation about Human Resources

HR Department is a consultancy and services department. Helping the employees & the company in the same time for achieving the company goals in order to reach the company benefits.

Using or taking the HR Department's advice or consultancy helped many multinational companies to achieve their targets, because HR Department is solving the employees & the company's problems and in the meantime it improving company's employees and management.

HR is the sign of discipline in the company.

**Human Resources strategy is as follows:**

- Planning.
- Establishing goals and standard.
- Developing rules and procedures.
- Developing plan and forecast.

Human Resources Department is serving the employees and keeping the company image always in standard. Gathering all employees and creating the spirit of team to achieve company goals.

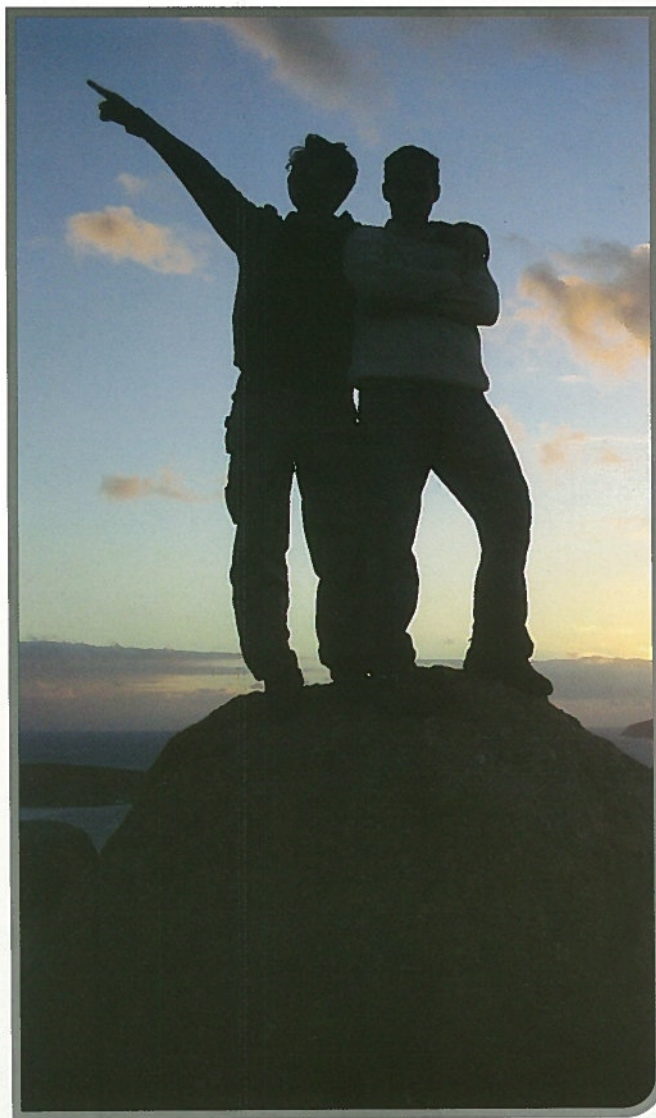
We are in Sino Tharwa concerning that the company staff is the main value, accordingly we are working hard to provide them with standard services and benefits in order to create a motivation environment and in the meantime developing them in two ways (Personality and professionally).





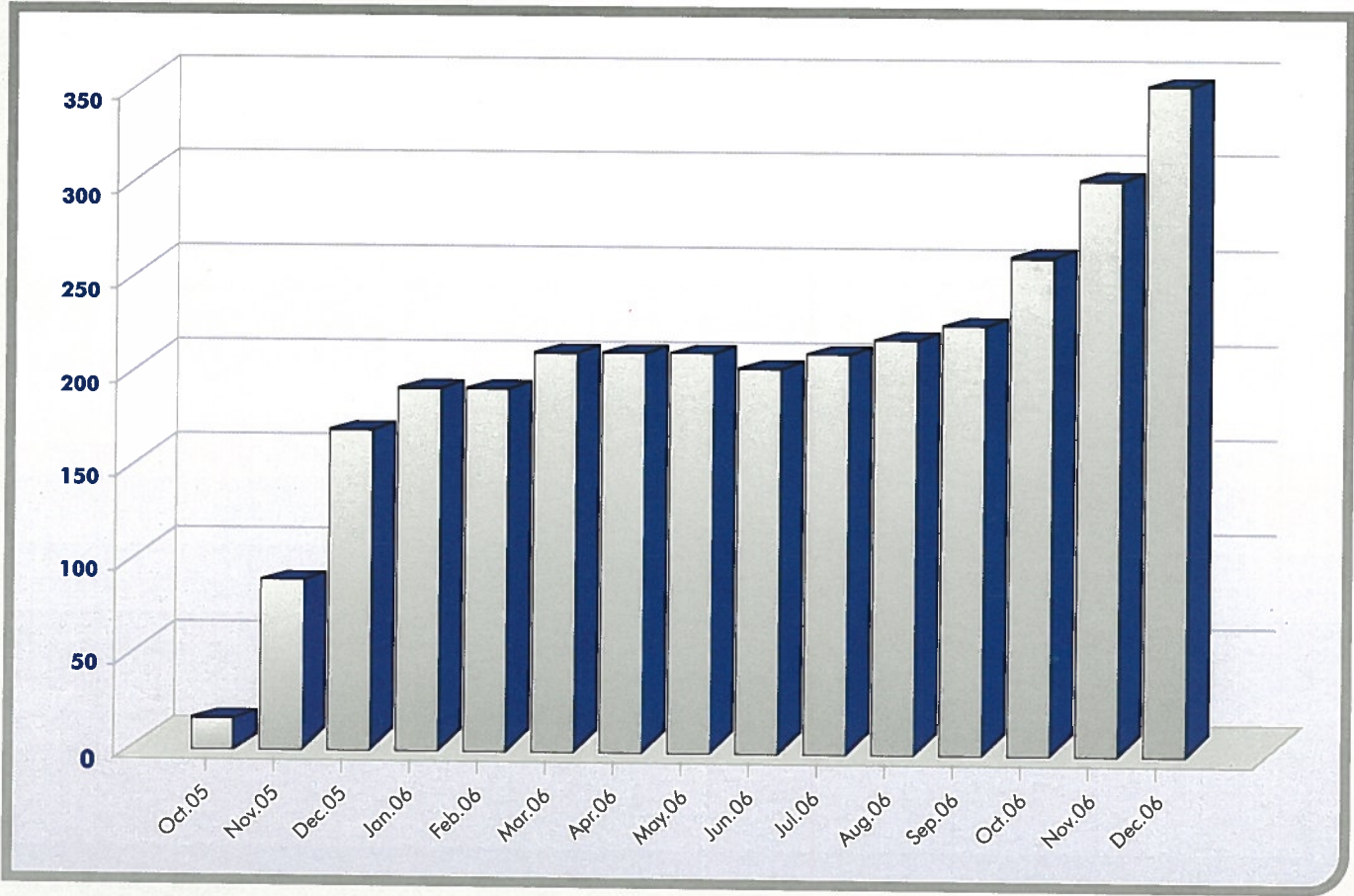
## Human Resources Activities

- Recruiting process (What type of people should be hired / selecting job Candidate by searching for qualified job applicants).
- Conducting job analyses.
- Salary – compensation and benefits (Develop compensation plan and handling employees' benefits program).
- Training and development (According to apprising performance and career development also newly hired training).
- Personal services.
- Medical services and coverage.
- Public relations and social activities.
- General and support services.
- Dealing and handling all governmental and nongovernmental issues.
- Creating and applying company policies and procedures



