



SinoTharwa Drilling Co.

Annual Report 2009



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Managing Directors' statement

In 2009, recession hits investment psyche, recession winds all the investors worldwide drastically. Several high-booming industries have come back to earth, battered and bruised. Big shots names in financial world have gone bankrupt or nationalized.

Things are definitely not rosy as can be witnessed from falling crude prices, reducing exports, high inflation rate and decreasing demand from consumers.

Although 2009, had brought to all the oil & gas industry worldwide very hard times due to the change in oil prices, rigs daily rates reduction and the less demand on rigs; but SinoTharwa Drilling company 's management had made lots of steps to overcome the affect of the recession on the company. Definitely, it was a challenge, but we strongly admit that we achieved it through the usual cooperation between all the company's management & employees in order to optimize the costs in all the fields, managing keeping rigs on contracts to minimize the loss, working with different banks to capitalize the liabilities of our jack-up rig (BAHARI-I) dues during 2010.

Concerning SinoTharwa's Jack-up Project (Bahari-I), still in the construction phase however the project is going in the right direction and as per the plan – the actual execution is almost the same as the construction plan – no deviation – the rig will be ready for launching by end of March 2010 as per the plan.

Moreover, SinoTharwa is seeking working in new different markets outside Egypt. Many discussions had been held during 2009 concerning this issue with different sides from different Arab countries and we still in the process of it.

Finally, with the launching of our first jack-up rig in 2010, the hard exerted efforts of our staff & the execution of our work in the outside markets, we believe we will secure more revenue for our company and we will continue our success in the Drilling market.

Li Zhigang

General Manager & Managing Director

Ali Salem Mobarak

Chairman & Managing Director

Onshore we drill

Offshore we will compete





Human Resources Management

Human Resources Management



Personnel

"Precision is our profession"

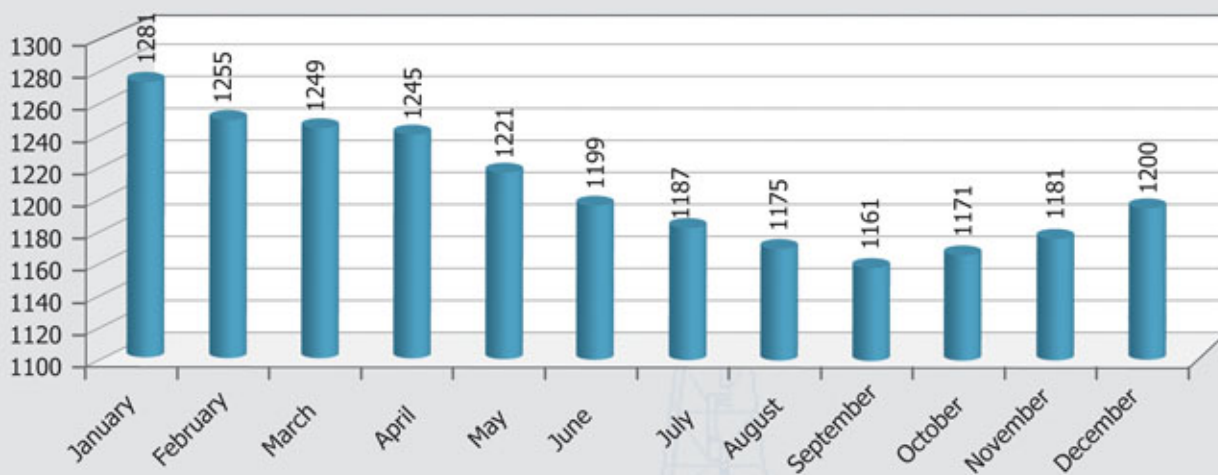
- ▶ Employees Service is our major responsibility in 2009 & at the same time keeping employees to track all company policies & procedures to facilitate the work flow inside our company
- ▶ The Personnel Division obligates mainly to all the governmental & legal requirements
- ▶ During 2009 all dues & deductions executed based on quality, accuracy & commitment to the defined dates
- ▶ Complete the implementation of the ERP HR module
- ▶ Adding new three policies & procedures to Sinotharwa policies:
 - 1- Manpower Managing
 - 2- Internal Absent treatment
 - 3- Fleet breakage

2010: Human Resources will apply new performance appraisal system that measures the degree to which the employee accomplishes work requirements & targets

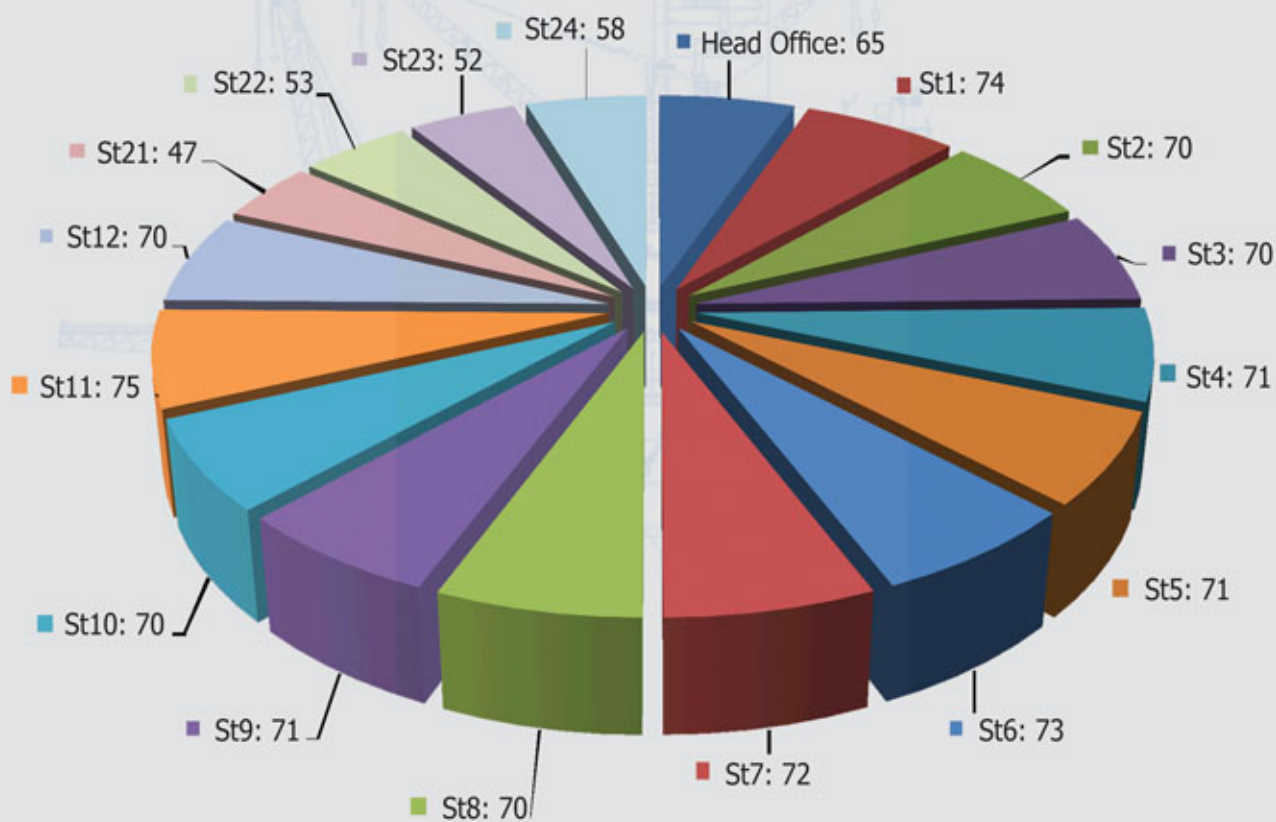
Highlights on Manpower in 2009

Month	Total Manpower
January	1281
February	1255
March	1249
April	1245
May	1221
June	1199
July	1187
August	1175
September	1161
October	1171
November	1181
December	1200

Total Manpower



SinoTharwa Manpower Allocation 2009



Training & Development

"Employee is our asset & Development is our liability"

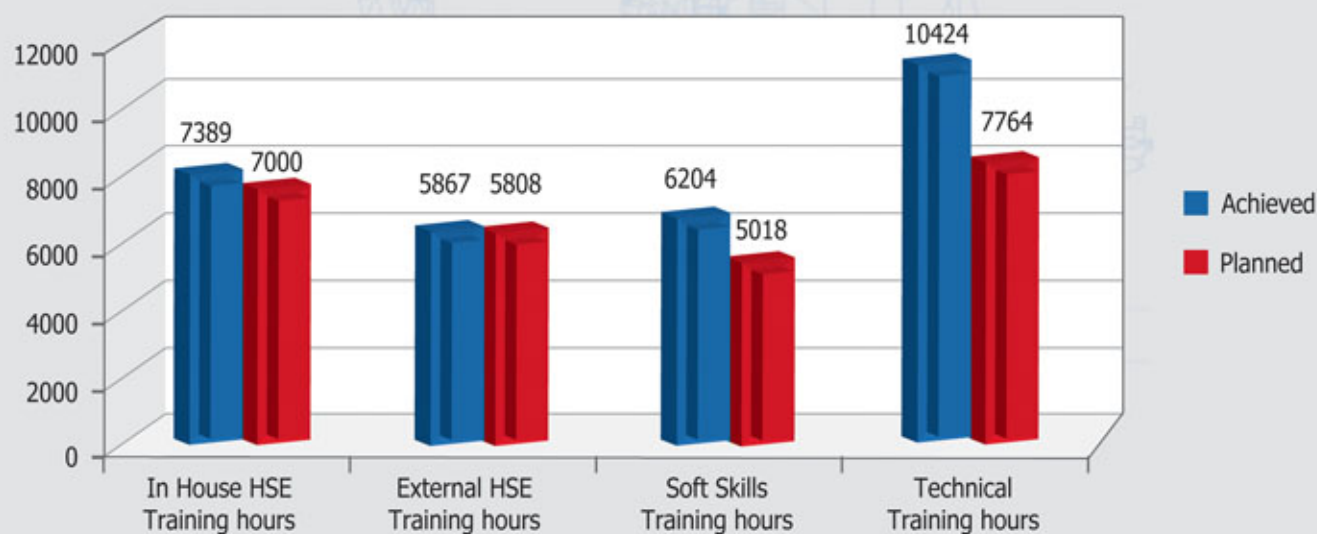
- ▶ Sinotharwa goal of training is to create an impact that lasts beyond the end time of the training itself.
- ▶ This Training can be offered as skill development for individuals and groups. In general, trainings involve presentation and learning of content as a means for enhancing skill development and improving workplace behaviors.
- ▶ Organizational Development from Sinotharwa point of view is to examine the current environment, the present state, and helps people on a team, in a department and as part of an institution to identify effective strategies for improving performance & to find ideas and solutions that can effectively return the group to a state of high achievements.

