



QUARTERLY ACTIVITY REPORT

Fourth Quarter 2015 (Q4 2015)

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AT A GLANCE

Who We Are

Kuwait Energy is an independent, MENA focused oil and gas exploration and production company. Kuwait Energy was established in 2005 and has its registered office in Jersey, head office in Bahrain and operational hub in Kuwait. Operations are focused on Egypt, Iraq, Yemen, and Oman.

Key Highlights

- One recordable Lost Time Incident (“LTI”) took place in Kuwait Energy’s operated areas.
- Average daily Working Interest (“WI”) production for Q4 2015 is 25,194 boepd, an increase of 7.1%, as compared to Q3 2015 (23,522 boepd) mainly due to the production startup in Block 9, Iraq.
- Oil production from Faihaa-1 well in Block 9, Iraq commenced on 12th of October 2015 and stabilised on the 28th of that same month, adding an average of around 5,000 bopd to our total production.
- Siba-6 well tested 21 MMscfd and 5,000 bcpd on a 64”/64” choke and completed, proving deliverability to supply forthcoming facilities with natural gas volumes.
- Since the end of the first quarter 2015, Block 5 production in Yemen have been shut down due to unstable situation in the region resulting in cargo ships being unable to enter the port to export the oil.
- With the decline in oil prices, which has placed challenges on the entire oil industry, Kuwait Energy is working diligently to manage its costs. Several measures are being considered including a 40% reduction in Capital Expenditure, Operational Expenditure and General & Administrative.

Financial Reporting

Under the US\$ 250 million Senior Notes reporting requirements, Kuwait Energy is required to provide quarterly unaudited management accounts within 90 days of the end of the first three quarters of the financial year and audited financial statements within 120 days of the end of each financial year, all of which are available on the Kuwait Energy website (www.kuwaitenergy.co).

OPERATIONAL ACTIVITY

Health, Safety, Sustainability and Environment

Kuwait Energy classifies its recordable incidents as Fatalities, Lost Time Incidents, Restricted Work Incidents and Medical Treatment Incidents.

One recordable incident took place in Kuwait Energy's operated areas. A highway vehicle collision 120 km from Cairo and 190 km from Abu Sennan field in Egypt led to the fatality of the vehicles passenger.

Country	Days without LTI
Iraq	450
Yemen	210
Egypt	24

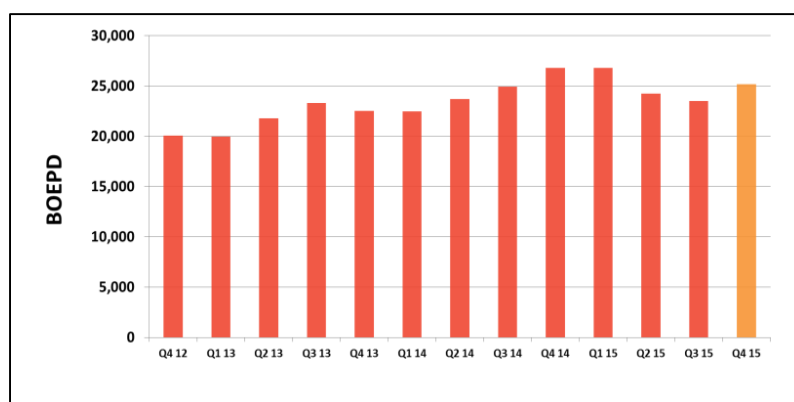
The table provides the number of days without LTI at the end of Q4 2015 for the countries in which Kuwait Energy operates.

Production

Kuwait Energy achieved a quarterly average daily WI production of 25,194 boepd in Q4 2015, 7.1% higher than the previous quarter due to production start-up on Block 9, Iraq. Production is 5.9% less than the corresponding quarter of the previous year due to the shutting down of production in Yemen beginning from April 2015 as a consequence of the political situation that prevented cargo ships from entering the oil export port.

The Group managed to partially compensate for its Yemen production being shut in by the startup of Block 9 production in Iraq and increasing production in Egypt. This was achieved by implementing efficient operational processes and making adjustments in operational plans. As a result, production only decreased by 5.9% in comparison with the corresponding quarter of 2014.