# Company's Manpower

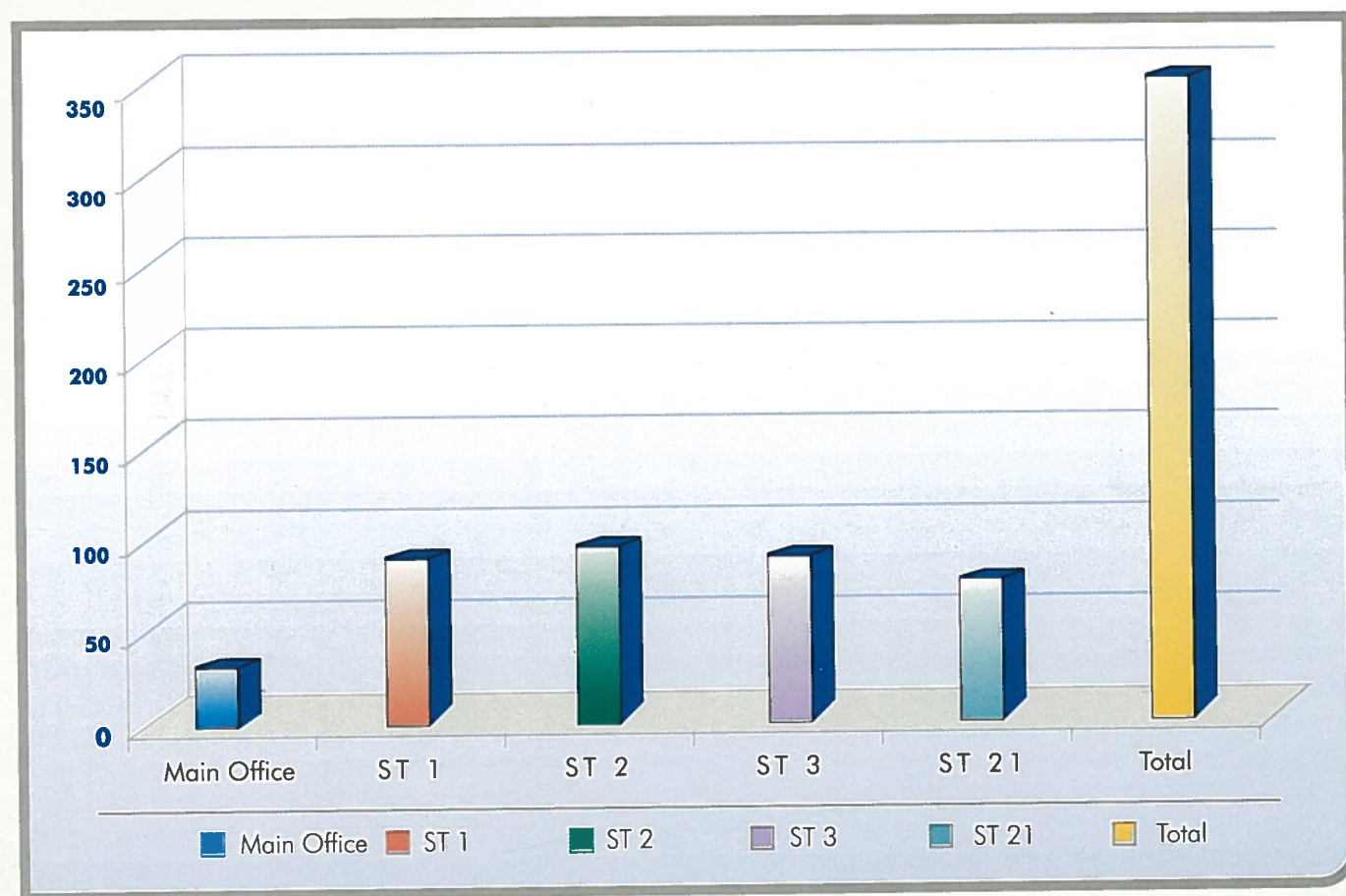
Oct. 05	Nov. 05	Dec. 05	Jan. 06	Feb. 06	Mar. 06	Apr. 06	May 06	Jun. 06	Jul. 06	Aug. 06	Sep. 06	Oct. 06	Nov. 06	Dec. 06
10	78	157	178	175	194	192	191	182	197	203	215	250	285	341





## Company's Manpower By Location

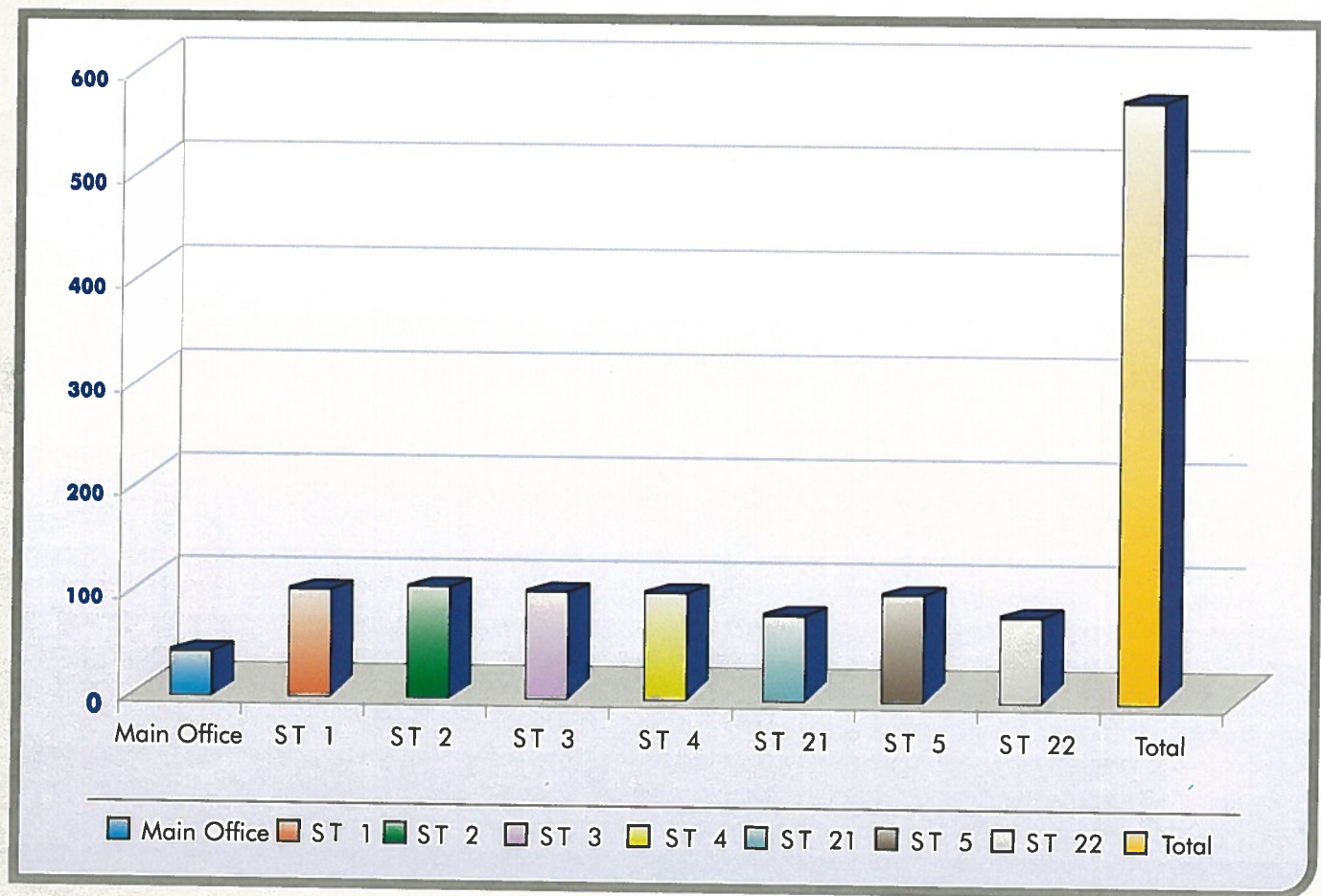
Main Office	ST-1	ST-2	ST-3	ST-21	Total
31	80	86	80	64	341





# Company's Manpower Plus The Expected Upcoming Till The End Of Year 2007

Main Office	ST-1	ST-2	ST-3	ST-4	ST-21	ST-5	ST-22	Total
35	80	86	80	80	64	80	64	569



## Achievements

### **In SinoTharwa Drilling Company we managed to apply the following:**

- Company Policies & Procedures.

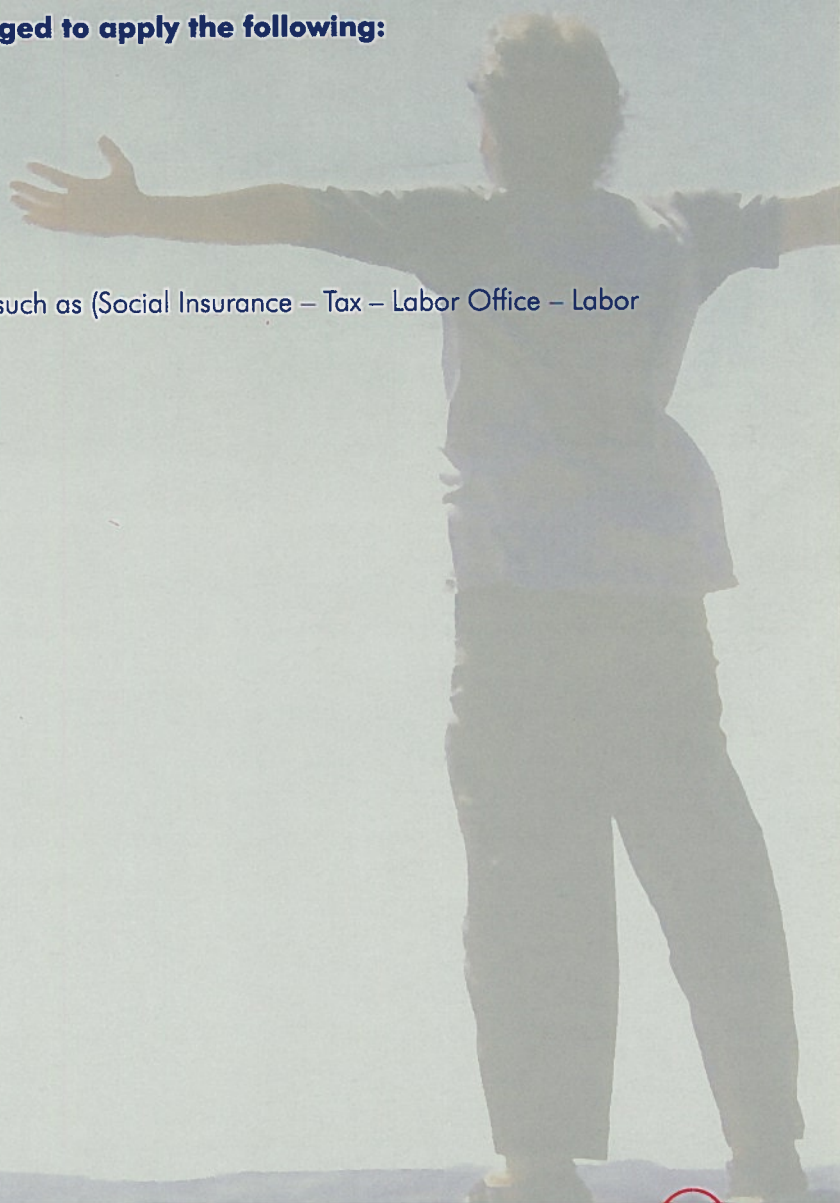
- Interview & Hiring System.