Kinds of Training provided in Sinotharwa

- 1- Soft Skills Training: Provided by the highly regarded training providers in Egypt & by the reputable companies in the field of training & by using the most qualified & experienced instructors.
- 2- HSE Training
 - In house HSE Training: Sinotharwa has a direct contract with the superlative HSE instructors who provide all kinds of HSE training internally in Sinotharwa Training centre that contains all the training facilities & high technology equipments that allows the trainees to get the most benefit of the training they attend.
 - External HSE Training: Sinotharwa has deals with the top HSE training providers in Egypt submitting certificates required by the operators companies or by the governmental HSE authorities.
- 3- Technical Drilling Training
 - **IWCF**: Sinotharwa establish a school for teaching the IWCF course in Sinotharwa training centre, this course is provided for drilling key positions & it is renewed every two years the thing that makes this school essential & continuing operation in the drilling industry.
 - Drilling Training courses: These courses are concentrated in the technicality of the drilling industry & provided by the most experienced instructors in the drilling field & with participations also from the key positions in the process of education

Highlights of 2009 Training

Kind of Training	Achieved	Planned
In House HSE Training hours	7389	7000
External HSE Training hours	5867	5808
Soft Skills Training Hours	6204	5018
Technical Training Hours	10424	7764





General Services

"Enhancement is just the beginning,
perfection will be the standard"

Company Car Fleet

- ▶ Sinotharwa Owns 58 cars in different locations in Egypt the system to follow-up periodic maintenance was developed & enhanced in 2009 for all company cars with great interest to keep them in a perfect condition.
- ▶ Agreement with authorized car maintenance centers to make the cars' periodic maintenance and any kind of other repairs to ensure high quality of maintenance for the company cars & also including this services to be provided on the Rig locations, the thing that reflected on our credit cost & also save a lot of time & effort.
- ▶ Contracts with the best transportation companies in Egypt to provide sinotharwa employees with safety & comfort during their trips to the company's locations.
- ▶ Procedures were established in 2009 to organize Business trips & daily work orders for all Sinotharwa employees.
- ▶ Providing Defensive Driving course for drivers & all Company's cars' users during 2009 & this plan will be continued & completed during 2010.

WORK PERMITS

In compliance to Egyptian Labor Law & following the direction of replacing expats by well trained local employees, during 2009 sinotharwa eliminate the expat manpower & issued 28 work permits for Expat employees.

Head Office & Guest House

Maintenance & continuous follow up for the company head office building & also the guest house had been done to facilitate the accommodation & to ensure the comfort for Sinotharwa employees.



Medical

- Establishing Drugs redistribution plan: reallocation for the extra drugs on the Rigs to other Rigs having deficit, the thing that optimized and reduced the medical drugs cost during 2009 by 95%.
- Starting new drug inventory system: Drug inventory report received on monthly basis from Rigs & also all drugs consumption on Rigs is registered in Consumption book handled by the Rig physician.
- Expanding Sinotharwa medical network: three hospitals, two pharmacies, Eye Subspecialty Center, one Scan Center and one laboratory center.
- Set up for new Employee Medical Records filing system for Head office employees which includes all medical history.
- Enhancing the system for sick leave approval, the thing that organize the employees attendance.
- Handling more than 40 medical checkup for newly hired employees.
- Applying new system for supporting all the company cars with advanced first aid box.
- Centralizing the clinic for more than one Rig located in the same area: Abo Rudis Clinic, Meleha Clinic.
- Organizing & Enhancing the employees family medical subscription.



In 2010

- A standard drugs list will be distributed to each rig physician then the quantity of the drugs will be filtered by the company physician
- Statistics for the frequency of patients visits in each rig clini

Public Relation "We open doors for you"

We believe we can further grow our company by extending our marketing reach through a new Public Relations initiative that not only expands upon our current marketing programs, but also explores new ways to communicate with our customers, vendors, the local community, and other targeted groups.

We organized & handled the VIP visits & business meetings with petroleum sector's companies to achieve our targets



Successfully organized & handled the company 3rd General Assembly Meeting that was held on Mar. 09 that strongly reflected company's achievements....

Sinotharwa participated in all conferences & exhibitions in strong, creative, very unique & competitive booths that reflected Sinotharwa image & achievements

- Intergas-V on May 09.
- El-Gomhouria's 2nd "petroleum's present & future" on Aug.09.



Successfully reached special (protocols) deals with National carrier in order to provide our company logistics with best quality service & Flight tickets' prices.

Sinotharwa believes in Social responsibility (CSR), sharing our community's development, therefore we sharing our community with Donations to the Children's cancer hospital foundation.



Sinotharwa published Rigs-1st Catalogue

Sinotharwa participated in the **3rd Ramadan petroleum soccer tournament'09**, on sep.09

As we believe that social activities aimed to encourage employee's team spirit internally & lead to good relationships with the other petroleum companies.

Sinotharwa in a very short period built successful story & great history with standard image.

Sinotharwa has a great story to tell and offer an

outstanding value proposition to customers, we simply need to be more effective telling our story in order to be more visible and take our business to great new heights.



As we always say "Onshore we Drill Offshore we will Compete"; "Onshore" what we achieved, it was just a start & now we are continuing with the jack-up that will compete offshore



Health, Safty & Environment

0.8

Total Recordable Incident Rate (TRIR)

Our Numbers Say It All,
Better Than Best

Working in the oil and gas industry holds inherent risks and as such requires a continuous focus towards working safely by all on-site personnel.

That puts SinoTharwa Drilling Company front and centre in the Egyptian Drilling Industry's efforts to ensure workplace safety.

"We have a vision for our organization and having a safe operating environment is the heart and soul of that vision."

"Every single one of our employees should be able to complete each shift as healthy as he began it." SinoTharwa owes that to them. Moreover, our employees owe it to themselves. It falls to all of us in this organization to be safety leaders."

In 2009 SinoTharwa's top management sponsor an annual "HSE Stand-Down meeting" during which senior managers including visit all of sites locations. Meeting with front line workers and discussing HSE demonstrates and reinforces the commitment we hold toward working safely. The HSE meetings are part of SinoTharwa's target of Zero harm vision. Although SinoTharwa has long HSE program, the organization launched Target Zero – It's People... It's Personal – in 2009 to give even greater meaning, momentum and focus to the company's initiatives and HSE efforts.

As its name suggests, Target Zero's lucid message to SinoTharwa's employees, customers and industry counterparts is that the company is aiming to achieve zero incidents every year, and day-by-day, is improving on each year's performance.

While the company fully accepts its responsibility of taking the lead role in creating and maintaining a safe working environment, Target Zero also aims to empower employees. "We need the commitment and support of all employees to ensure that zero is achievable by making HSE a part of their daily routine," "In a world where everything we do on the job can affect ourselves, our colleagues or the communities in which we work, there really can be no other possible target."

SinoTharwa has structured Target Zero with a view to instilling HSE culture throughout the organization, and the employees whose working in different locations inside Egypt.

OCCUPATIONAL HEALTH AND HYGIENE

SinoTharwa has carried out a wide variety of health care and hygiene activities to ensure a high level of health care for its employees.

A health risk assessment was carried out on all jobs to evaluate health risks and identify ways of reducing these risks. Detailed surveys were carried out a regular program of hygiene inspections of food preparation areas was undertaken to improve hygiene standards and awareness amongst catering personnel. Furthermore, occupational hygiene inspections were completed at each of the Company sites.

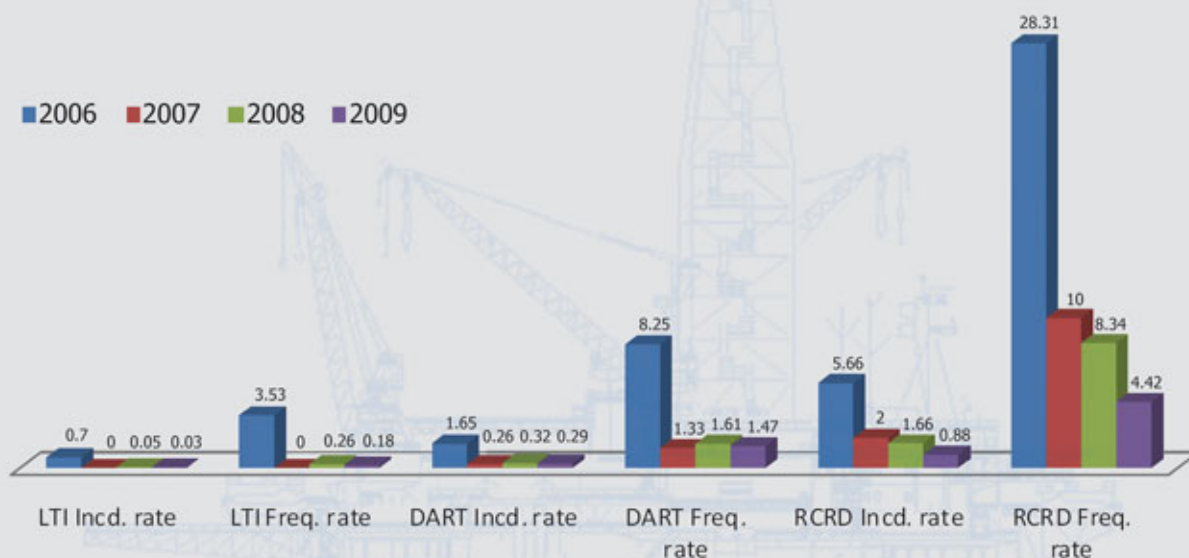
Presentations on occupational Health and hygiene were given to medical representatives and lectures were presented at every rig site.

Our achievements in the occupational health and safety carrier been recognized with **OHSAS 18001:2007** certification in 2008 and renewed in 2009 through the surveillance audit.



During 2009 all SinoTharwa's business and rigs worked hard to keep HSE records as or better than had been achieved in previous years.

The following achievements are indications and a measure of HSE successes in 2009: Most importantly there were no fatalities, total or partial disabilities to any of SinoTharwa staff subcontractors or third parties in any of SinoTharwa areas of operations. Only one lost time incident happened during the year.



LTI INCD Rate = (LTIs+FTLs)* 200,000 / Total man hours.

LTI FREQ Rate = (LTIs+FTLs)* 1,000,000 / Total man hours.

DART INCD Rate = (RWCs+LTIs+FTLs)* 200,000 / Total man hours.

DART FREQ Rate = (RWCs+LTIs+FTLs)* 1,000,000 / Total man hours.

RCRD INCD Rate = (MTOs+RWCs+LTIs+FTLs)* 200,000 / Total man hours.

RCRD FREQ Rate = (MTOs+RWCs+LTIs+FTLs)* 1,000,000 / Total man hours.

ENVIRONMENT PROTECTION

SinoTharwa during 2009 reviewed and updated its environmental procedures to improve the environmental protection performance.

Many efforts also introduced for improving the level of waste segregation and disposal to meet or exceed the legislations issued for such purposes.



VEHICLES FLEET MANAGEMENT

Clear and comprehensive procedures were established in order to gain control on road transport activities, or any undesired events may occur starting by the driver competency / Passengers awareness ending with vehicles condition through company's safe journey management system. From these new issues we are expecting a realized improvement in our vehicles accident rates during 2010 and upcoming years.

HSE CAMPAIGNS

In 2009 SinoTharwa carried out HAND INJURY PREVENTION and CRITICAL SAFETY EQUIPMENT campaigns. These campaigns held in KARAMA and ABORUDIES areas with the participation of all the area employees and the company senior managers.

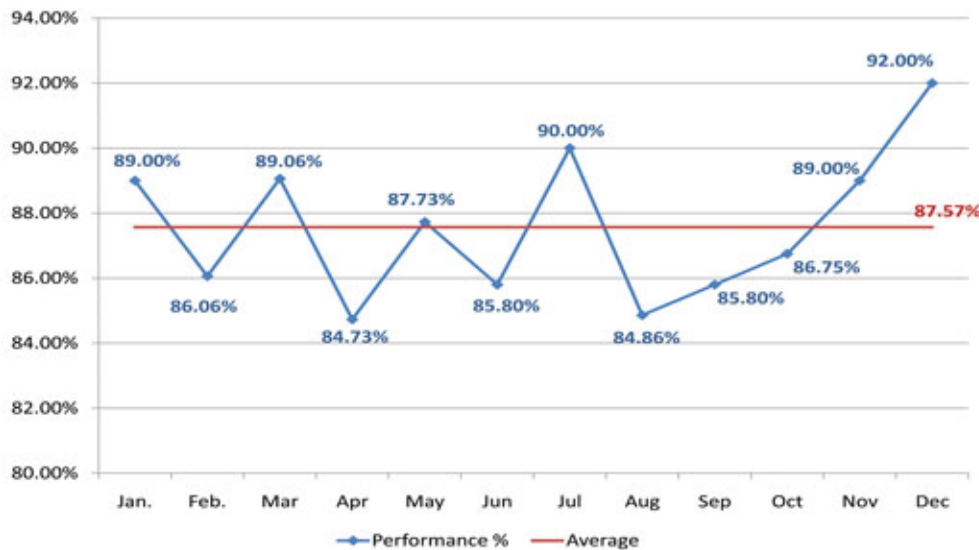
Have to mention the valuable participation from Qaroun Petroleum Company headed by the attendance of Qaroun's Chairman & Managing Director.

