



OPERATIONAL QUARTERLY ACTIVITY REPORT

First Quarter 2016 (Q1 2016)

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AT A GLANCE

Who We Are

Kuwait Energy is an independent oil and gas company actively engaged in the exploration, appraisal, development and production of hydrocarbons. Since establishment in 2005, we have built a high-quality, diversified portfolio of oil and gas assets in the MENA region across Iraq, Egypt, Yemen and Oman. Our MENA portfolio consists of 10 exploration, development and production assets, of which we operate seven.

Kuwait Energy has its registered office in Jersey, its head office in Bahrain, its regional operational hub in Kuwait and area offices in Basra, Baghdad, Cairo and Sana'a.

Key Highlights

- **One recordable Lost Time Incident ("LTI")** took place in Kuwait Energy's operated areas.
- **Average daily Working Interest ("WI") production** for Q1 2016 is **25,747 boepd**; an increase of 2.2%, as compared to Q4 2015 (25,194 boepd) mainly due to the production increase in Block 9, Iraq.
- Gaffney, Cline & Associates ("GCA") have completed and signed off the Company's Year-End 2015 Reserve & Resources Report which resulted in the recording of **818 mmboe of audited 2P WI reserves for YE2015**. A net increase of 147 mmboe (22%) in comparison to 2014 2P reserves that stood at 671 mmboe.
- **Daily oil production from Faihaa-1 well** in Block 9, Iraq has increased in Q1 2016 to **5,600 bopd (gross)** due to choke size increase. The daily production from Faihaa-1, which commenced on 12 October 2015 and stabilized on the 28th of that same month, averaged at around 5,000 bopd (gross) for its period of production in Q4 2015.
- Faihaa-2 well in Block 9 was spud on 3 January 2016 and drilling activities have been ongoing since then with all formation tops matching the original design prognosis. By the end of March 2016; almost **3,155 meters have been drilled out of a target of 4,535 meters**. The target completion date is June 2016.
- On 29 March 2016, **Kuwait Energy signed an Export Oil Sales Agreement with State Oil Marketing Company (SOMO)** – the Iraqi national company responsible for marketing Iraq's oil – which puts in place the mechanism by which Kuwait Energy will be paid for its services in Block 9, Iraq. Kuwait Energy is expected to be allocated its first cargo by Q3 2016 covering its production of oil in Block 9 from October 2015 to March 2016.
- **The Engineering, Procurement and Construction (EPC) Works in Siba continues on the ground**. We are working towards first gas by the end of the year however there may be delays as a result of EPC work being conducted slower than planned.
- Since the end of Q1 2015, Block 5 production in Yemen has been shut down. Kuwait Energy continues to monitor the situation and is **operationally-ready to commence production for when the situation allows**.

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). The next financial report will be the audited Year-End 2015 Financial Report scheduled to be issued by the end of April 2016.

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. On 15 February 2016, a production technician was injured whilst working on the oil transferring pump in Area A. He was hospitalized and returned to work on light duties after 6 days.

The table below provides the number of days without LTI at the end of Q1 2016 compared to figures at the end of Q4 2015 for the countries in which Kuwait Energy operates.