- All governmental regulations & procedures such as (Social Insurance – Tax – Labor Office – Labor Funds – Emergency Funds).

- Life Insurance System

- Medical Coverage

- Compensation and Benefits Policy





# Training



Staff training & development in all approaches are the main concern for SinoTharwa, as we are caring about developing our employees in different skills points; such as safety, technical, managerial and personality.

In the meantime the company had instituted a training room at its premises in order to be used for the in-house training.

Concerning the out-house training – such as (wellcap), OSHA (Occupational Safety & Health Administration) and IWCF – we had manage to make an agreement with a training center in order to cover these points for us.

## On Job Training

Carried out 580 training indoctrinations by the attending of all rigs' personnel, in order to cover and secure all critical activities in drilling and maintenance operations. These training indoctrinations are in the following subjects:

- Emergency procedures.
- Fire fighting (Theoretical).
- Fire fighting (Practical).
- Chemicals hazards and precautions.
- Electrical safety, Lock out – Tag out.
- Working at heights.
- Lifting operations.
- Hazard identification.
- Risk assessment procedures.
- Defensive driving.
- Hot works hazards and precautions.
- Rig move safety requirements.
- Use and transportation of Compressed gas cylinders.
- Hazardous locations (Area classification).
- Confined space entry.
- Permit to work system.
- First aid procedures.
- Supervising Task Evaluation Process S.T.E.P. for routine works.

## Special Training Courses

- Theoretical and practical fire fighting training by Civil Defence Authority Rep. for 30 employees on Rig ST-1.
- H2S hazards and safety measures for 30 persons.
- Defensive driving for 30 persons.
- IWCF for 6 persons.
- Moduspec inspection training for 4 persons.
- OSHA platinum course for 65 persons.

# Training Analysis- Year 2006

S.N.	Training Course	Date		Hour/ Course	No of days	Number of Hours	Number of attendees
		From	To				
1	IWCF	19/02/2006	23/02/2006	8	5	40	1
2	IWCF	05/03/2006	09/03/2006	8	5	40	1
3	Moduspec Rig Inspection	14/03/2003	16/03/2006	8	3	24	2
4	H2S	07/04/2006	08/05/2006	8	2	16	9
5	Defensive Driving	18/06/2006	18/06/2006	8	1	8	15
6	H2S	20/06/2006	21/06/2006	8	2	16	11
7	Defensive Driving	02/07/2006	02/07/2006	8	1	8	10
8	Defensive Driving	16/07/2006	16/07/2006	8	1	8	6
9	IWCF	17/09/2006	21/09/2006	8	5	40	1
10	Moduspec Rig Inspection	21/10/2006	24/10/2006	8	4	32	2
11	Osha	04/11/2006	11/11/2006	6	8	48	13
12	Induction	21/11/2006	22/11/2006	4	2	8	8
13	Rigging & Lifting	22/11/2006	23/11/2006	4	2	8	7
14	Induction	29/11/2006	30/11/2006	4	2	8	10
15	Safety Orientation	10/12/2006	10/12/2006	1.5	1	1.5	8
16	Safety Orientation	10/12/2006	10/12/2006	1.5	1	1.5	6
17	Permit To Work	11/12/2006	11/12/2006	3	1	3	8





## Training Analysis- Year 2006

S.N.	Training Course	Date		Hour/ Course	No of days	Number of Hours	Number of attendees
		From	To				
18	Rigging & Slings	11/12/2006	11/12/2006	3	1	3	8
19	Permit To Work	12/12/2006	12/12/2006	6	1	6	6
20	Rigging & Slings	13/12/2006	14/12/2006	6	1	6	6
21	Osha	15/12/2006	21/12/2006	6	7	42	18
22	Induction	29/11/2006	30/11/2006	4	2	8	10
23	Osha	22/12/2006	28/12/2006	6	7	42	23
24	Induction	24/12/2006	25/12/2006	4	2	8	8
25	Permit To Work	08/01/2007	08/01/2007	6	1	6	4
26	Rigging & Slings	09/01/2007	10/01/2007	6	2	12	4
27	Rigging & Lifting	11/01/2007	11/01/2007	6	1	6	5
28	Risk Assessment	14/01/2007	16/01/2007	6	1	6	8
29	Hazards Identification	17/01/2007	17/01/2007	6	1	6	5
30	Hazards Identification	17/01/2007	17/01/2007	6	1	6	7
31	Hazards Identification	24/01/2007	24/01/2007	6	1	6	7
32	Risk Assessment	22/01/2007	24/01/2007	6	1	6	12
		Number of Hours					479
		Number of Attendees					249

**HSE**





# Work Injuries Statistics

The period from the Start-up till December 31<sup>st</sup>, 2006

Details	Working hours	MTOs	RWCs	LTIs	FTLs	RCRD	LTI Incd. rate	LTI Freq. rate	DART Incd. rate	DART Freq. rate	RCRD Incd. rate	RCRD Freq. rate
<b>Rig ST-1</b>	393762	9	3	2	0	14	1.01	5.07	2.53	12.69	7.11	35.55
<b>Rig ST-2</b>	340673	8	1	1	0	10	0.58	2.93	1.17	5.87	5.87	29.35
<b>Cairo office</b>	113155	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	847590	17	4	3	0	24	0.7	3.53	1.65	8.25	5.66	28.31
<b>Industry Total (IADC)</b>	412433696	2162	1162	1114	28	4466	0.55	2.77	1.12	5.58	2.17	10.83

<b>MTO:</b> Medical Treatment Only.	<b>INCD rate:</b> Incident (Severity) rate.	<b>LTI INCD Rate</b> = (LTIs+FTLs)* 200,000 / Total man hours.
		<b>DART INCD Rate</b> = (RWCs+LTIs+FTLs)* 200,000 / Total man hours.
<b>RWC:</b> Restricted Work Case.		<b>RCRD INCD Rate</b> = (MTOs+RWCs+LTIs+FTLs)* 200,000 / Total man hours.
<b>LTI:</b> Lost Time Incident.	<b>FREQ rate:</b> Frequency rate.	<b>LTI FREQ Rate</b> = (LTIs+FTLs)* 1,000,000 / Total man hours.
		<b>DART FREQ Rate</b> = (RWCs+LTIs+FTLs)* 1,000,00 / Total man hours.
<b>FTL:</b> Fatality.		<b>RCRD FREQ Rate</b> = (MTOs+RWCs+LTIs+FTLs)* 1,000,000 / Total man hours.
<b>RCRD:</b> Total Recordable.		