HSE PERFORMANCE MEASUREMENTS



With the very strict HSE targets planned to be achieved during 2009 complying with the mentioned trend towards the target of Zero harm, our rigs succeeded to achieve a general HSE performance average of 88 %.

2009 Monthly HSE Average Performance



HSE ACHIEVEMENTS

RIG ST-1
3Years
without LTI

RIG ST-2
3Years
without LTI

RIG ST-4
2Years
without LTI

RIG ST-5
1Year
without LTI

RIG ST-6
1Year
without LTI

RIG ST-24
1Year
without LTI

RIG ST-7
1Year
without LTI

RIG ST-23
1Year
without LTI

RIG ST-8
1Year
without LTI

RIG ST-22
2Years
without LTI

RIG ST-21
2Years
without LTI

RIG ST-11
1Year
without LTI

RIG ST-9
1Year
without LTI

RIG ST-12
1Year
without LTI

RIG ST-10
1Year
without LTI



Operations Operations



Making Your Plan real

SinoTharwa Land Rigs:16

Drilling Rigs:

- 2000 HP(Six rigs): ST-1, ST-3, ST-4,(Mubarak-1) ST-9, ST-11 & ST-12
- 1500 HP(Five rigs): ST-2, ST-5, ST-6, (Mubarak-2) ST-8 & (Mubarak-3) ST-10
- 1000 HP(One Rig): ST-7

All drilling rigs electrical except ST-2 is a mechanical rig.

Work over Rigs:

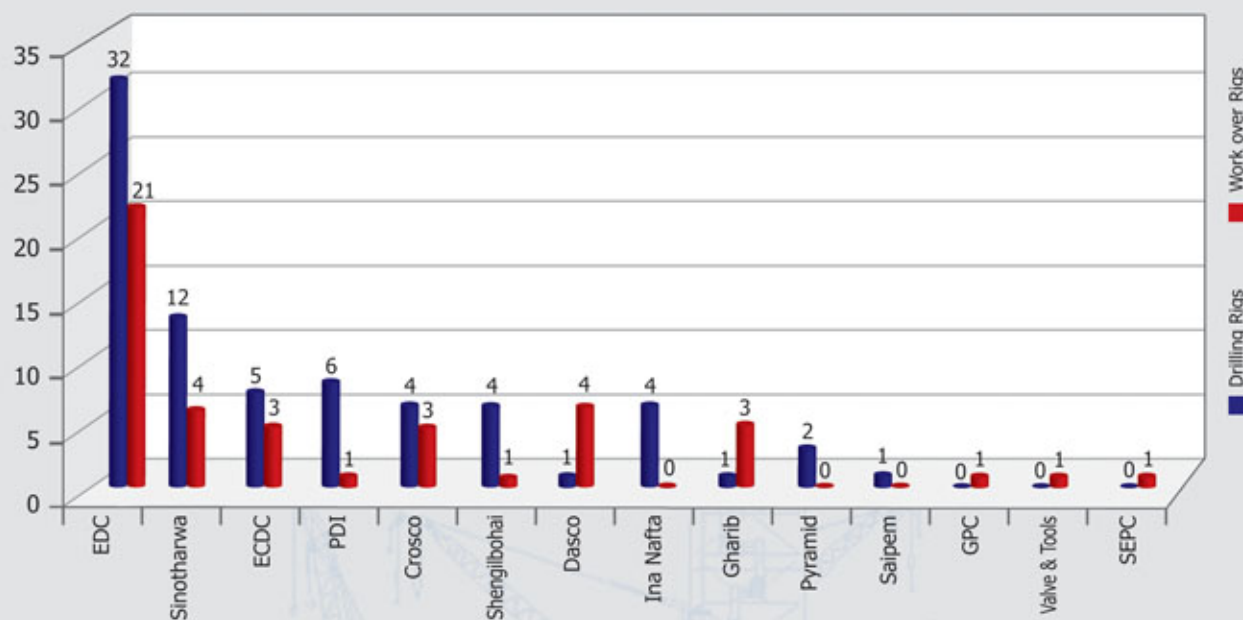
- 650 HP(Four mechanical Rigs):ST-21,ST-22,ST-23&ST-24



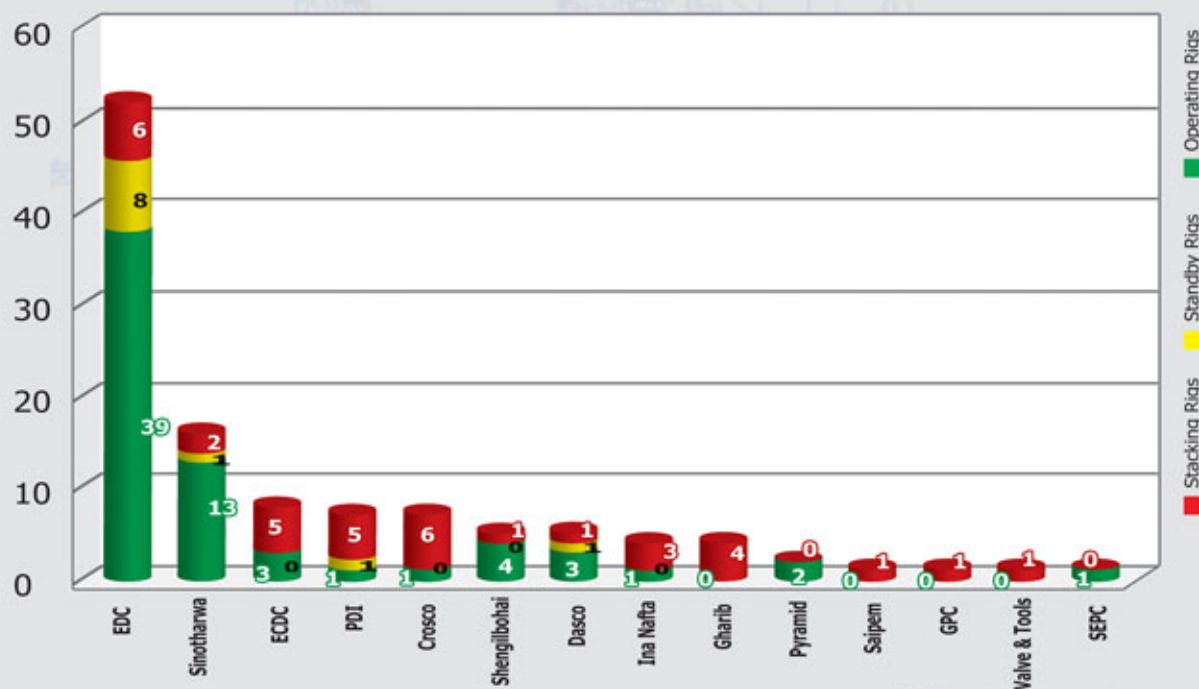
15 Operators

- Petrobel : ST-1, ST-3 & ST-23
- Zeitco, Bapetco & Burapetco : ST-2
- Arabian Oil Co. & El Hamra: ST-4
- Khalda : ST-5
- Qarun : ST-6, ST-22 & ST-21
- Apachi : ST-6
- Petrodara : ST-7
- Agiba : (Mubarak-2) ST-8
- Vegas : (Mubarak-1) ST-9
- Wasco : (Mubarak-3) ST-10
- Naftogaz : ST-11
- Cepsa : ST-12
- Petro Alam & Agiba : ST-21
- Bapetco : ST-24

Land Rigs in Egypt



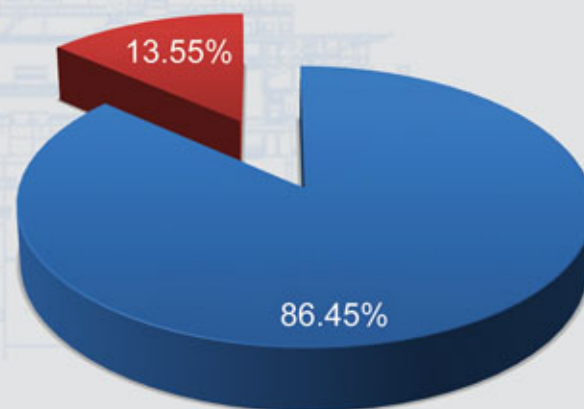
Status Of Land Rigs in Egypt



Summary of Sino tharwa's Rigs stacked days

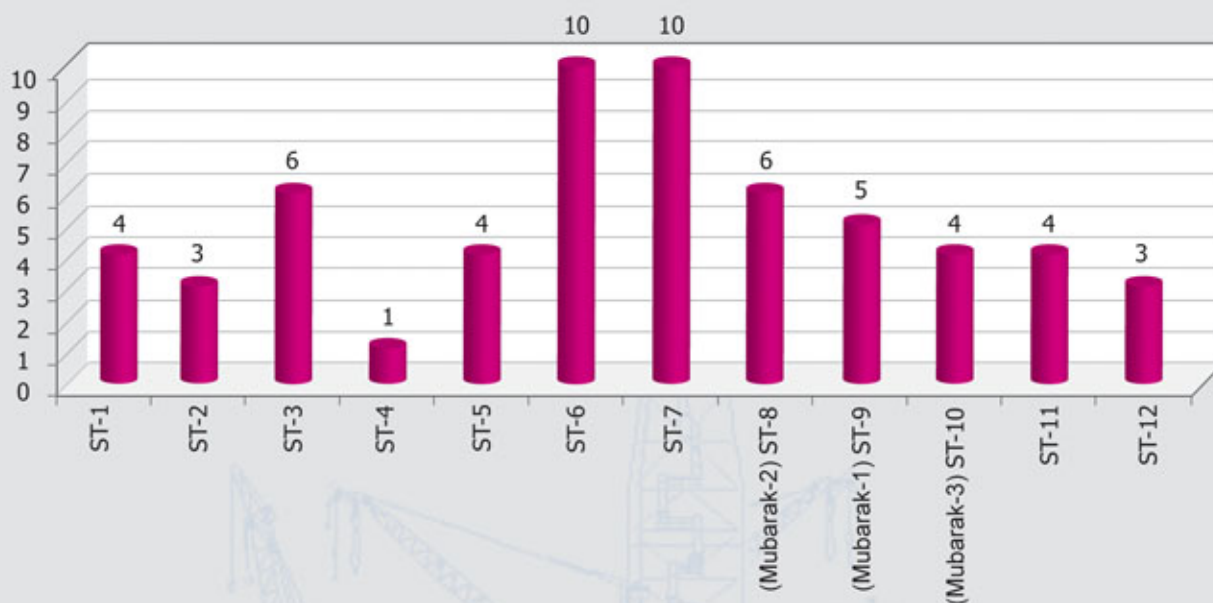
Rig	Operating days	Standby days	Stacking days
ST-2	281	0	84
ST-4	109	256	0
(Mubarak-2) ST-8	158	0	207
(Mubarak-3) ST-10	200	0	165
ST-21	174	0	191
ST-24	225	0	140
Total	1147	256	787

- Total Stacking time = 787 days.
- operation time for all rigs = 5017 days.
- Total time for all rigs = 5804 days
- Operation / Total time = 86.45%
- Stacking / Total time = 13.55 %.