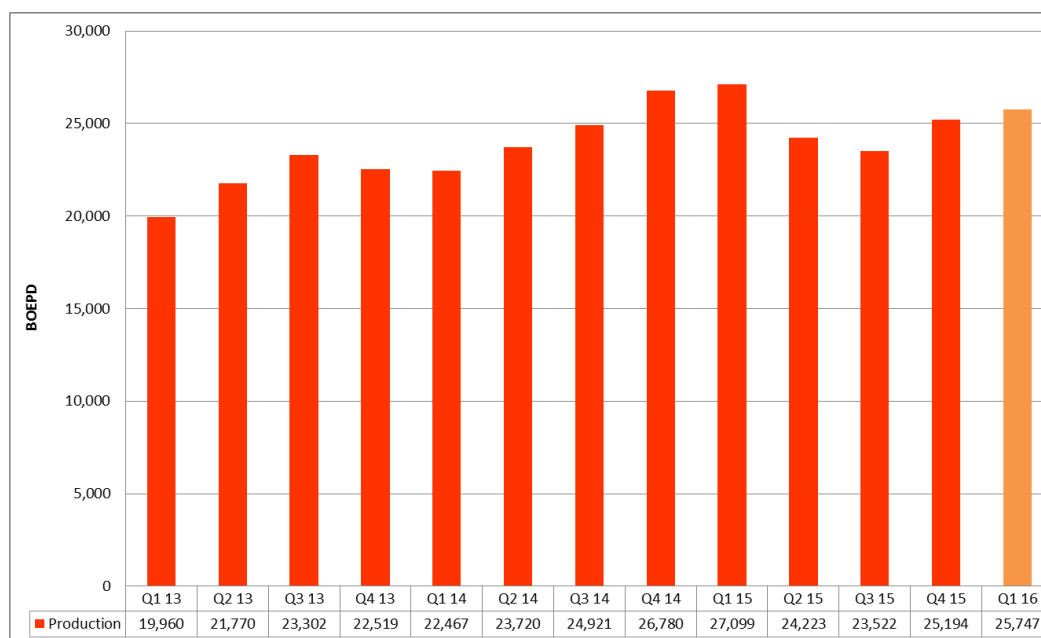
Country	Days without LTI (as of Q1 2016)	Days without LTI (as of Q4 2015)
Iraq	541	450
Yemen	301	210
Egypt	45	24

Production

Kuwait Energy achieved a quarterly average daily WI production of **25,747 boepd** in Q1 2016; 2.2% higher than the previous quarter due to production increase in Block 9, Iraq. Production is 5% less than the corresponding quarter of the previous year due to the shutting down of production in Yemen from the beginning of 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.

The chart below shows quarter-by-quarter daily WI average production of the Company from Q1 2013 to Q1 2016:



Kuwait Energy's daily average WI share of production for Q1 2016 compared to Q1 2015 and Q4 2015 per asset is shown in the table below (in boepd):

	Q1 2016	Q4 2015	% Change	Q1 2016	Q1 2015	% Change
BEA	1,677	1,695	-1.1%	1,677	1,282	30.8%
Abu Sennan	2,363	3,029	-22.0%	2,363	2,093	12.9%
Area A	5,045	4,615	9.3%	5,045	4,484	12.5%
ERQ	10,725	11,111	-3.5%	10,725	12,774	-16.0%
Egypt Total	19,809	20,450	-3.1%	19,809	20,634	-2.8%
Block 9	3,396	2,177	56.0%	3,396	0	--
Iraq Total	3,396	2,177	56.0%	3,396	0	--
Oman Total	2,541	2,567	-1.0%	2,541	2,582	-1.6%
Block 5	0	0	--	0	3,618	-100%
Block 43	0	0	--	0	266	-100%
Yemen Total	0	0	--	0	3,883	-100%
Production Total	25,747	25,194	2.2%	25,747	27,099	-5.0%

Development

The main development activities during Q1 2016 included the drilling of Faihaa-2 on Block 9, Iraq and 10 development wells in Oman. The table below provides the status of the development wells at the end of Q1 2016:

Country	Basin/Area	Well name	No. of Wells	Cost Interest	Status at end Q1 2016
Q4 2015 Carry-over wells					
Oman	Karim Small Fields	Ilham-P22, SIMSIM-P13	2	15%	On production
Q1 2016					
Iraq	Block 9	Faihaa-2	1	60%	On drilling
Oman	Karim Small Fields	Various	10	15%	HJ-P4 and WRDM-K28 on drilling
Total wells spud (2016)			11		

RESERVES AND RESOURCES

As at 31 December 2015, Kuwait Energy's WI Proven and Probable ("2P") reserves are **818 mmboe**; a significant increase from the previous year by almost 22%. The WI contingent resources ("2C") is **942 mmboe** and the best estimate of risked prospective resources ("P50") is **34 mmboe**.

It is worth noting that the valuation of a private E&P company is most commonly based on its audited reserves and associated economic models.