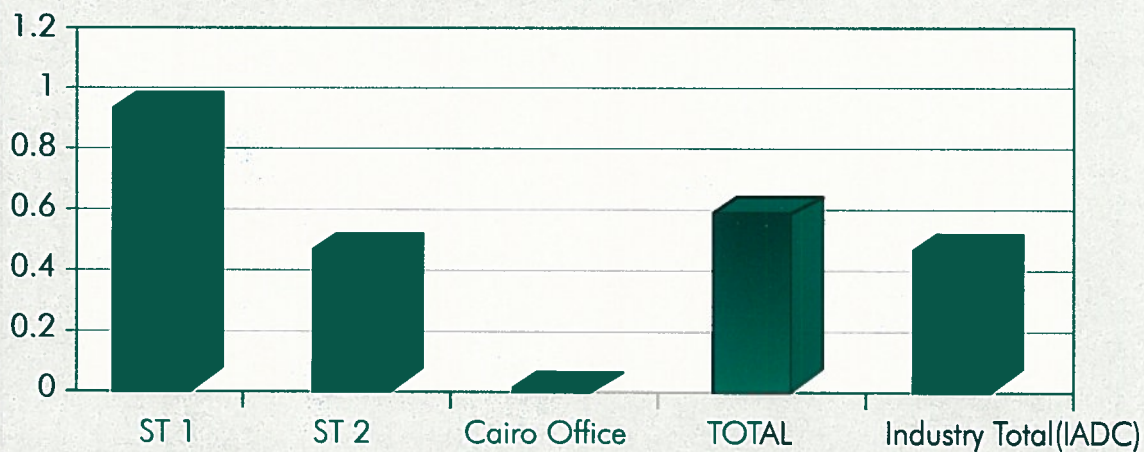
The period from the Start-up till December 31<sup>st</sup>, 2006

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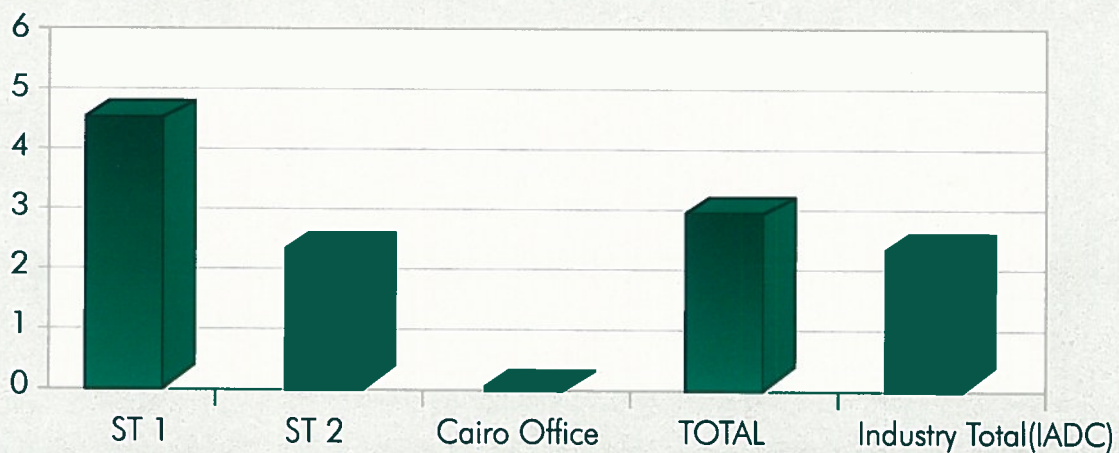


# L T I

**LTI Incd. Rate**



**LTI Freq. Rate**





## Safety 1<sup>st</sup> Card

Copy of Safety 1st cards identifying Safe/unsafe conditions or behaviors are delivered on daily basis to rigs Superintendent in order to take the required actions toward these conditions and follow up on daily basis by Operations Gen. Mgr.

Total recorded safety 1st cards = 990.

## Monitoring,

- Carrying out the Weekly Rig inspection survey.
- Implement the Camp inspection on weekly basis.
- Follow-up the validity of lifting gears and rigs equipment inspection certificates.
- Installed the colour code system for lifting gears with 6 months validity.
- Carrying out the Monthly inspection of portable fire extinguishers.
- Carrying out the Monthly inspection of Self Contained Breathing Apparatus SCBA.

## Audits & action plans

### Internal audits:

Carrying out the loss prevention internal audit on monthly basis, each of these audits associated with recommended action plan to overcome the shortages and defects. HSE Rep. is responsible to follow-up the implementation of action plan. Sino Tharwa Management team are doing

rig audit on regular basis and follow up any HSE issues on daily basis. Any one at rig site and office has the right to stop any un-safe acts.

### External audits:

Rig ST-1 had been subjected to ModuSpec external audit December 2nd, 2005 according to PETROBEL requirements. Shortages and defects of that audit almost avoided, regular Follow-up is applied. Rig ST-1 subjected to Work office (HSE Dept.) external audit. We make a plan to overcome shortages, most deficiencies already avoided. Some pending items in progress to be avoided. ST-3 & ST 21 subjected to Moduspec inspection in China and all critical items already closed, remaining items will be closed during operations.

## HSE Meetings, Committees

Daily safety meeting is conducting for Drilling crew before starting shift (pre-tour safety meeting).

Monthly HSE committee is carrying out at Rig site.

Monthly HSE Central committee is carrying out at Cairo-office.

Pre-job Safety meeting to be carried out before non routine jobs.



# Operation



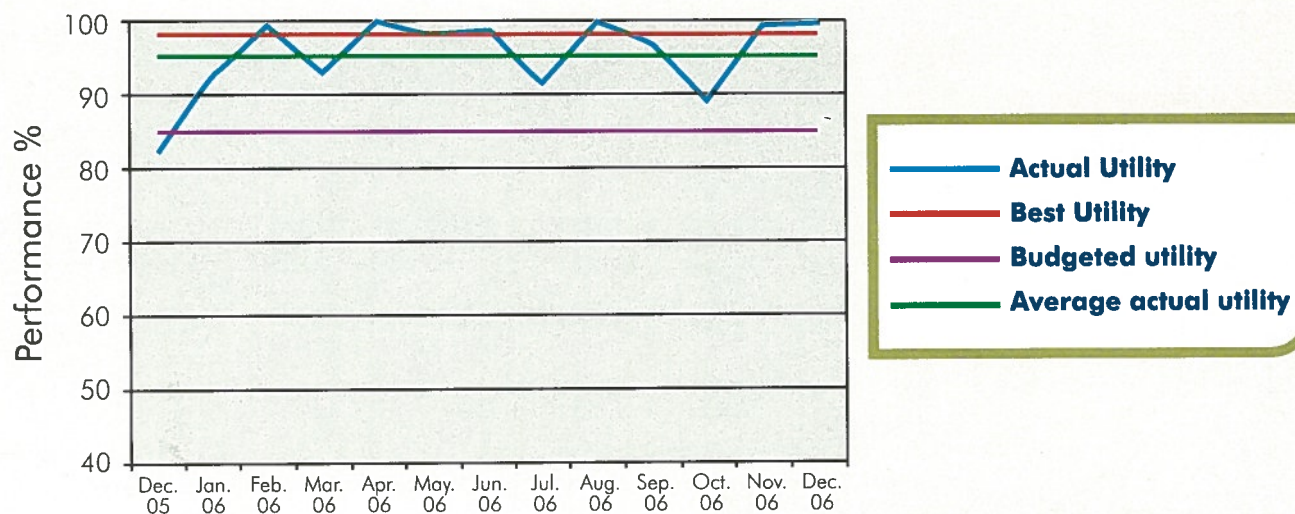
# RIG S T - 1



- Year Of Construction Oct, 2002, land rig
- Rig H.P 2000 hp (Electric, Max drilling Depth 20000 ft)
- Rig contracted for 2 year With Petrobel to work at belayim field in Sinai
- Rig accepted and start operation on December 8th,2005
- Top drive will be available in Egypt by January, 25th 2007
- Rig drilled 6 highly deviated wells 40-55°
- Modified all mud system to meet dry location needs at Belayim field to avoid damaging environment
- Modified circulating system to facilitate drilling and well control operations
- Rig had been accepted by a third party company (Moduspec). All audit observations had been covered
- Total working time = 378 day
- Actual rig utility = 95.44 %
- Budgeted rig utility = 85%
- Best rig utility = 98%
- Repair time with zero rates = 2.78%



