



# QUARTERLY ACTIVITY REPORT

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Second Quarter 2015 (Q2 2015)

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# AT A GLANCE

## Key Highlights

- Three recordable incidents took place in Q2 2015 in Kuwait Energy's operated and non-operated areas.
- Average daily Working Interest ("WI") production for Q2 2015 is 24,223 boepd. This represents an increase of 2.12%, as compared to Q2 2014 (23,720 boepd) and a decrease of 10.61%, as compared to Q1 2015 (27,099 boepd), due to the shutting down of activities in Yemen.
- Revenue for Q2 2015 is \$46.7 million. This represents a decrease of 26.69%, as compared to Q2 2014 (\$63.7 million), mainly due to the decline in oil prices and an increase of 4.01%, as compared to Q1 2015 (\$44.9 million) due to an improvement in oil prices.
- Total Assets for Q2 2015 is \$934.8 million, which represents an increase of 6.76%, as compared to Q1 2015 (\$876 million) and an increase of 6.61%, as compared to Q2 2014 (\$876.8 million).
- Kuwait Energy and Egyptian General Petroleum Corporation ("EGPC"), announced the commissioning of the Gas Plant at the Abu Sennan concession, located in the Western Desert onshore Egypt. The associated gas is captured and processed for domestic utilization, while simultaneously removing a bottleneck in oil production resulting in an increase in total field throughput.

## Who We Are

Kuwait Energy is an independent, MENA focused oil and gas exploration and production Company established in 2005, with its principal regional office in Kuwait and incorporated in Jersey. Operations increasingly focused on Egypt, Iraq, Yemen, and Oman.

## Oil Prices Movement during Q2 2015

Brent oil prices in the Second Quarter of 2015 started at a low price of 55.73 USD/bbl, however prices took a turn towards the end of the first week of April and continued to increase throughout April 2015 and May 2015, pushing the average monthly 2015 oil prices for May to 64.10 USD/bbl, the highest monthly average in the quarter. After the highest price in mid-May of 66.33 USD/bbl, prices continued to fall throughout June 2015, with the exception of a few peaks, as US oil production levels failed to come down, closing the quarter with the price of 60.31 USD/bbl.<sup>2</sup>

<sup>1</sup> Eia.gov

# OPERATIONAL ACTIVITY

## Health, Safety, Sustainability and Environment

Kuwait Energy classifies its recordable incidents as Lost Time Incidents – Fatalities and Injuries (“LTI”), Restricted Work Incidents (“RWI”) and Medical Treatment Incidents (“MTI”).

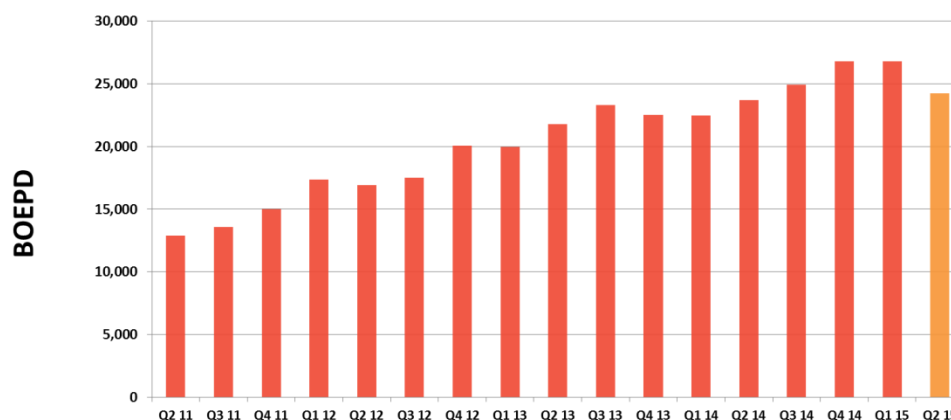
Three recordable incidents took place in Q2 2015. The table provides days without LTI at the end of Q2 2015, for countries in which Kuwait Energy operates.

Country	Days without LTI
Iraq	266
Yemen	26
Egypt	748

## Production

Kuwait Energy achieved a quarterly average daily Working Interest production of 24,223 barrels of oil equivalent per day (“boepd”) that is 10.61% less than the previous quarter and 2.12% higher than the corresponding quarter of last year.