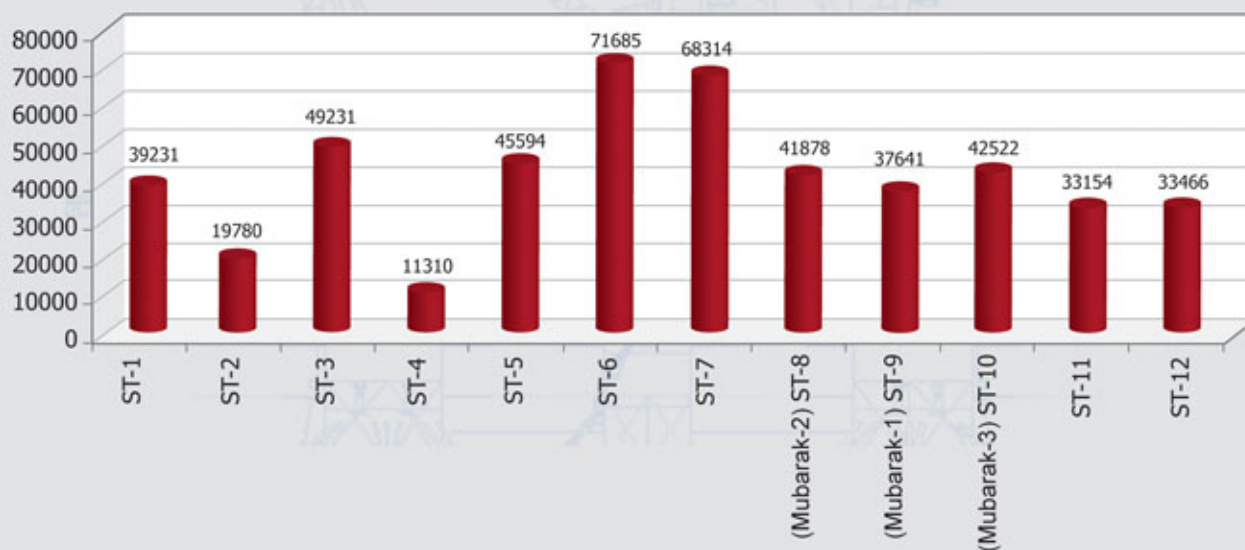


■ Stacking Time ■ Operating Time

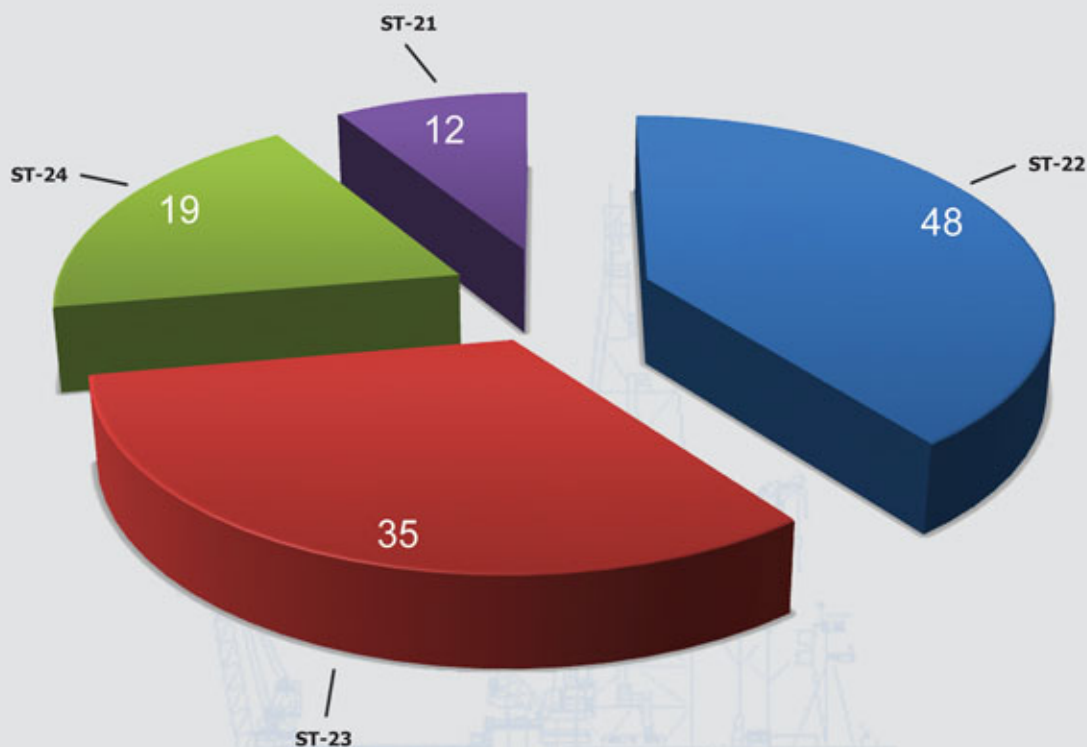
Drilled wells(2009) 66 Wells



Total Footage drilled(2009) 582,536 ft



Worked Over wells(2009)
114 Wells

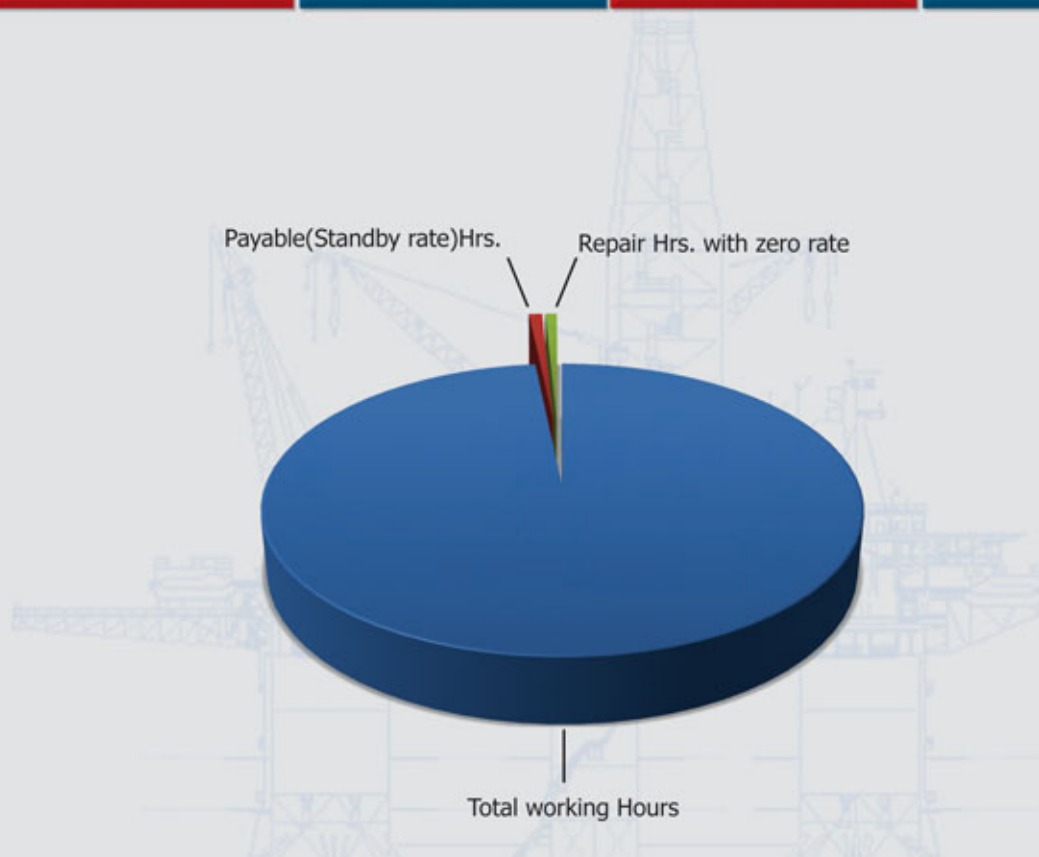


2009 Rigs Utilities

Rig	Work period days	Rig utility %		Repair time %	No. of Rig move	Rig move time %	Average time day/ Move
		Including move time	Excluding move time				
ST-1	365	97.49%	98.82%	1.18%	5	1.33%	8.47
ST-2	281	99.50%	99.50%	0.50%	2	0.00%	6.89
ST-3	365	97.64%	98.32%	1.68%	6	0.68%	5.89
ST-4	365	98.57%	98.57%	1.43%	0	0.00%	0
ST-5	365	95.72%	99.00%	1.00%	5	3.28%	9.79
ST-6	365	97.07%	99.38%	0.62%	11	2.31%	7.15
ST-7	365	98.57%	99.59%	0.41%	11	1.03%	5.94
(Mubarak-2) ST-8	158	98.48%	99%	1%	6	0.52%	5.31
(Mubarak-1) ST-9	365	96.60%	99.46%	0.54%	5	2.87%	7.73
(Mubarak-3) ST-10	200	93.76%	99.98%	0.02%	5	6.22%	7.73
ST-11	365	96.77%	99.14%	0.86%	4	2.37%	8.86
ST-12	331	91.97%	99.04%	0.96%	3	7.07%	11.38
ST-21	174	94.70%	98.76%	1.24%	12	4.07%	1.85
ST-22	365	97.40%	100%	0.00%	48	2.60%	1.08
ST-23	365	98.03%	99.83%	0.17%	35	1.80%	0.85
ST-24	225	92.09%	98.65%	1.35%	19	6.55%	2.5

Repair hours Vs. working hours for All Sinotharwa Rigs

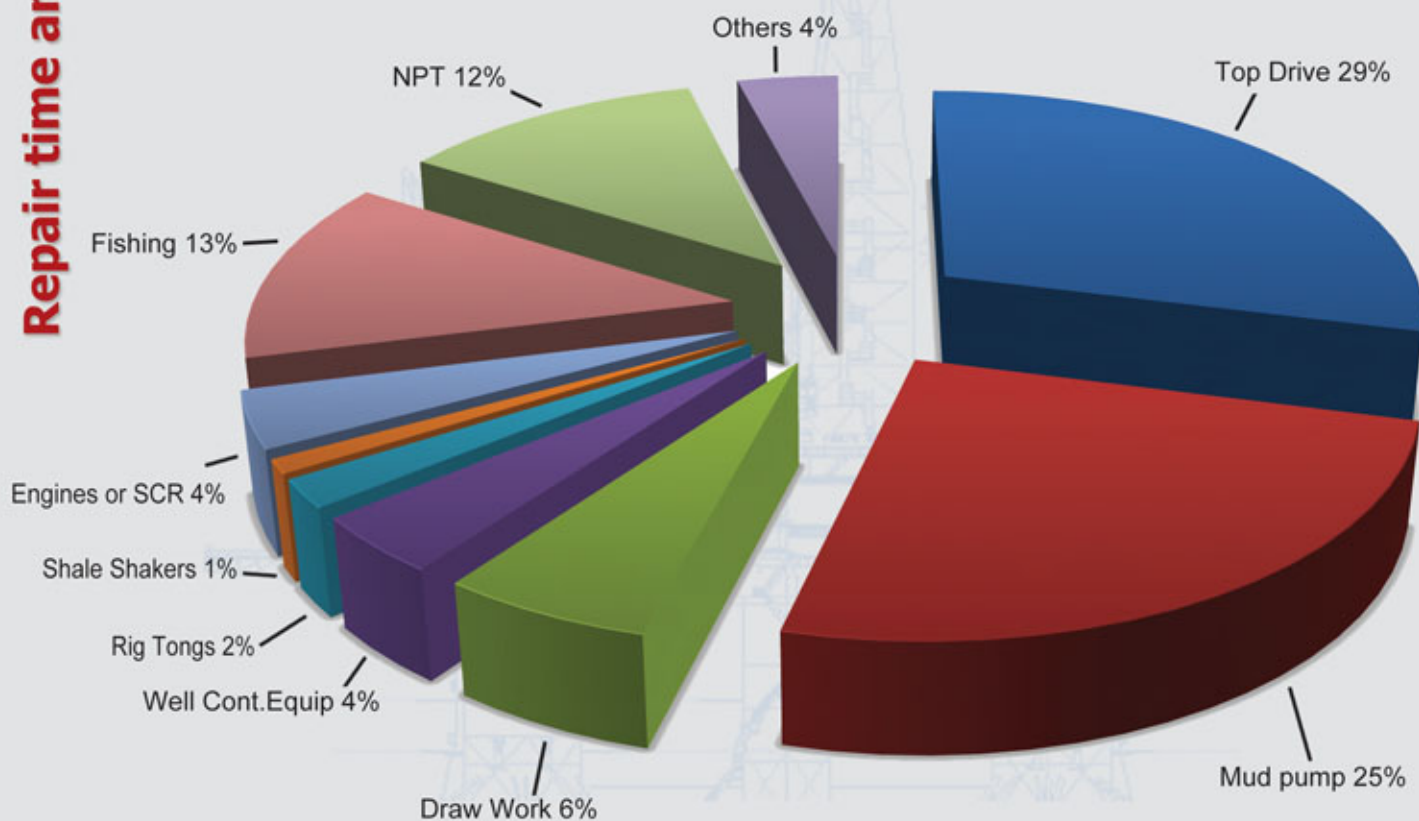
Total working hours	Total repair hours	Payable (Standby rate)Hrs.	Repair Hrs. with zero rate
120408	2264	1186	1078
98.13%	1.87%	0.98%	0.89%