### ST 1 Actual Utility



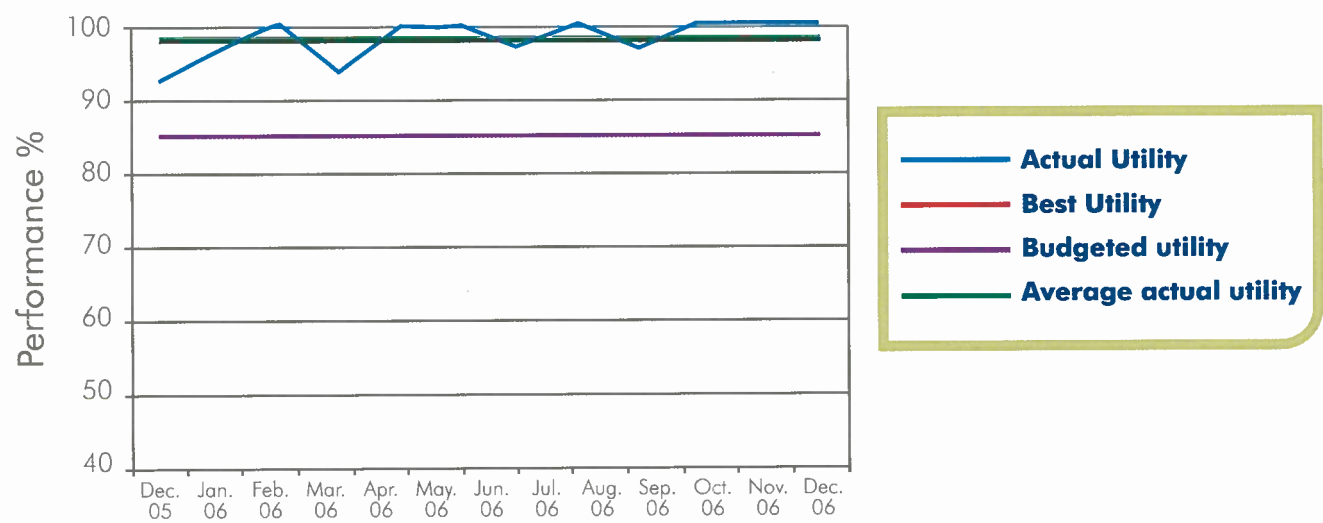
# RIG S T - 2



- Year Of Construction Oct, 2001, land rig
- Rig H.P 1500 hp (Mechanical, Max Depth 16000 ft)
- Rig ST-2 contracted to drill five wells with Norpetco at karama field in western Desert.
- RIG accepted and started operations on January 4th, 2006.
- Rig drilled and completed five wells, renewal of contract for one year and activated on January 2nd, 2007
- Installed a digital torque system with switch limit on rotary table drive shaft to measure down hole torque and protect drill string from any up-normal torque.
- Total working time = 353.83 day
- Actual rig utility = 97.863 %
- Budgeted rig utility = 85%
- Best rig utility = 98%
- Repair time with zero rates = 1.27%



ST 2 Actual Utility



# RIG S T - 3



- Year Of Construction 2006, land rig
- Rig H.P 2000 hp (Electric, Max Depth 20000 ft)
- Rig ST-3 contracted with Petrobel to work at belayim field in Sinai for 2 years firm + 1 year optional
- Moduspec inspected rig in China and modified rig to meet API standard and operator needs
- Hired and trained all rig crews 3 months a head of rig arrival, mainly focus on HSE and homogeneity of each crew
- Ordered and received all additional equipment on time to run operation smooth
- Top drive will be X-Factory Feb. 10th 2007

## RIG S T - 2 1



- Year of construction 2006, Workover rig
- Rig H.P 650 hp (Mechanical, Max WO depth 12000 ft)
- Rig ST-21 contracted with Norpetco to work at karama field in western desert for 1 years firm + 1 year optional
- Moudspec inspected the rig in China and all observations had been closed.
- Hired and trained all rig crews prior rig arrival



# RIG S T - 4



- Rig under fabrication, land rig
- Rig H.P 2000 hp (Electric)  
Max Depth 20000 ft
- ST 4 will be available in Egypt by June 2007
- Rig ST-4 contracted with Tharwa Petroleum Company to work in western desert field for 2 years firm + 1 year optional
- Hiring crews and prepare for training all of them
- Top drive will be X-Factory May, 20th 2007

## Preparation for ST4

- Ordered all drill string
- Ordered all additional equipment
- Ordered all spare parts.
- key learning items of Moduspec inspection of ST-3 will be used to cover all the gaps while fabricating ST-4

# ST 5 & ST 22

**Agreement signed with Sinopec star and rigs under fabrication**

## RIG ST 5, Land rig

- Rig under fabrication
- Rig H.P 1500 hp (Electric)
- Max Depth 16000 ft
- Expected to arrive Egypt by 4th quarter 2007

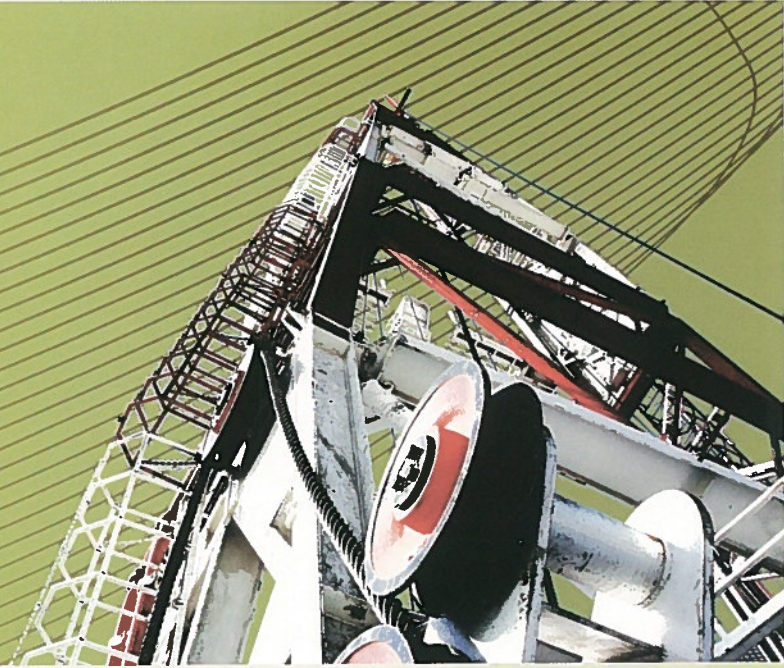
## RIG ST 22, Workover rig

- Rig under fabrication
- Rig H.P 650 hp (Mechanical)
- Max depth 12000 ft
- Expected to arrive Egypt by 3rd quarter 2007
- Ordered drill string, preparing orders of additional equipment and spare parts





# Engineering





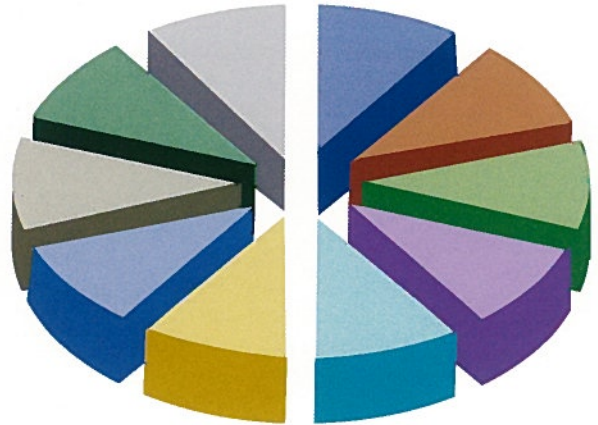
# Engineering department

The sagacious and prospective vision of SinoTharwa's management along with the wide previous experience, made us believe in that the drilling field and it's outcome products quality is mainly and basically stand for the equipment, the technology and the supportive tools.

Management concerns is to organize and establish a magnificent technical department to handle all the drilling equipment according to the international technical standard and matching with the global drilling companies, Engineering department plays an essential role on the way of success.

Furthermore management gives the engineering department the independency by delegating the full authority to extract all departments' capabilities to make harmony between the management and the company teamwork.

Accordingly, this strategy gave the engineering department the ability to be creative and acquainted to apply the hi-tech in all of their work Despines to achieve the best performance and to get the optimum investment.



## Engineering Activeties

- Preventive Maintenance
- Predective Maintenance
- Corrective Maintenance
- Mechanecal / Elecrical Projects
- General Workshop
- Location Preparation
- Steel Fabrication
- Extamal Repair
- New Rigs Building
- New Equipment Evaluation

## Engineering methodology

SinoTharwa management's goal is to have drilling Rigs capable to work anywhere. The engineering department committed to apply all global standards on Rigs' maintenance and projects.

Accordingly, we established our preventive maintenance program and Rigs building & modifications according to:

- API 7C-HF engines maintenance
- API 9A,B for wire robe
- API RP 07G for drilling string
- API 07L Drilling equipments manufacture , Maintenance and repair
- API 4G& API RP 54for building structure
- API 14 FAPI RP 8B NDE for electrical installation
- API 16 E ,C & D well control
- ASTM, ANSI, ASME, EN2079 and DNV
- CN2.7-1 for welding process and pad eye fabrication
- ISO 9001-2000 as quality management system department processing and documentation and all other related standards as per the requirements