The chart below shows quarter-by-quarter daily Working Interest average production of the Company from Q2 2011 to Q2 2015:



Kuwait Energy's daily average WI share of production for Q2 2015 compared to Q1 2015 and Q2 2014 per asset is shown in the table below (in boepd):

	Q2 2015 <sup>2</sup>	Q1 2015 <sup>2</sup>	% Change	Q2 2015	Q2 2014	% Change
BEA	1,563	1,282	21.92%	1,563	1,406	11.17%
Abu Sennan	3,401	2,093	62.49%	3,401	548	520.62%
Area A	4,611	4,484	2.83%	4,611	4,505	2.35%
ERQ	12,076	12,774	-5.46%	12,076	10,781	12.01%
<b>Egypt Total</b>	<b>21,652</b>	<b>20,633</b>	<b>4.94%</b>	<b>21,652</b>	<b>17,240</b>	<b>25.59%</b>
Block 5	73	3,618	-97.98%	73	3,576	-97.96%
Block 43	0	266	100.00%	0	366	-100.00%
<b>Yemen Total</b>	<b>73</b>	<b>3,884</b>	<b>-98.12%</b>	<b>73</b>	<b>3,942</b>	<b>-98.15%</b>
Oman	2,498	2,582	-3.25%	2,498	2,538	-1.58%
<b>Production Total</b>	<b>24,223</b>	<b>27,099</b>	<b>-10.61%</b>	<b>24,223</b>	<b>23,720</b>	<b>2.12%</b>

<sup>2</sup> Figures adjusted taking into account the acquisition of 25% WI in BEA.

## Exploration

No additional exploration activities took place during the second quarter of 2015.

The following table summarizes the carry over exploration activities from 2014 to Q2 2015 exploration activities:

Country	Basin/ Area	Well Name	Cost Interest	Well Status at end Q2 2015
<b>2014 Carry-over wells</b>				
<b>Egypt</b>	Abu Sennan	ASH-1X	78.00%	Tested successfully Alam El Bueib reservoir with rates 2,755 bopd and 2.7 MMscf of gas on 64" choke <sup>4</sup> .
<b>Iraq</b>	Block-9	Faihaa-1	70.00% <sup>3</sup>	Mishref~3,600bopd at 64/64" choke, Yamama ~8,800 bopd at 64/64" choke The well is shut and awaiting testing unit to conduct testing operations.
<b>Q1 2015</b>				
<b>Egypt</b>	Area A	EY-3X	70.00%	Dry hole
<b>Q2 2015</b>				
No exploration activities				
<b>Total (2015 wells spud)</b>		<b>1</b>		

<sup>3</sup> Pursuant to a farm-out arrangement entered into with EGPC for a 10% working interest share in Block 9, Kuwait Energy's cost working interest and revenue working interest in Block 9 will be reduced to 60%. The deal is awaiting the final signature of the assignment of interest.

## Development

The main development activities during Q2 2015 included the drilling of 12 development wells, 11 in Oman, 1 in Area A Egypt and 1 in Abu Sennan. Siba-5 well has been

cancelled due to weak foundation and Siba-6 Well Pad Construction and Progress completed with Siba-6 Operations.

The table below provides the status of the wells developed in Q2 2015 as well as the carry-over from 2014:

Country	Basin/Area	Well name	No. of Wells	Cost Interest	Status at end Q2 2015
<b>Q4 2014 Carry-over wells</b>					
<b>Egypt</b>	Abu Sennan	Al-Jahraa-4	1	78.00%	Initial rate 1,373 bopd, 1.1 MMscf/d, production restricted down to 622 bopd, 0.4 MMscf/d; maximum rate 1,561 bopd, 1,439 MMscf/d (lifted with nitrogen)
<b>Oman</b>	Karim Small Fields	Ilham-P14, SMP-103	2	15.00%	Producing
<b>Iraq</b>	Siba	Siba-4	1	60.00%	Initial rate ~6,000 bcpd @ 64/64' choke, 28 MMscf/d after acid job
<b>Q1 2015</b>					
<b>Oman</b>	Karim Small Fields	Ilham-P11/P12/P16/P25/10H2ST,WRDM-M25H,JDRK-11/17,SMPG-37,WRDM-K18	10	15.00%	JDRK-17 and Ilham-P16 drilling
<b>Iraq</b>	Siba	Siba-5	1	60.00%	Cancelled the drilling (weak foundation)
<b>Egypt</b>	Abu Sennan	ASA-3	1	78.00%	Initial rate 588 bopd, 0.21 MMscf/d, production restricted down to 513 bopd, 0.052 MMscf/d; maximum rate 1,047 bopd, 0.180 MMscf/d;
<b>Q2 2015</b>					
<b>Egypt</b>	Area A	Yusr-63	1		In drilling
<b>Oman</b>	Karim Small Fields	Ilham-P18, WRDM-M29, JDRK-12, GZ-4,JDR-6H2 ST/7H2-ST,ILH-P15/P21,WRDM-M30, SMPH-42/45	11		WRDM-M30 drilling
<b>Total wells spud (2015)</b>			<b>24</b>		

# RESERVES AND RESOURCES

As at 31 December 2014<sup>4</sup>, Kuwait Energy's working interest Proven and Probable ("2P") reserves are approximately 671 mmboe. Working interest contingent resources ("2C") is approximately 760 mmboe and the best estimate of risked prospective resources ("P50") is

approximately 32 mmboe. However, as of 30<sup>th</sup> June, 2015, figures for reserves and resources shown in the table adjusted to take into account the acquisition of additional 25% WI in BEA.

Classification	Category	YE13	Production	Exploration adds	Revisions	Acquisitions and Divestments	YE14	YE14-Net Entitlement
Reserves	<u>1P</u>	90.5		169.3	6.9	0.0	259.2	68.9
	<u>2P</u>	213.1	-7.5	509.2	4.2	-45.9	673.0	109.4
	<u>3P</u>	300.7		1,038.4	-4.4	-92.4	1,234.8	153.8
Contingent resources	<u>2C</u>	853.0		0.0	-92.9	2.8	762.9	
Prospective resources	<u>Best</u>	37.1		0.0	2.6	-8.0	31.7	

## Notes:

- Reserves replacement ratio takes into account acquisition or divestment activities during the year.
- Proven Reserves Replacement Ratio (RRR) = 2340%
- Proven plus Probable Reserves Replacement Ratio (RRR) = 6208%
- Reserves and resources estimates are Kuwait Energy working interest.
- Prospective Resources estimates are risked.
- Total may not exactly equal the sum of the individual entries due to rounding.
- 2014 production is based on actuals up to November 2014 and an estimate for December 2014.
- Excludes KSF (Oman) which cannot be included in external reserves reporting as per contract.
- Reserves Replacement Ratio considers acquisitions and divestment.
- Eurasia assets (Ukraine and Russia) were divested in 2014.

<sup>4</sup> Audited by Gaffney, Cline & Associates ("GCA") as at 31 December 2014.

# FINANCIALS

At the end of Q2 2015, the current debt of the Company stood at US\$350 million with cash as at end of the quarter of US\$151.3million including US\$135.0 million in short term fixed deposits. The net debt is US\$198.7 million.

The Company achieved revenue of US\$46.7 million (based on management accounts) a decrease of 26.69%, as compared to the corresponding period in 2014 primarily due to a lower oil price.

The capital expenditure as at the end of Q2 2015 is US\$57.7 million. US\$51 million was collected from EGPC during the quarter.

Unaudited Consolidated Financial Highlights <sup>5</sup>	Q2 2015	Q1 2015	% Change (Q2 2015 versus Q1 2015)	Q2 2014	% Change (Q2 2015 versus Q2 2014)
Revenue	46.7	44.9	4.01%	63.7	-26.69%
Net Profit/(loss) from continuing operations	1.6	-12.4	-112.90%	32.1	-95.02%
Exploration Capex	5.3	11.2	-52.68%	24.9	-78.71%
Development Capex	52.4	27	94.07%	64.4	-18.63%
General and Administrative Expenses	5.8	4.4	31.82%	5.2	11.54%
EBITDA	28.8	24	20.00%	53.9	-46.57%
Working Capital	121	175.7	-31.13%	149.6	-19.12%
Total Assets	934.8	875.6	6.76%	876.8	6.61%
Total Debt <sup>6</sup>	350	350	0.00%	271	29.15%
Earnings/(loss) Per Share (US\$ cents)	0.5	-3.8	-113.16%	9.8	-94.90%
Outstanding shares (number of shares in millions)	358.5	358.5	0.00%	328.8	9.03%

<sup>5</sup> All figures are unaudited and based on management accounts and are in US\$ millions unless otherwise specified.