Repair Time Analysis 2009/hrs

Rig	Top Drive	Mud pump	Draw work	Well cont. equip	Rig tongs	Shale Shakers	Engines or SCR	Fishing	NPT	Others
ST-1	22.5	129	3.5		5	2.5	3		2.5	2
ST-2		5	14.5	5	3.5	10	60.5		4.5	1.5
ST-3	144.5	43.5	7	9	0.5	2.5	2		70.5	2.5
ST-4	20.5		7.5		2.5	13				
ST-5	119	79	14.5	22	0.5	14		141	14.5	2
ST-6	32.5	5.5	21.5		0.5	0.5	0.5		21	23
ST-7		57	14.5			18.5	9		2.5	
ST-8	144.5	70	2			3.5	3.5		4	
ST-9	13	50.5	14	1			6	1	5.5	30
ST-10	2.5	1			2.5	2.5			9	2.5
ST-11	167	5	11		6				13	5.5
ST-12	24.5	9.5	26.5	44.5	5	75		110.5	51	4.5
ST-21			1	22.5	2.5	15	3.5		36	
ST-22		1.5				17.5	2.5		7	
ST-23		18	10.5		6.5					7
ST-24		2							84	10.5
Total	560.5	477	148	104	35	174.5	90.5	252.5	331	91

Repair time analysis 2009



What Went Well

- 1 - Cover all rigs' needs (material and spare parts).
- 2 - Follow up maintenance schedule to minimize rigs' repair.
- 3 - Improve rigs' move time.
- 4 - IWCF for all key personnel on all rigs, train and recertified expired ones.
- 5 - Technical training for key personnel on job and training center.
- 6 - Visit and Auditing all rigs to improve maintenance and close gaps.
- 7 - Minimize expenses costs to reduce operating cost and stand against world financial crises as follows:-
 - Work with contractors to reduce price without affect performance.
 - Work on heavy lift and catering as main suppliers.
 - Review and monitor spare parts cost and looking for good quality and optimum price.
 - Review rigs needs with operators to reduce some of non critical equipment.
 - Evaluate market and extend contracts with new adjusted rigs' rates to keep rigs working

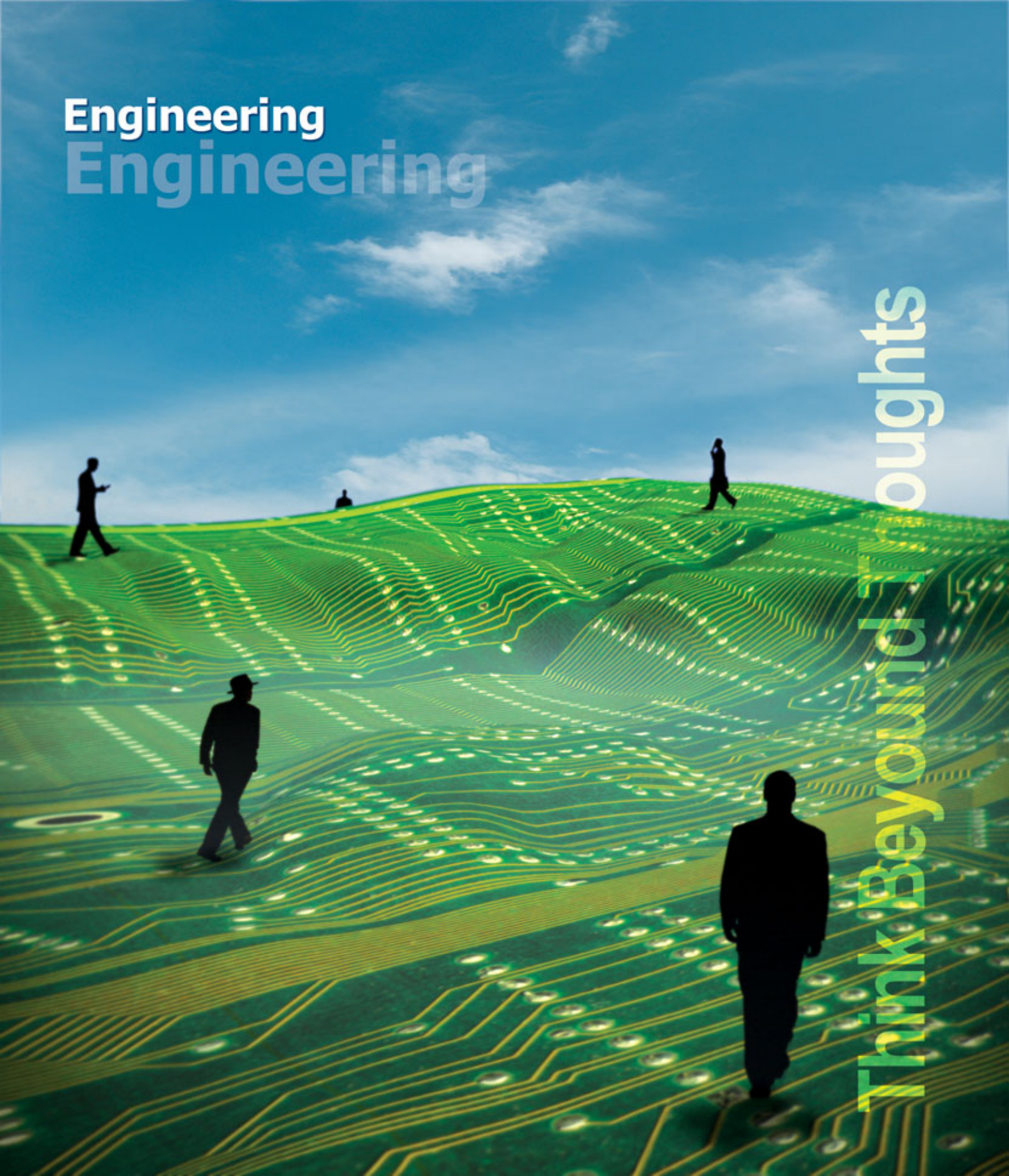
Areas For Improvement

- Expedite & prepare Badr Yard to be central warehouse in order to minimize stock.
- Enhance the quality of spare parts & equipment, from designated factories.
- Maximize the scale of the technical, HSE & languages training.
- To be prepared for the Jack up BAHARI-I arrival with required equipment, materials and staff as well.
- Enhance the communication among rig's crews, different rigs and main office.
- Follow up all stacked rigs for maintenance.
- Decrease acceptance time of rigs after rig move.
- Third party auditing items, tracking system items to be closed, started with critical and major items.
- Need to get defensive drive courses for all drivers and also for office employees to prevent or at least keep Cars accident very minimal.



Engineering Engineering

Think Beyond Thoughts



Engineering Values

Investment: Our employees are our most valuable asset, thus we select high caliber employees and ensure their high performance by providing them with the latest training and tools in the business.

Quality: We make every effort to be the best in our business by compliance with international quality standards and the industry benchmarks. We also give attention to details to achieve business perfection .

Research & Development: We do believe that the research and development is the key for solving problems and improvement of the business.

Jack Up Rig ST BAHARI 1

Dream about to come true

On February 2009



Now ...



- ▶ Launching Milestone March 30/2010
- ▶ Delivery Milestone November 6/2010

Operating Conditions



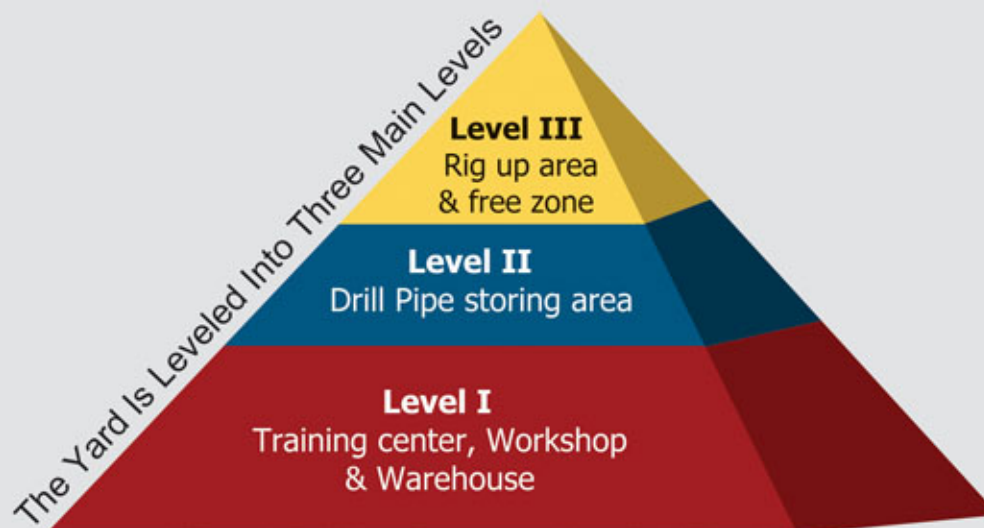
- Max operating depth 122 m (400 ft)
- Max drilling depth 9150 m(30,000 ft)
- Overall capacity 8000 kw
- Operation temperature -20° : 50°C
- Cantilever longitudinal movement 22.86m (75 ft)
- Drill floor transverse movement 4.57 m(15 ft)
- Variable load at drilling condition 3766 ton
- Variable load at survival condition 2995 ton

Main Equipment Description

Description	Brand	Origin
Derrick		
The derrick is 170 ft high, 40ft x 40ft base and 18 ft x 18 ft crown opening. The derrick has a nominal capacity of 2 000 000 lbs	NOV	USA
Drawworks		
ADS-10T 3200 HP rated 1.5M lbs with 14 lines	NOV	USA
Top Drive		
TDS-8SA system package	NOV	USA
Triplex Mud Pump,(14p-220 W/7500 psi)		
2200HP * 3 9" bore x 14" stroke mission-fluid king liners Liner retention system single acting triplex pump 2 each air cooled AC motors with pump belt drive PLC control & local control panel	NOV	USA
Deck Cranes		
Main hoisting gear 50 tones Auxiliary hoisting gear 15 tones Boom length 36 m	TSC	UK

Badr Yard

Dream about to come true



General info

➤ Location	Badr Industrial Zone
➤ General Contractor	San Masr
➤ Distance From Head Office	50 km
➤ Total Area	60,200 m ²
➤ Build Area	3,720 m ²
➤ Workshop (1) Area	1,270 m ²
➤ Workshop (2) Area	1,270 m ²
➤ Training center Area	581 m ²
➤ Warehouse Area	748 m ²
➤ Drilling Pipe Storing Area	16,630 m ²
➤ Rig Up Area	15,000 m ²
➤ Free Zone Area	3,800 m ²

Badr Yard Now



Training Center



WorkShop



WareHouse



Fence



Free Zone

Projects

Executed

Under Progress

Planned

- Mast lifting pad eyes for ST # 8, 9 & 10.
- Repair ST#24 substructure.
- Modify mud mixing hoppers for ST # 11 & 12.
- Septic tank in Abu Roduis yard(SinoTharwa environmental care).
- Recertify BOP (Blow Out Preventer) for ST# 1 & 2.