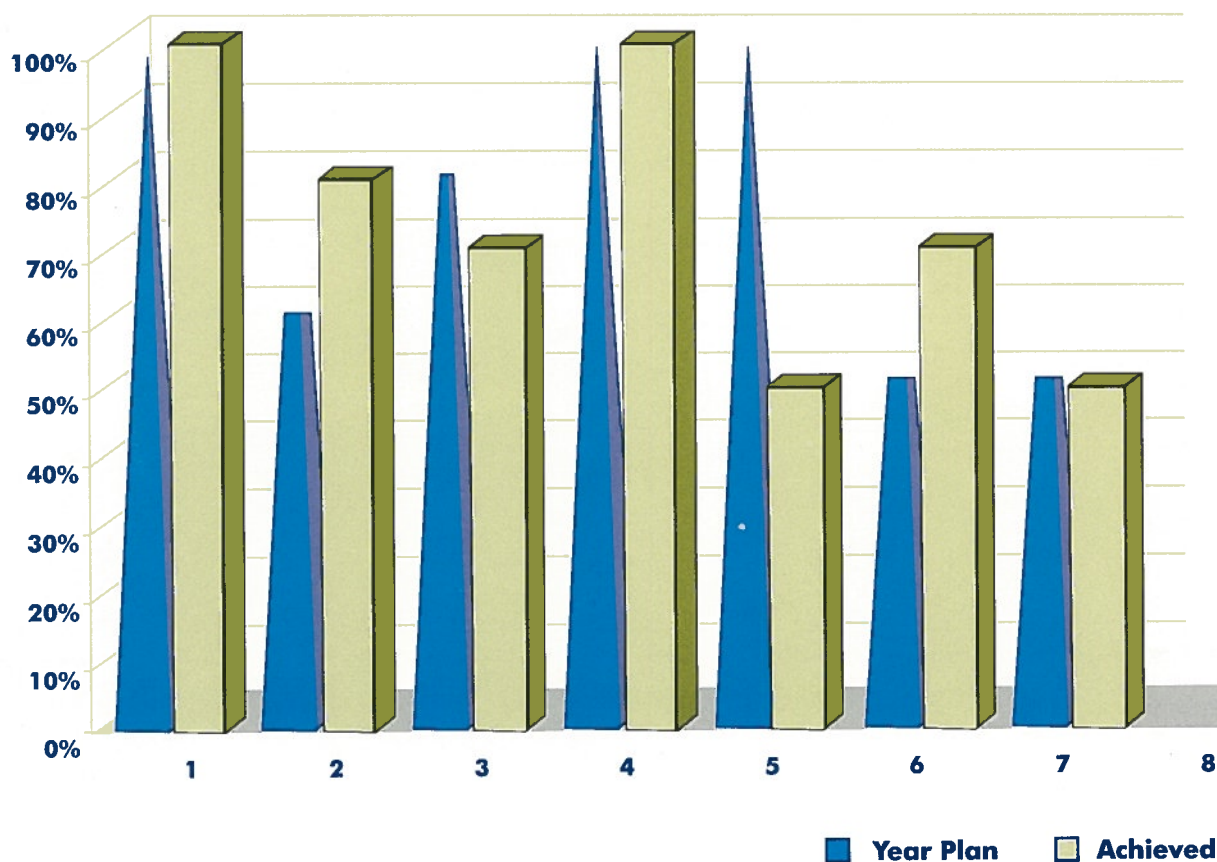
# Objectives and achievements

## I. In maintenance

Items	objectives	year plane	achieved
1	Establish and implement maintenance program	100%	100%
2	Establish Rigs data base	60%	80%
3	Prepare equipments maintenance work instruction	80%	70%
4	Establish filing system	100%	100%
5	Collecting Rigs manuals and guide books	100%	50%
6	State company standards	50%	70%
7	Providing the Egyptian drilling market with smart Generation of drilling technical engineers	50%	50%

# Objectives and achievements

## I. In maintenance (Maintenance Activities)





# Maintenance program

## I. In projects

1. ST1 and ST2 starting Rig up
2. Modify the Rigs to comply with operator's needs.
3. Fabricate power houses for both Rigs
4. Fabricate fuel ,water tanks & steel requirements for both rigs



5. Fabricate, cold and dry warehouses

6. Established Abu Rudis yard

7. Fabricate casing stabbing board for ST2

8. Install rotary torque monitoring to ST2  
(First time in Egypt)

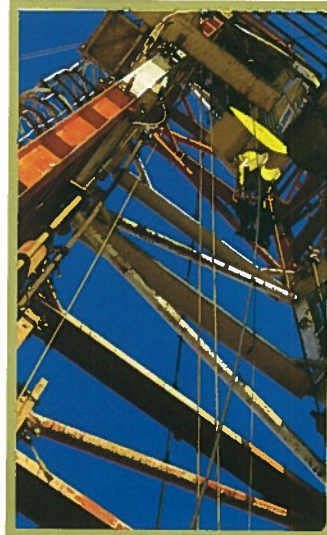




9. Maximize the local manufacture at the rigs to be 20 % from rig components

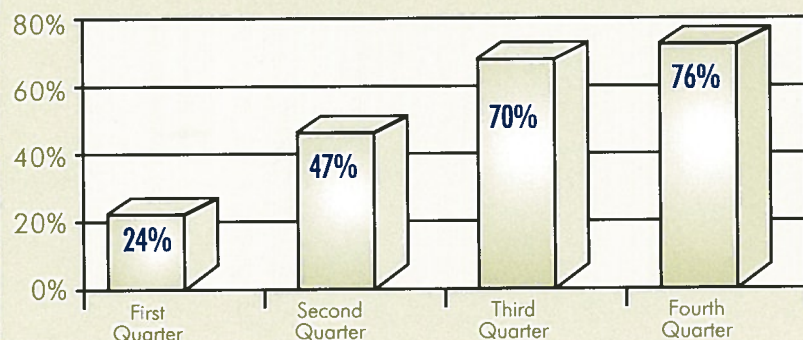
10. Build two new rigs in China ( ST3 , ST21)

11. New design for portable stores



## ST 1 Maintenance achievement progress

		Mechanic	Electrician	Total	Achievment %
<b>First quarter</b>	<b>Tasks achieved</b>	3	20	23	24 %
	<b>Total budgeted maint task</b>	32	65	97	
<b>Second quarter</b>	<b>Tasks achieved</b>	10	35	45	47 %
	<b>Total budgeted maint task</b>	35	60	95	
<b>Third quarter</b>	<b>Tasks achieved</b>	23	33	56	70 %
	<b>Total budgeted maint task</b>	30	50	80	
<b>Fourth quarter</b>	<b>Tasks achieved</b>	26	30	56	76 %
	<b>Total budgeted maint task</b>	29	45	74	

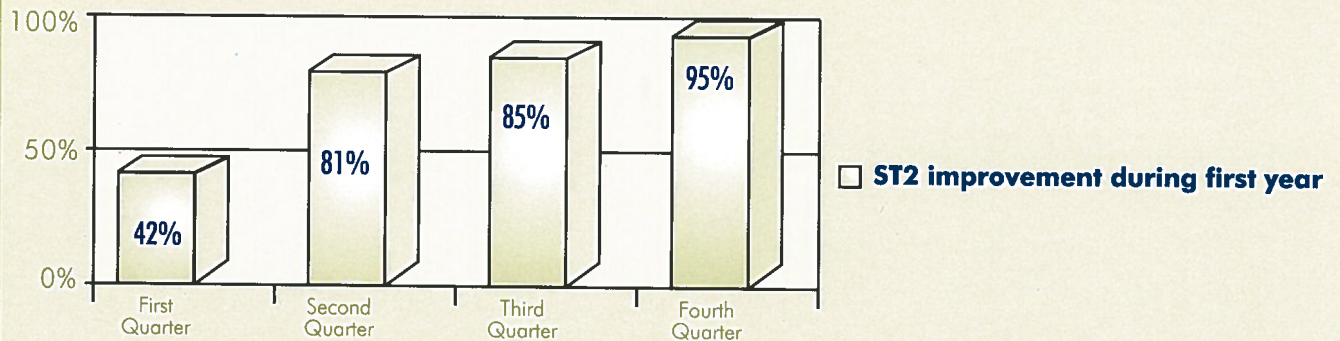


□ ST1 improvement during first year



## ST 2 Maintenance achievement progress

		Mechanic	Electrician	Total	Achievment %
First quarter	Tasks achieved	23	36	59	42 %
	Total budgeted maint task	45	95	140	
Second quarter	Tasks achieved	32	64	96	81 %
	Total budgeted maint task	47	75	118	
Third quarter	Tasks achieved	52	95	147	85 %
	Total budgeted maint task	65	107	172	
Fourth quarter	Tasks achieved	45	75	120	95 %
	Total budgeted maint task	54	82	126	





## Next year plan

- Start establish our general w. shop, general store, Rig up yard and pipe yard At BADR yard (60,000 square meter)
- Establish our computerized maintenance program
- Finalize our documentation and processing to be ready for ISO certificate
- Finalize collecting all manuals ,parts book, and data base
- Expand the use of predictive maintenance on all equipments.
- Apply strong advanced training programs for our technicians

## SinoTharwa engineering future forecast

- Maximize the portion of the local manufacture in our rigs
- One of the very ambitious and eager target for SinoTharwa engineering is to have academic technical school for the Drilling equipment to supply the Egyptian and middle east drilling field with drilling specialized and certified technicians