<sup>6</sup> Excluding fair value loss and unamortized initial transaction cost.



## OUTLOOK

The Company continues the focus on the MENA region with its presence Iraq, Egypt, Yemen and Oman.

**In Iraq**, the Company is pursuing fast tracking the development plans of the well through a Block 9 Fast Track Production commercial production agreement.

As for Siba, the Company will pursue its development with the gas plant construction and startups.

**In Yemen**, the Company continues to closely monitor the geopolitical situation in Yemen and will resume production in Block 5 as soon as lifting constraints have been lifted. The Company has legally exited from Block 43 and settled all financial liabilities the Operator.

**In Egypt**, the Company continues its focus on the drilling and development programs through conducting studies on drilling prospects and water flooding stations to the Jurassic in Shahad-4.

**Oil Price** EIA forecasts that Brent crude oil prices will average 60 USD/bbl in 2015 and 67 USD/bbl in 2016. The current values of futures and options contracts suggest the market expects daily price volatility.<sup>7</sup>

**Sustainability** As part of HSSE, Kuwait Energy plans to continue working on upgrading protection systems in all Kuwait Energy's operational facilities and living quarters, and increase awareness of positive health and safety culture among Kuwait Energy staff and relevant contractors.

Despite shutting down activities in Yemen, the Company still remains committed to the community, as we donated to relieve the lives of children and families in desperate need of aid in Sanaa and Aden, Yemen.

<sup>7</sup> Source: Eia.gov, 'Short-Term Energy Outlook', July 2015.

## GLOSSARY

Abbreviation	Definition
1P	Proven reserves
2C	Contingent resources mid-case recoverable volume
2P	Proven plus probable reserves
3P	Proven, probable and possible reserves
Barrel	The standard of crude oil or other petroleum product contains 42 US gallons, 35 Imperial gallons or 159 litres.
bbl	Barrel
Bcf	Billion cubic feet
BEA	Burj El Arab
Boe	Barrels of oil equivalent
boepd	Barrels oil equivalent per day
bopd	Barrels of oil per day
EGPC	Egyptian General Petroleum Corporation
ERQ	East Ras Qattara
G&A	General and Administrative
GCA	Gaffney, Cline & Associates
HSSE	Health, safety, sustainability and environment
KSF	Karim Small Fields
LTI	Lost Time In Incidents
MENA	Middle East and North Africa
mbbl	Million barrels
mmboe	Million barrels of oil equivalent
MMscf/d	Million metric standard cubic feet per day
Mscf	Thousand standard cubic feet
Q1	First Quarter
Q2	Second Quarter
Q3	Third Quarter
Q4	Fourth Quarter
scf	Standard cubic feet
US\$	United States Dollars
WI	Working Interest: a company's interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms

## Forward Looking Statement

This document includes statements that contain words or phrases such as “will”, “aim” , “will likely result”, “believe”, “ expect”, “will continue”, “anticipate”, “estimate” “intend” “plan”, “contemplate”, “seek to”, “future”, “objective”, “goal”, “project”, “should” “will pursue” and similar expressions or variations of such expressions which are “forward looking statements”. Such forward looking statements are by their nature speculative and based on various assumptions. Any such statements are hypothetical with respect to prospective events and should not be construed as being indicative of the actual events which will occur or a guarantee of future performance. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those contemplated by the relevant forward looking statements.

Important factors that could cause actual results to differ materially from those indicated in the forward looking statements include, among others: Economic, political, security and social conditions in the countries in which the Group operates; the Company’s ability to successfully implement its strategy and growth plans; changes in the market price of oil and gas; unplanned events including strikes; and changes in legal and regulatory regimes.



**Corporate Affairs**

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