- Upgrade Block Control System for all rigs.
- Computerized maintenance program.
- Integrated alarm system for all rigs.

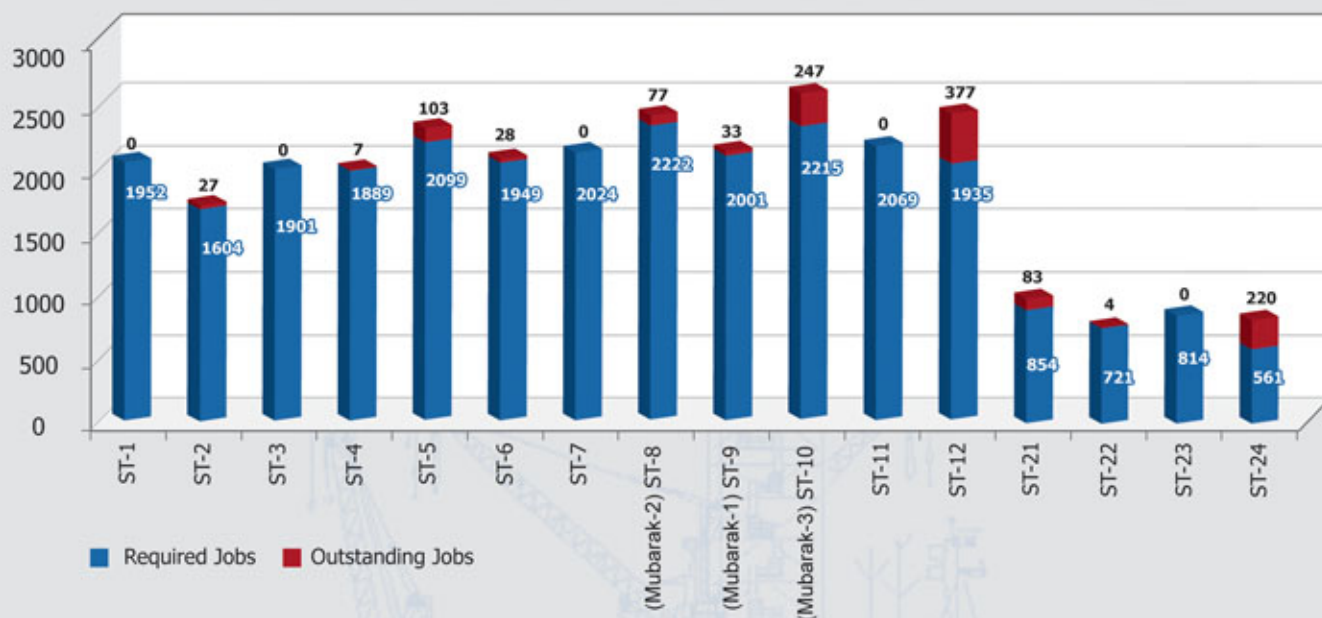


- Changing ST #2 from mechanical rig to AC electrical rig.
- Introducing an IMS(Integrated Management System) for the company.

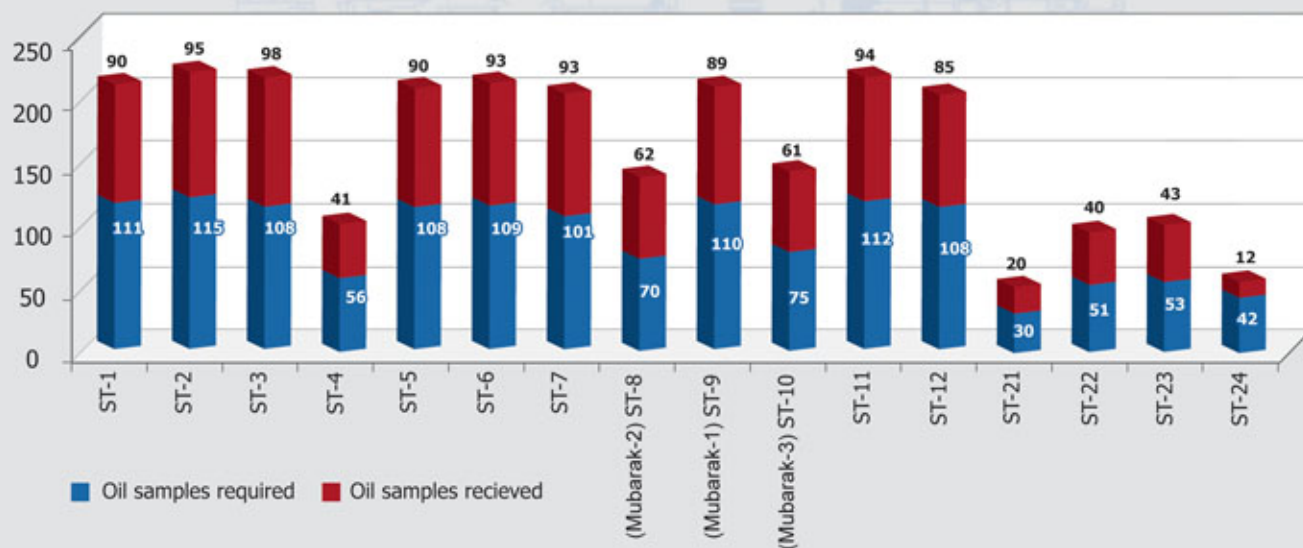


Maintenance Crew's Activities' Evaluation

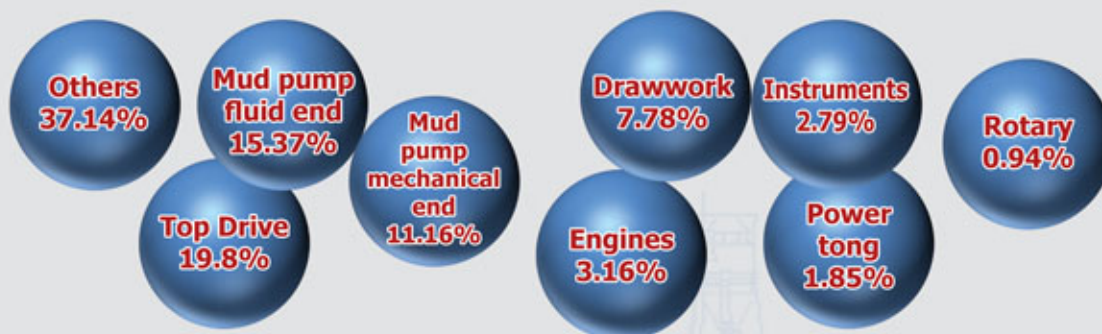
Scheduled Maintenance Required for Each Rig



Scheduled Oil Samples Required for Each Rig



Repair Time



Rigs Quality Control

Sinotharwa took a commitment of providing safe and secured working environment and such a commitment can be achieved by putting our rigs under microscopic monitoring. We have several means of ensuring the rigs quality control depends on the nature of the equipment.

Non Destructive Test

load components must be inspected and certified as defects free components. So Magnetic Particle Inspection test is one of the most accurate, express and efficient sort of test to ensure that all the critical components are free from cracks. Checking intervals up to API standards being applied on these components

Calibration

One of the engineering duties is to implement a calibration schedule according to the international standards & to follow up the execution of this schedule with the rigs.



■ Calibrated rigs instruments

■ Stack rigs

Maintenance Alert System

The maintenance alert system was introduced just to circulate any unexpected case or incident took place in one rig to avoid occurrence in the rest of the rigs as a preventive action.

- 1 - Introducing The Maintenance Alerts To Be Familiar To Rigs
- 2 - Gen Sets Operation Sequence
- 3 - Execution Of Material Requisitions(MRs')
- 4 - Camp Gen Set 3406 Alternator Maintenance
- 5 - Workover Rigs Substructure Right Handling
- 6 - Readjusting Travelling Block Hit Protection
- 7 - CO2 Fire Fighting System Release Precautions
- 8 - Mud Pump Belts Verification

Overhauls



Top drive VARIO



Draw work



CAT 3512 & Chidong diesel engine



Air tagger



Mechanical auxiliary brake

Note:

All overhauls done by Sino Tharwa's Crew



IT & Telecommunication

IT & Telecommunication



One Team .. One Dream

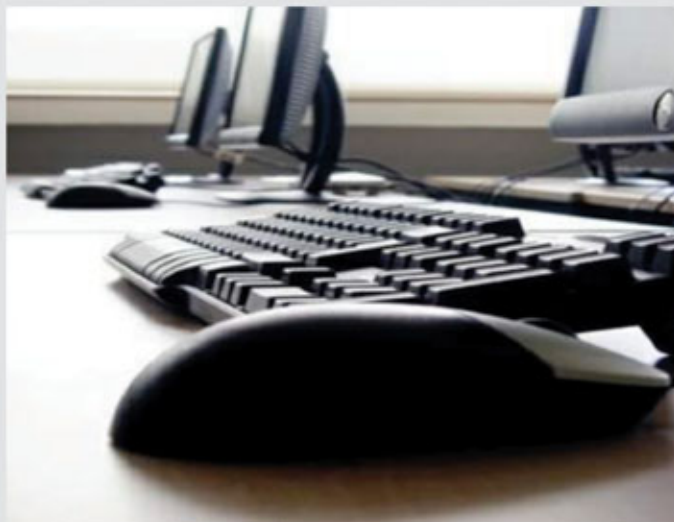
The Objective

IT & Telecommunication is a service provider department that serves more than 200 employees in 18 different locations (Head Office, Rig Sites and Warehouses).

The department is not only a significant part of the company's strategy, but also a major driver for best practices.

The main objective of the IT & Telecommunications department is to provide hardware and software information systems and technologies that enable other departments to accomplish their respective objectives through:

- Ensuring stable, reliable, secure network operations in a user friendly environment while have positive impact on user's productivity and day to day business operations.
- Providing a fully integrated and seamless end-to-end ERP suite for running the business that offers a solution that incorporates the entire company.



The Challenge

A centralized IT & Telecommunication department with a distributed environment, in addition to having only 2 small teams, one for Telecommunications and Networking and the other for ERP Implementation & Support. This situation poses a serious challenge to support IT infrastructure both effectively and efficiently and to fulfill high expectations while facing tight budgets.

Telecommunication & Networking

Connecting our Excellence



Mission

Responsible for providing users within Head Office and Rig sites with the communication methods like phones, Mobiles, Public Address and VSAT systems to communicate with each other. Also responsible for providing the company infrastructure with the latest technologies and keep it up and running 24x7. Also responsible for keeping Hardware, Software and Services up-to-date and meet the most efficient levels of security and availability for the network.