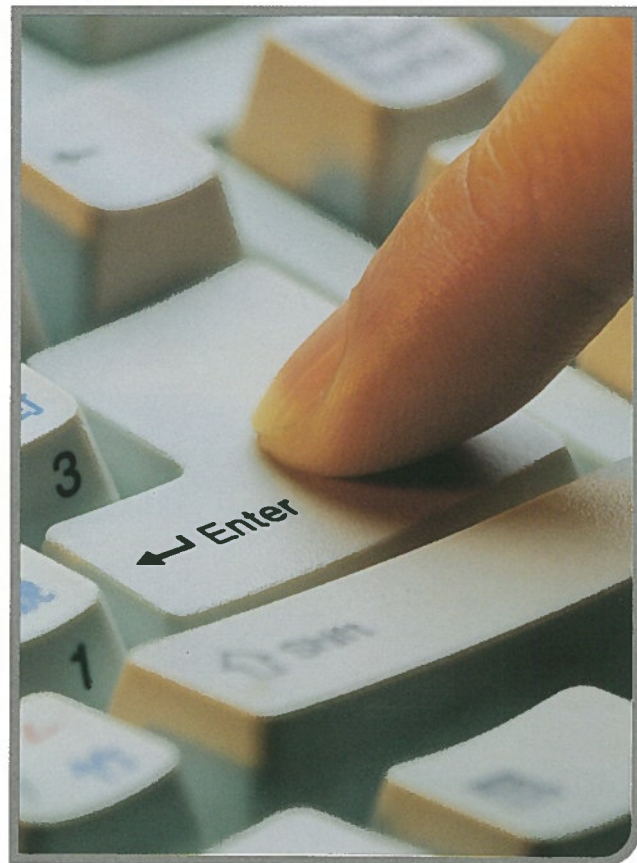
# Communication & Information Technology





# Services Provided by IT Department

- Infrastructure serve more than 30 users expandable for future growth.
- Centralized administration using of Microsoft active directory service.
- Internet connection controlled and customized through Microsoft ISA server (Firewall).
- File and print service for all SinoTharwa users.
- Mail Server to serve internal & External mail to save time & consumable for the internal communications.



## IT Service Support

The IT service support receive the users requests either Call or by email to IT .

### **The IT service support responses as follows:**

- Direct over the phone.
- Remotely by Remote software.
- Direct visit to user
- Escalating the problem to the Vendor if need it



## 2006 Achieved Projects

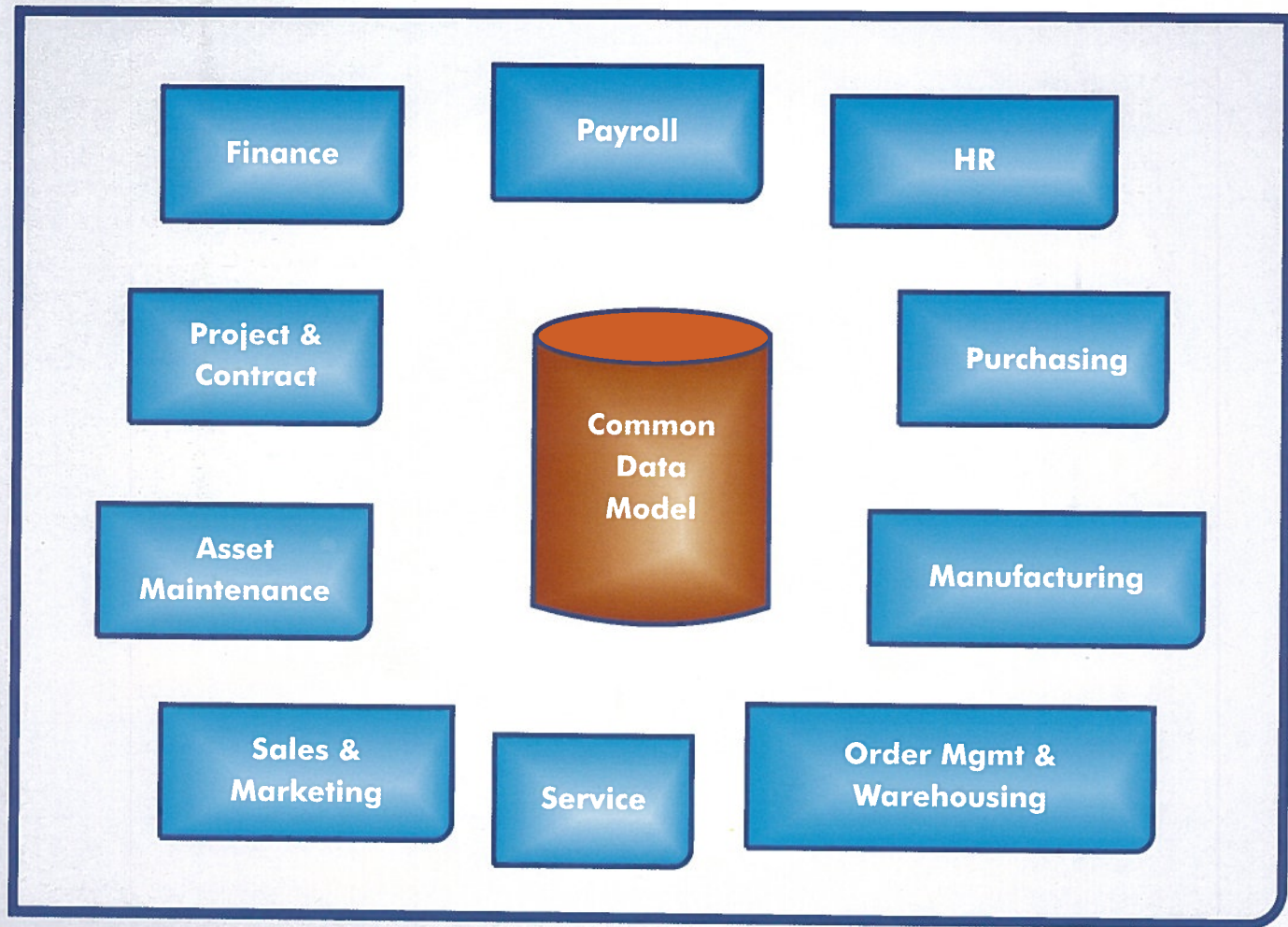
- Prepare & Install the LAN (Voice & Data) in the new building.
- Prepare & Install the Domain, DHCP,DNS,F/P Server.
- Prepare & Install The Norton antivirus Server.
- Prepare & Install The Exchange Server (Mail Server).
- Prepare & Install Backup Server (Symantec VERITAS Backup Exec 10.0 for Windows Servers.
- Prepare & Install The PABX Nortel (Voice).
- Prepare & Install the internet connection.
- Prepare & Install the Internet Mail.



# ERP System

SinoTharwa is under processing for ERP system The System shall fulfill the requirements of Financial Management, Maintenance, and HR, Payroll. Inventory, Contracts & Procurement.

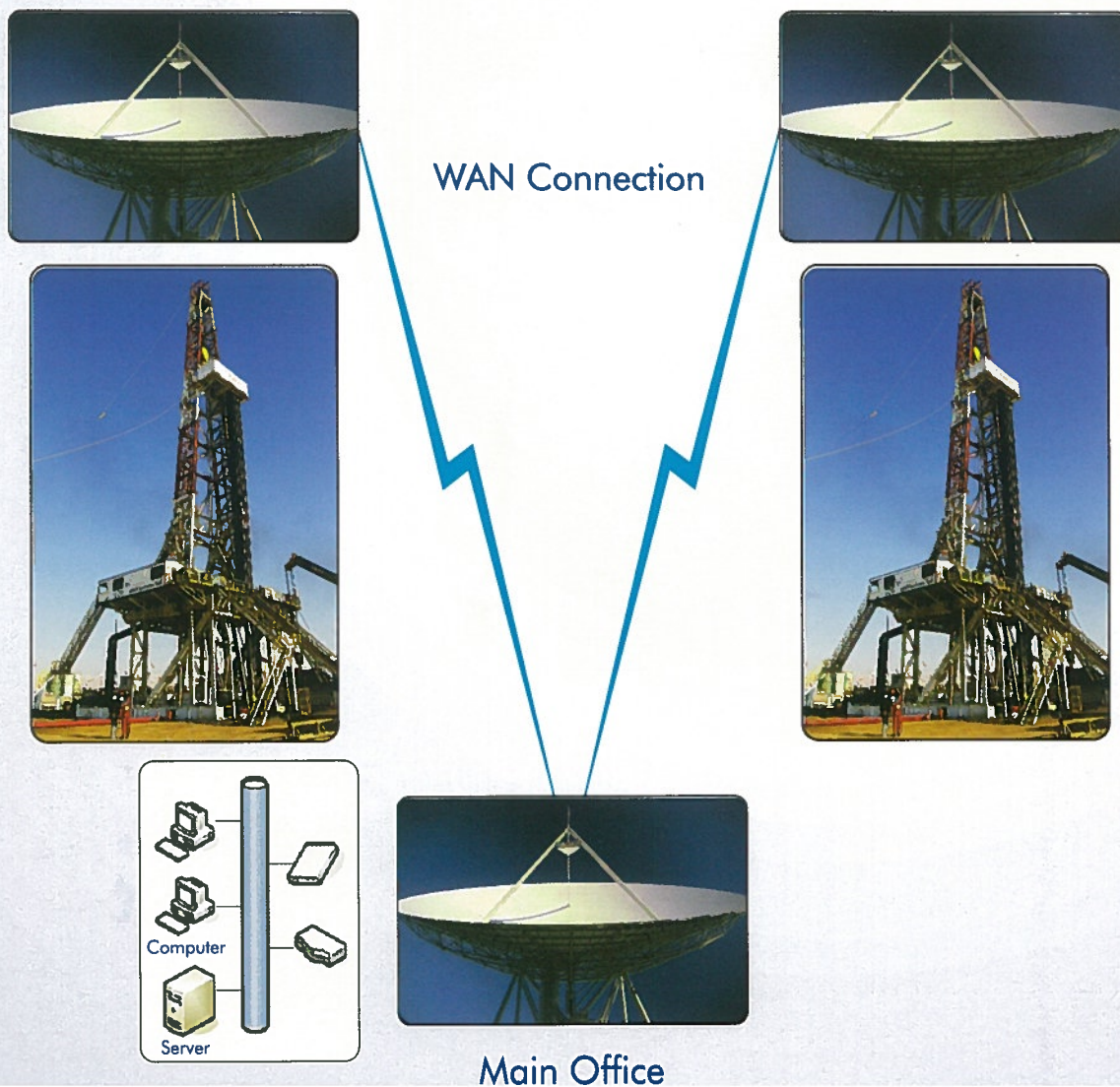
(All modules are integrated)