Classification	Category	Kuwait Energy Reserves and Resources (in mmboe)						
		YE14	2015 Production	Exploration Adds	Revisions	Acquisitions & Divestments	Year-End 2015	YE15 Net Entitlement
Reserves	1P	259		0	97	-37	312	85
	2P	671	-8	1	264	-110	818	137
	3P	1,232		2	667	-242	1,651	218
Contingent Resources	2C	759		0	266	-84	942	
Prospective Resources	Best	32		0	2	0	34	

Total	YE15		YE14	
	1P RRR =	780%	1P RRR =	2,337%
	2P RRR =	1,986%	2P RRR =	6,186%

Notes:

- Audited figures by GCA as of 31 December 2015.
- Excludes KSF, Oman which cannot be included in external reserves reporting as per the service contract.
- Reserves Replacement Ratio considers acquisitions and divestment.
- Prospective Resources estimates are risked.
- N/E stands for Net Entitlement.
- Totals may not exactly equal the sum of the individual entries due to rounding to nearest whole number.
- 10% of Block 9, Iraq was divested to EGPC effective 1 July 2013.
- 25% of BEA, Egypt was acquired from Gharib Oil effective 15 January 2015.
- 2015 production is based on actuals up to November 2015 and an estimate for December 2015.

Detailed Reserves & Resources by Asset

Asset	Country	WI Reserves and Resources (mmboe)		
		1P	2P	2C
Block 9	Iraq	224	671	871
Siba	Iraq	30	59	15
Mansuriya	Iraq	42	52	19
Iraq Total	Iraq	295	783	906
Abu Sennan	Egypt	1	6	-
Burg El Arab	Egypt	3	6	14
Area A	Egypt	3	11	2
East Ras Qattara	Egypt	6	9	2
Egypt Total	Egypt	13	31	18
Block 5	Yemen	3	4	7
Block 49	Yemen	-	-	12
Yemen Total	Yemen	3	4	18
Karim Small Fields	Oman	-	-	-
Total		312	818	942

Notes:

- Audited figures by GCA as of 31 December 2015.
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OUTLOOK

Operations

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

In Iraq, **Faihaa-2 development well** in Block 9 was spud on 3 January 2016 and by 31 March 2016, it had **reached a depth of 3,155 meters out of a target depth of 4,535 meters** (*the current depth reached as of the date of issuing this report is 3,958 m*). Thus far, all formation tops have matched the original design prognosis. The target completion date is June 2016. The well is expected to produce in August 2016 with in excess of 5,000 bopd (gross).

On 29 March 2016, **Kuwait Energy signed an Export Oil Sales Agreement with State Oil Marketing Company (SOMO)** – the Iraqi national company responsible for marketing Iraq’s oil – which puts in place the mechanism by which Kuwait Energy will be paid for services in Block 9, Iraq. Kuwait Energy is expected to be allocated its first cargo by Q3 2016 covering its production of oil in Block 9 from October 2015 to March 2016.

The Siba Gas Plant’s Engineering, Procurement and Construction (EPC) works are ongoing. We are working towards first gas by the end of the year however there may be delays as a result of EPC work being conducted slower than planned.

Kuwait Energy’s Basra Office has relocated its premises to Al Abass Area, Al Saadi Street, Building 5/89 in April 2016 providing enhanced working facilities and space in line with the Group’s growth in Iraq.

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

In Yemen, the Company continues to be in 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 remains operationally-ready and will resume production as soon as lifting constraints have been removed.

Sustainability

As part of our HSE efforts, Kuwait Energy continues to apply the leading HSE auditing programmes; working on the recertification of the ISO 14001 and OHSAS 18001 certification, 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 liters.
Bbl	Barrel
Bcf	Billion cubic feet
BEA	Burg El Arab
Boe	Barrels of oil equivalent
Boepd	Barrels of oil equivalent per day
Bcpd	Barrels of (oil or gas) condensate per day
Bopd	Barrels of oil per day
EGPC	Egyptian General Petroleum Corporation (Egypt State Oil Company)
ERQ	East Ras Qattara
G&A	General and Administrative
GCA	Gaffney, Cline & Associates (Reserves & Resources Auditors)
H1	First half
H2	Second half
HSSE	Health, Safety, Sustainability and Environment
KSF	Karim Small Fields
LTI	Lost Time In Incidents
M	Metres
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
RRR	Reserves Replacement Ratio
Scf	Standard cubic feet
SOC	South Oil Company (Iraq's State Oil Company responsible for operations in the South of Iraq)
SOMO	State Oil Marketing Company (The Iraqi national company responsible for marketing Iraq's oil)
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
YE	Year-End



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