2009's Achievements

- Designed IT & Telecommunication Infrastructure of our central warehouse (Badr Yard).
- Upgrades:
 - Exchange Server.
 - Antivirus Server.
 - Upgrading Antivirus Server to latest version.
- Implementation/Installations:
 - Idirect System.
 - Web Filter Appliance.
 - Print Manager Server.
 - Backup Drive.
 - Surveillance System.
 - SinoTharwa Website.
 - Install Event log analyzer server.
- Successfully implemented necessary modification (hardware/software) to network structure; all rig sites accessed ERP Applications.



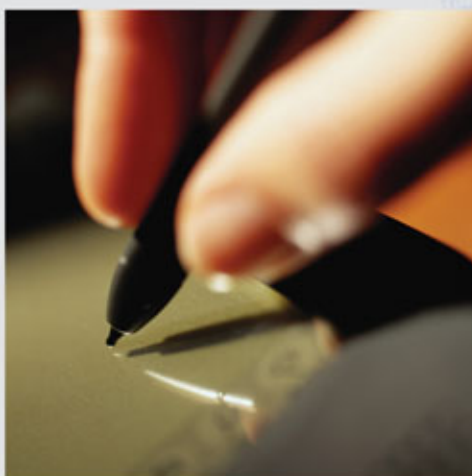
2010's Plan

- Implementing the IT & Telecommunications Infrastructure for our central main warehouse "Badr Yard".
- Connecting Head Office, Badr Yard and Rig Sites using VOIP.
- Designing Voice and Network connectivity infrastructure for the Jack Up.
- Upgrading PABX to the latest technology (IP Telephones), for compatibility with Badr Yard central.



Enterprise Resource Planning

Empowerment Reliability Professionalism



Mission

Responsible for automating business processes through implementing applications and/or functionalities and providing timely and effective functional assistance to end-users of ERP applications

2009's Achievements

- Implemented and run the following suites/modules:
 - Financial (General Ledger, Payables, Receivables, fixed Assets and Cash Management).
 - Supply Chain (Enterprise Asset Management, Inventory and Purchasing).
 - Human Resources Management System (Human Resources and Payroll).
- Planned for and supervised the preparation of master data and opening balances.
- Planned for and followed up the data entry of daily transactions.
- Conducted training sessions for Material Men, Top Management, Superintends, Tool Pushers and all departments



2010's Plan

- Implementing Business Intelligence suite.
- Upgrading ERP Applications to the latest version with a new selected set of modules to benefit from enhanced/new functions.
- Implementing a business improvement project, in order to ensure successful ERP upgrade.
- Developing and designing "Business Future Model" for the new Jack Up.



Technical Support

Help is only a click away

Mission

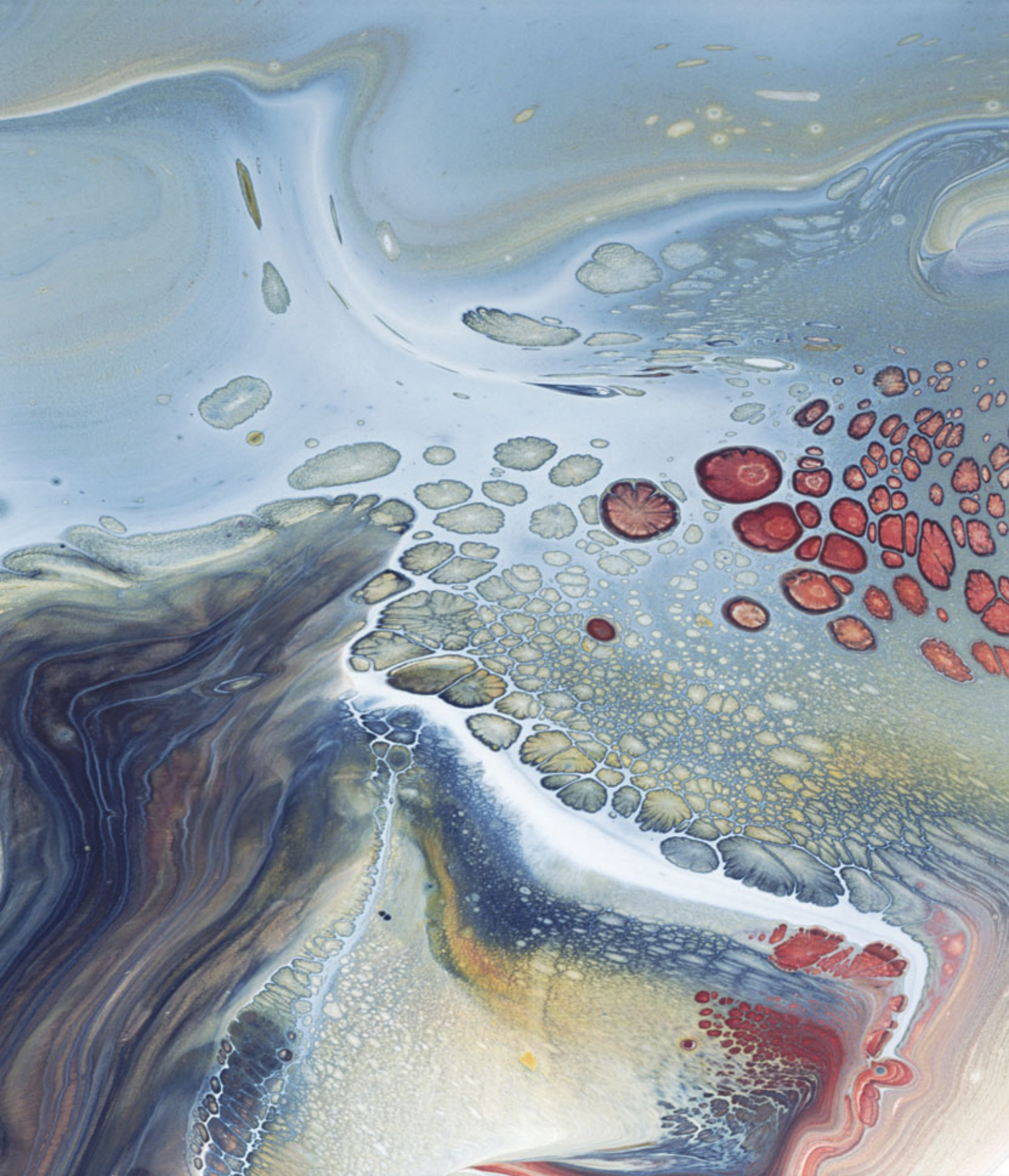
Responsible for providing timely and efficient technical support to end-users within the Head Office and Rig sites, With our advanced ticketing system enables us to keep track on every single request made by users and to respond promptly and efficiently. Tickets will be resolved either by remote management tools or by an on-site service.

2010's Plan

- Using HelpDesk Application as the sole point of support.
- Enhancing and enriching solutions' knowledge base.

2009's Achievements

- Implemented HelpDesk Application to support Telecommunication, Networking and ERP service requests.
- Built solutions' knowledge base to make it easy for our users to find their problems solution without IT support
- Used HelpDesk Application as a pilot central point of support.



Finance

Finance

2009

ST

2008

ST

2007

2006

Invest with Confidence



MOSTAFA SHAWKI & CO

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, 2009, and the related statements of income, changes in Quota holders' equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Egyptian Accounting Standards. 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 International 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.

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Tel: (02) 2391 7299 - 2390 1890 Fax: (02) 2393 9430
E-mail: mshawki@mshawki.com www.mazars.com.eg www.mshawki.com



MOSTAFA SHAWKI & CO

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Sino Tharwa Drilling Company "A Limited Liability Company Private Free Zone"**, as of December 31, 2009, of its financial performance and its cash flows for the year then ended in accordance with Egyptian Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

The financial information included in the Board of 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 2, 2010

Dr. Mostafa Shawki

 MAZARS MOSTAFA SHAWKI

153 MOHAMED FARID STREET, BANK MISH TOWER, P.O. BOX 2095, CAIRO 11518, EGYPT
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Balance Sheet as of 31 December 2009 (Amounts Expressed in US Dollar)

	31/12/2009	31/12/2008
<u>Long Term Assets</u>		
Fixed assets (net)	192,303,574	187,684,791
Projects under construction	222,543,144	122,878,407
Total Long Term Assets	414,846,718	310,563,198
<u>Current Assets</u>		
Inventory	14,913,584	12,949,402
Accounts receivables	17,993,084	20,752,850
Debtors and other debit balances	1,169,768	1,779,552
Cash and bank balances	4,776,720	3,650,343
Total Current Assets	38,853,156	39,132,147
<u>Current Liabilities</u>		
Bank Overdraft	18,325,804	0
Loans annuities due within a year	19,089,612	21,095,855
Creditors and other credit balances	11,082,687	11,055,580
Dues to affiliated parties	4,458,478	15,876,525
Provisions	155,659	140,000
Total Current Liabilities	53,112,240	48,167,960
Working capital	(14,259,084)	(9,035,813)
Total Investments – Financed as Follows:	400,587,634	301,527,385
<u>Quota Holders Equity:</u>		
Capital	80,000,000	40,000,000
Legal reserve	2,027,951	511,736
Retained earnings	15,413,699	3,531,504
Net Profit for the year	6,045,439	15,162,156
Total Quota Holders Equity	103,487,089	59,205,396
<u>Long Term Liabilities</u>		
Long term loans	297,100,545	240,812,334
Creditors for purchasing fixed assets	0	1,509,655
Total Long Term Liabilities	297,100,545	242,321,989
Total Investment and Long Term assets	400,587,634	301,527,385

Income Statement for the period

from January 1st, 2009 to December 31st, 2009

(Amounts Expressed in US Dollar)

	31/12/2009	31/12/2008
Description		
Operating revenue	83,182,751	71,097,690
Deduct:		
Operating expenses	56,667,688	44,342,932
Gross Profit	26,515,063	26,754,758
Add:		
Capital gain (loss)	(279,360)	28,719
Interests received	9,506	183,320
Deduct:		
General & administrative expenses	5,674,278	5,595,150
Financing expenses	8,414,029	5,836,077
Board of directors' allowances	100,434	133,414
Provisions formed during the year	15,659	240,000
Account receivable Impairment	5,995,370	0
Net Profit for the Period	6,045,439	15,162,156

Cash Flow Statement for the period
from January 1st, 2009 to December 31st, 2009

(Amounts Expressed in US Dollar)

Description	31/12/2009	31/12/2008
Cash Flow from Operating Activities		
Net profit for the period	6,045,439	15,162,156
Adjustments to the net profit with the cash flow from operating activities		
Fixed assets depreciation	21,440,064	12,796,642
Provisions formed during the year	15,659	140,000
Account receivable Impairment	5,995,370	100,000
Gain on sale of fixed assets	279,360	(28,719)
Operating Profit before changes in working capital	33,775,892	28,170,079
Working Capital Changes		
(Increase) in inventory	(1,964,182)	(8,027,752)
(Increase) in clients	(3,235,604)	(14,992,674)
(Increase) in - debtors & other debit accounts	609,784	(1,239,830)
Increase in creditors and other credit accounts	27,107	5,390,860
Increase in affiliated parties	(11,418,047)	8,572,438
Net Cash Flow from operating activities	17,794,950	17,873,121
Cash Flow from Investing activities		
Gain on sale of fixed assets	442,785	793,398
Payment for Purchase of fixed assets	(2,756,912)	(136,980,988)
Payment for projects under construction	(123,688,817)	(69,851,018)
Net Cash Flow (used) for Investment Activities	(126,002,944)	(206,038,608)
Cash Flow from Financing Activities		
Used from long term loan	73,068,170	185,305,717
Payment of Installment for long term loan	(20,295,857)	(9,869,876)
Paid profit dividends	(1,763,746)	(676,750)
Capital Raise	40,000,000	0
Net Cash Flow from Financing Activities	91,008,567	174,759,091
Net increase in cash and cash equivalent	(17,199,427)	(13,406,396)
Cash and cash equivalent beginning balance	3,650,343	17,056,739
Cash and cash equivalent ending balance	(13,549,084)	3,650,343
Cash and Cash equivalent represent :		
Cash at banks	4,776,720	3,650,343
Bank Overdraft	(18,325,804)	0
	(13,549,084)	3,650,343