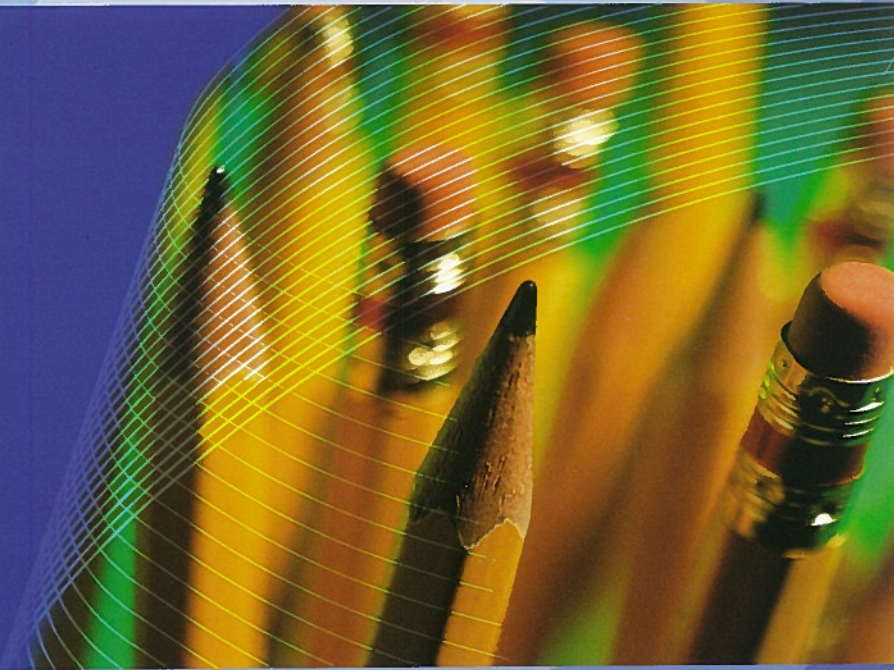
## WAN Connection

SinoTharwa is under processing For The Voice & data communication between Cairo office and the Rigs, will be effective by mid year 2007.





# Finance



**INDEPENDENT AUDITORS' REPORT**

To the Quota holders of  
Sino Tharwa Drilling Company  
"Limited Liability Company Private Free zone"

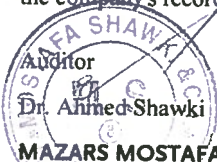
We have audited the Financial Statements of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free zone"** for the period from 29 August 2005 (Inception date ) to December 31, 2006, which comprise the balance sheet as of December 31, 2006, the statements of income, cash flows and the change in quota holders equity for the period 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, 2006 and the results of its operations, its cash flows and change in its quota holders equity for the period then ended in conformity with Egyptian Accounting Standards and in light of governing laws.

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.

**MAZARS MOSTAFA SHAWKI**

Cairo, 14 February 2007

153 MOHAMED FARID STREET, BANK MISR TOWER, P.O. Box 2095, CAIRO 11518, EGYPT  
TEL: (02) 391 7299 - 390 1890 FAX: (02) 393 9430  
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Sino Tharwa Drilling Company  
 "Limited Liability Company Private Free Zone"

## Balance Sheet as of 31 December 2006

(Amounts expressed in US Dollar)

	Note	31/12/2006
<b>Long Term Assets</b>		
Fixed Assets (Net)	3-2c	20,400,241
Projects under construction	4-2d	39,701,893
<b>Total Long Term Assets</b>		<b>60,102,134</b>
<b>Current Assets</b>		
Inventory	5-2e	1,175,148
Accounts Receivables	6	1,420,539
Debitors and other debit balances	7	40,822
Cash at Bank balances	8	10,990,968
<b>Total Current Assets</b>		<b>13,627,477</b>
<b>Current Liabilities</b>		
Loans annuities due within a year	11	5,431,082
Creditors and other credit accounts	9	10,851,044
<b>Total Current Liabilities</b>		<b>16,282,126</b>
Working Capital		(2,654,649)
<b>Total Investments- Financed as follows</b>		<b>57,447,485</b>
<b>Quotaholders equity:</b>		
Capital	10	18,000,000
Net Profit for the Period		1,714,224
<b>Total Quotaholders Equity</b>		<b>19,714,224</b>
<b>Long Term Liabilities</b>	11	
Long Term Loans		37,733,261
<b>Total Long Term Liabilities</b>		<b>37,733,261</b>
<b>Total Investments and long term assets</b>		<b>57,447,485</b>

Sino Tharwa Drilling Company  
"Limited Liability Company Private Free Zone"

## Income Statement

For The Period from 29 August 2005 (inception date) 31 December 2006

(Amounts expressed in US Dollar)

Description	Period form 29 August 2005 (interim) in date to 31/12/2006
Operating Revenue	9,621,021
<b>Deduct:</b>	
Operating Expenses	6,620,277
<b>Gross Profit</b>	<b>3,000,744</b>
<b>Deduct:</b>	
General & Administrative Expenses	1,211,396
Finanacing Expenses	311,866
Board of Directors' Allowances	22,494
<b>Add:</b>	
Interests Received	243,799
Other Revenue	15,437
<b>Net Profit for the Period</b>	<b>1,714,224</b>





Sino Tharwa Drilling Company  
 "Limited Liability Company Private Free Zone"

## Cash Flow Statement

For The Period from 29 August 2005 (inception date) to 31 December 2006

(Amounts expressed in US Dollar)

	Period form 29 August 2005 (inception date) in date to 31/12/2006
<b>Cash Flow from Operating Activities</b>	
Net profit for the period	1,714,224
<b>Adjustments for net profit with cash flow from operating activities</b>	
Current Assets	
Fixed Assets Depreciation	2,452,189
<b>Operating Profit before changes in working capital</b>	<b>4,166,413</b>
<b>Working Capital Changes</b>	
(Increase) in Inventory	(1,175,148)
(Increase) in Clients	(1,420,539)
(Increase) in - Debtors & other debit accounts	(40,822)
Increase in creditors and other credit accounts	10,851,044
<b>Net Cash Flow from operating activities</b>	<b>12,380,948</b>
<b>Cash Flow from Investing activities</b>	
Advances to purchase fixed assets	(22,852,430)
Increase on projects under construction	(39,701,893)
<b>Net Cash Flow (used) for Investment Activities</b>	<b>(62,554,323)</b>
<b>Cash Flow from Financing Activities</b>	
Increase in Short Term loans	5,431,082
Increase in Long Term Loans	37,733,261
Capital Payment	18,000,000
<b>Net Cash Flow from Financing Activities</b>	<b>61,164,343</b>
Net increase in cash and cash equivalent	10,990,968
Cash and cash equivalent beginning balance	
Cash and cash equivalent ending balance	10,990,968
<b>Cash and Cash equivalent represent:</b>	
Cash at banks	10,990,968
	<b>10,990,968</b>

Sino Tharwa Drilling Company  
"Limited Liability Company Private Free Zone"

## Change in Quotaholders' Equity Statement Private Free Zone

For The Period from 29 August 2005 (inception date) to 31 December 2006

(Amounts expressed in US Dollar)

Description	Capital	Net Profit	Total
Capital Paid	18,000,000.00		18,000,000.00
Net Profit for the year		1,714,224.00	1,714,224.00
<b>Quotaholders equity as of 31 December 2006</b>	<b>18,000,000.00</b>	<b>1,714,224.00</b>	<b>19,714,224.00</b>