The chart below shows quarter-by-quarter daily Working Interest average production of the Company from Q4 2012 to Q4 2015:



Kuwait Energy's daily average WI share of production for Q4 2015 compared to Q3 2015 and Q4 2014 per asset is shown in the table below (in boepd):

	Q4 2015	Q3 2015	% Change	Q4 2015	Q4 2014	% Change
BEA	1,695	1,441	17.6%	1,695	1,516	11.8%
Abu Sennan	3,029	3,439	-11.9%	3,029	1,097	176.1%
Area A	4,615	4,557	1.3%	4,615	4,516	2.2%
ERQ	11,111	11,600	-4.2%	11,111	12,255	-9.3%
Egypt Total	20,450	21,036	-2.8%	20,450	19,383	5.5%
Block 9	2,177	0	--	2,177	0	--
Iraq Total	2,177	0	--	2,177	0	--
Oman Total	2,567	2,486	3.3%	2,567	2,581	-0.5%
Block 5	0	0	--	0	379	-100.0%
Block 43	0	0	--	0	4,437	-100.0%
Yemen Total	0	0	--	0	4,816	-100.0%
Production Total	25,194	23,522	7.1%	25,194	26,780	-5.9%

Exploration

The ZZ-5X oil exploration well, located approximately nine kilometres to the west of the El Salmiya Field, discovered hydrocarbons in the primary Abu Roash Formation. Testing over three intervals, totalling 14 metres in the Abu Roash Formation, was conducted and trace hydrocarbons were recovered. The well has subsequently been temporarily suspended to study the possible stimulation options and the rig released. The following table summarizes the exploration drilling activities for 2015:

Country	Basin/ Area	Well Name	Cost Interest	Well Status at end Q4 2015
2014 Carry-over wells				
Egypt	Abu Sennan	ASH-1X	78%	Tested successfully Alam Albuieb reservoir with rates 2,755 bopd and 2.7 MMscf of gas on 64" choke; current rate 148 bopd.
Iraq	Block 9	Faihaa-1	60%	Mishrif ~3,600 bopd at 64/64" choke, Yamama ~8800 bopd at 64/64" choke, daily rate increase to 6,600 bopd at 44/64" choke. Faihaa-1 put on fast track production facilities by trucking the produced oil with an average rate of 5000 bopd at SOC depot.
Q1 2015				
Egypt	Area A	EY-3X	70%	Dry hole.
Q2 & Q3 2015				
No Exploration wells spud.				
Q4 2015				
Egypt	Abu Sennan	ZZ-5X	78%	Well temporarily suspended to study possible simulation options and the rig released.
Total (2015 wells spud)		2		

Development

The main development activities during Q4 2015 included the drilling of 8 development wells, in Oman. The table below provides the status of the development wells at the end of Q4 2015:

Country	Basin/Area	Well name	No. of Wells	Cost Interest	Status at end Q4 2015
Q4 2014 Carry-over wells					
Iraq	Siba	Siba-4	1	60%	Initial rate ~6000 bcpd @ 64/64' choke, 28 MMScf/d after acid job.
Egypt	Abu Sennan	Al Jahraa-4	1	78%	Initial rate 1,373 bopd, 1.1 MMscf/d, production restricted down to 622 bopd , 0.4 MMscf/d; maximum rate 1,561 bopd, 1.4 MMscf/d (lifted with nitrogen); current rate (Al Jahraa-04 long string) 151 bopd on 128/64'' choke size, Al Jahraa-4 short string 513 bopd on 64/64'' choke size.
Oman	Karim Small Fields	Ilham-P14, SMP-103	2	15%	On production.
Q1 2015					
Iraq	Siba	Siba-5	1	60%	Canceled the drilling (weak foundation).
Oman	Karim Small Fields	Various	9	15%	On production.
Q2 2015					
Egypt	Abu Sennan	ASA-3	1	78%	Initial rate 588 bopd, 0.21 MMscf/d, production restricted down to 513 bopd , 0.05 MMscf/d; maximum rate 1,047 bopd, 0.18 MMscf/d; current rate 345 bopd, 0.05 MMscfpd on 128/64'' choke size.
Oman	Karim Small Fields	Various	11	15%	On production.
Q3 2015					
Iraq	Siba	Siba-6	1	60%	Well was completed on December 30 th 2015 and tested 21MMScfd and 5,000bopd on full choke.
Egypt	Area A	Yusr-63	1	70%	Initial rate 44 bopd, high water cut.
		SHNW-11	1	70%	Initial rate 470 bopd, 0.4 MMscf/d, production increased to actual 589 bopd, 0.39 MMscf/d on 64/64'' choke size, current rate 521 bopd, 0.4 MMscfpd on 64/64'' choke size.
	BEA	BEA NW-2	1	100%	Initial rate 156 bopd, production increase to 254 bopd, 0.01 MMscf on 128/64'' choke size, current rate 238 bopd.
		BEA-19	1	100%	Initial rate 360 bopd, production increased to actual 441 bopd, current rate 429 bopd.
Oman	Karim Small Fields	Various	12	15%	On production.
Q4 2015					
Oman	Karim Small Fields	WRDM-K23, GM-P1, JDR-6H4ST, KM-P3, Ilham-P22, Gazarh-6H1	5	15%	On production.
		ILHAM-P22 and SIMSIM-113H1	2	15%	Drilling.
Total wells spud (2015)			46		

RESERVES AND RESOURCES

As at 31 December 2014¹, 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, figures for reserves and resources shown in the table below are adjusted to take into account the acquisition of an additional 25% WI in Burg El Arab and the farm out of 10% in Block 9.

Classification	Category	YE13	Production	Exploration adds	Revisions	Acquisitions and Divestments	YE14	YE14-Net Entitlement
Reserves	<u>1P</u>	90.5		145.3	30.9	-24.1	235.1	63.3
	<u>2P</u>	213.1	-7.5	436.7	76.6	-118.4	600.5	99.8
	<u>3P</u>	300.7		890.5	143.5	-240.3	1,086.8	139.2
Contingent resources	<u>2C</u>	853.0		0.0	-93.0	-98.4	661.6	
Prospective resources	<u>Best</u>	37.1		0.0	0.7	-8.5	29.3	

Notes:

- Reserves replacement ratio takes into account acquisition or divestment activities during the year.
- Proven Reserves Replacement Ratio (RRR) = 2021%
- Proven plus Probable Reserves Replacement Ratio (RRR) = 5246%
- 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 Karim Small Fields (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.
- YE14 volumes were adjusted to reflect the acquisition of 25% in Burg El Arab and farm out of 10% in Block 9.

¹ Audited by Gaffney, Cline & Associates ("GCA") as at 31 December 2014.

OUTLOOK

Operations

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

In Iraq, Faihaa-2 development well on Block 9 spud on the 3rd of January 2016 and by the 21st of January had reached a depth of 1,202 m out of a target depth of 4,535 m. The well is expected to produce mid 2016 with in excess of 5,000 bopd gross.

The Siba gas plant engineering, procurement and construction works are ongoing with the aim to have first gas online in Q4 2016.

In Yemen, the Company is undergoing discussions with different governmental stakeholders to define the future of the assets in Yemen and continues to closely monitor the complex geopolitical situation in the country. Kuwait Energy will resume production as soon as lifting constraints have been removed.

In Egypt, the Company continues its focus on the drilling and development programs, conducting studies and optimizing production.

Kuwait Energy's Egypt Office relocated to First Floor, Plot 185, Second District, City Center, Fifth Settlement, New Cairo, on the 7th of January 2016 providing enhanced working facilities.

Sustainability

As part of HSSE, the Company is applying the leadership HSSE auditing programme, working on the recertification of the ISO 14001 and OHSAS 18001, and installing a firefighting network in several of its operating areas.

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	Burg El Arab
Boe	Barrels of oil equivalent
Boepd	Barrels oil equivalent per day
Bcpd	Barrels of condensate 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
M	Meters
MENA	Middle East and North Africa
Mbbl	Million barrels
Mmboe	Million barrels of oil equivalent
Mmscfd	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
SOC	South Oil Company
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



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