Changing in Shareholders Equity Statement for the period
from January 1st, 2009 to December 31st, 2009

(Amounts Expressed in US Dollar)

<u>Description</u>	<u>Capital</u>	<u>Legal Reserve</u>	<u>Retained Earnings</u>	<u>Net Profit</u>	<u>Total</u>
Quota holders equity as at 1 January, 2008	40,000,00	171,422	1,145,428	3,403,140	44,719,990
Dividends	0	0	(676,750)		(676,750)
Transferred to legal reserve & Retained Earnings	0	340,314	3,062,826	(3,403,140)	0
Net profit for the year	0	0	0	15,162,156	15,162,156
Quota holders equity as at 31 December 2008	40,000,000	511,736	3,531,504	15,162,156	59,205,396
Quota holders equity as at 1 January, 2009	40,000,000	511,736	3,531,504	15,162,156	59,205,396
Capital Raise	40,000,000				40,000,000
Dividends			(1,763,746)		(1,763,746)
Transferred to legal reserve & Retained Earning	0	1,516,216	13,645,940	(15,162,156)	0
Net profit for the year	0	0	0	6,045,439	6,045,439
Quota holders equity as 31 December 2009	80,000,000	2,027,952	15,413,698	6,045,439	103,487,089



Procurement & Contracts

Procurement & Contracts

Our Team Makes The Difference



Due to company evolution & maturity, SinoTharwa sourcing activities was developed to fit the dynamic environment we work in. As in 2009 we redesigned & arrange our team to fit with company competitive strategy & economic down turn.

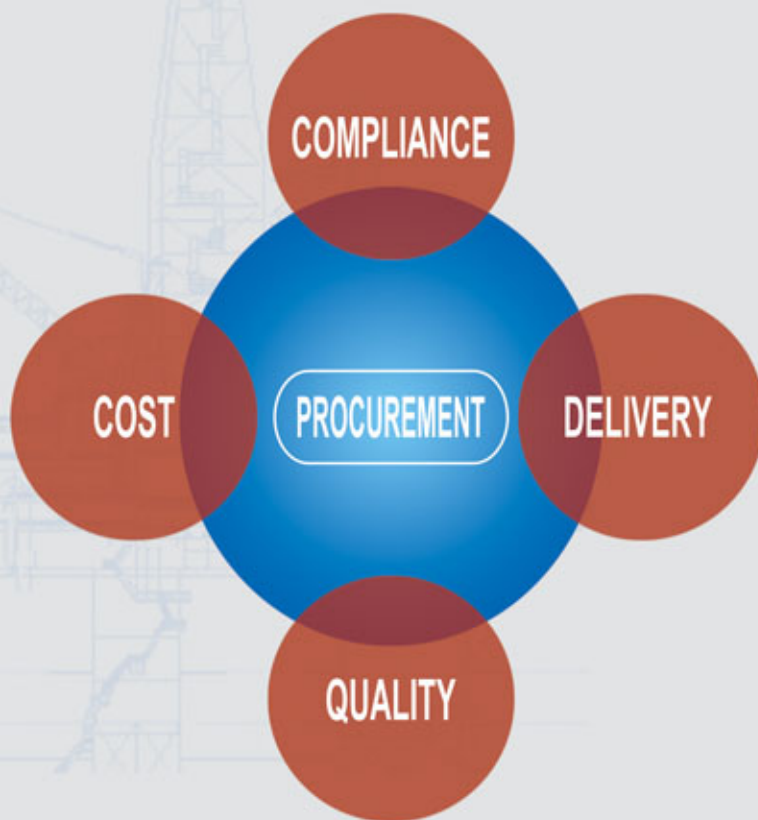
With delivering best value for money day by day; work is progressing on procurement and contract department sharing information and cooperating with other department to facilitate the work cycle.

As it is not possible to quantify all savings as supply chain team contributes towards improved quality of product, improved terms and conditions and value for money generally.

Savings were made during this 12 month period by adopting good supply chain practice and evaluating our performance to optimize our cost & to be more efficient. Reduced budgets leading to greater pressures to make supply chain efficiency is magnificent important.

As supply chain team focus spans on the whole supply process from identifying the requirements, cost, quality, delivery & compliance with best practice & international standards.

Due to economic downturn focusing on efficiency is expanded to span all over the supply chain process. As we see this downturn as opportunity to master the best practice in efficiency.



Inventory Management & Planning

Implementing ERP inventory & purchasing modules in 2009 is one of the major achievements for supply chain team in this year. This achieved the following:

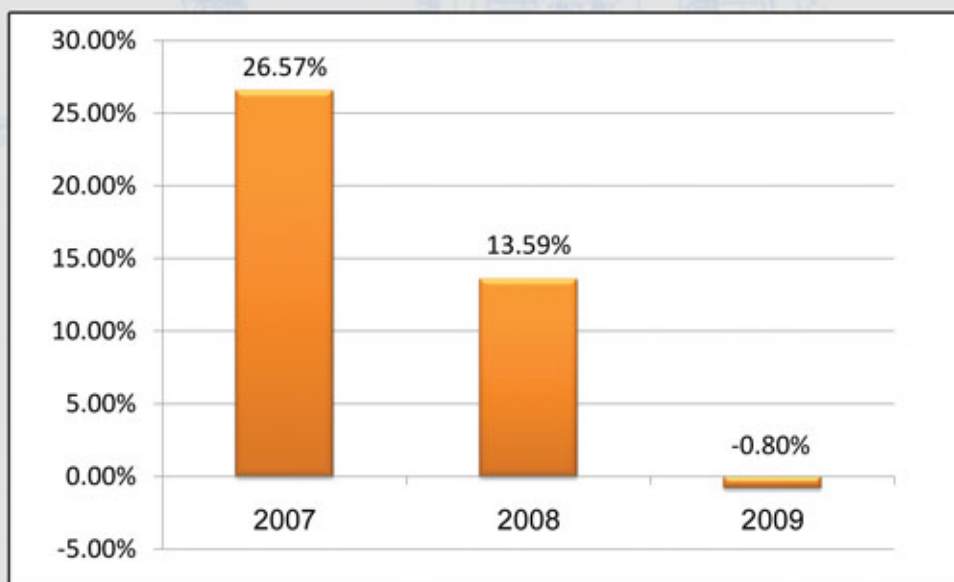
- Provide online visibility for company inventory between all company sites & head office.
- Increase the fill rate & responsiveness thus meet customers' needs faster.
- Reducing cost by better inventory utilization.

Still will be work in progress to improve data accuracy & match new material requirements.

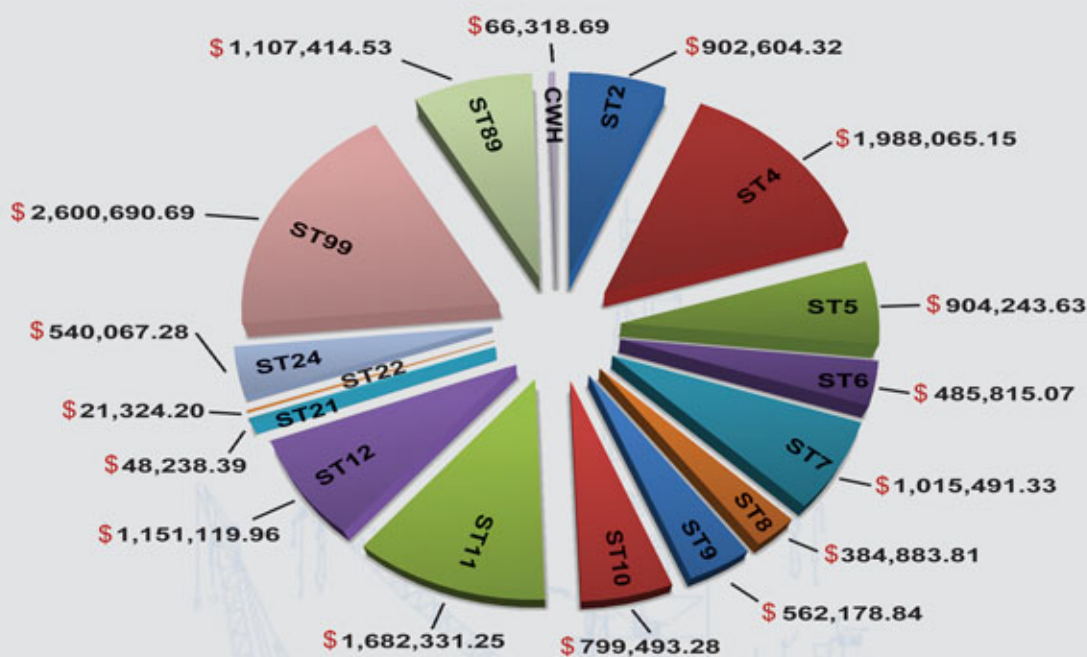


In 2009 we create our planning & inventory management team through selecting highly skilled & experienced members to be the pioneers for this focus on our inventory & how improve our planning which will reflect demand fulfillment & optimize our cost. Within a short period they achieve higher fill rate & maintain inventory value within company limits.

Inventory Value Changes



Warehouses Value



Procurement & Contracts

In 2009 we achieved to set the main key performance indicator for procurement team this leads to improve fill rate & delivery percentage beside optimize our cost as instance we achieve to reduce cost through negotiation only & save about 330,000 USD this is reflect as one year work over rig net profit.

The ability to negotiate successfully is one of the most basic of the contract team skill sets. Significant positive impacts are made to the company.

We have practical experience in the methods and strategies that will result in successful negotiations with suppliers and contractors, to identify the basic competencies necessary to deliver this success.

Contracts team achieves to renegotiate almost optimizing cost by almost 20-30 % all over.



Logistics * Customs

As mainly logistics team handle relationship between the company & our clients of contracted petroleum companies , EGPC , GAFI , customs , clearance agents , transportation contractors , shipping lines , freight forwarders & all ports over the world; so you can imagine how much operations complex handled although number of operations had been increased by 61% comparing to 2008 as presented in the following table. Logistics team had succeed to optimize logistics cost by almost 30-40% comparing to actual cost of 2008.

<i>Year/ No. Shipments</i>	<i>Air</i>	<i>Sea</i>	<i>Free zone</i>	<i>Total</i>
<i>2006</i>	<i>17</i>	<i>13</i>	<i>14</i>	<i>44</i>
<i>2007</i>	<i>34</i>	<i>39</i>	<i>8</i>	<i>81</i>
<i>2008</i>	<i>51</i>	<i>76</i>	<i>46</i>	<i>173</i>
<i>2009</i>	<i>73</i>	<i>84</i>	<i>123</i>	<i>279</i>

Our Future plan SUPPLY CHAIN PERSPECTIVE

In the coming year 2010 we have main targets to complete what we had started in 2009.

- Develop planning & inventory management to improve our fill rate & optimize our cost.

Meet cost optimization targets.

- Develop better supplier relationship management
- Developing spend analysis.

Based on our team & its efforts will be more efficient as our common attitude to contribute to company objective in the coming period.

