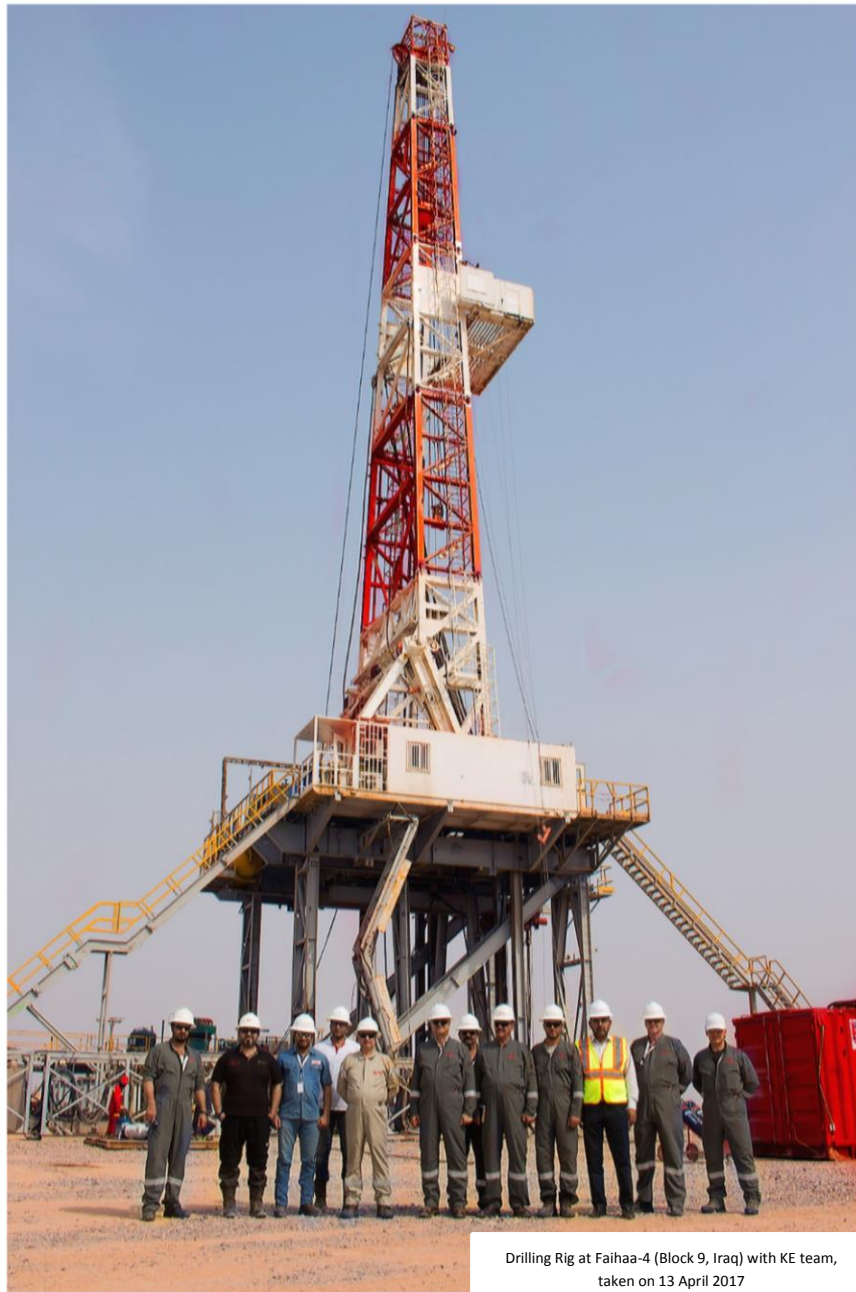


OPERATIONAL QUARTERLY ACTIVITY REPORT

YTD Activities
for
March 2017



Drilling Rig at Faihaa-4 (Block 9, Iraq) with KE team,
taken on 13 April 2017

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

- Kuwait Energy experienced **1 recordable Lost Time Incident** ("LTI") in its operated areas during the reporting period of YTD March 2017. The LTI at Block 9, Iraq has been the **lone incident in over 2,334,893 man-hours worked YTD**, in Kuwait Energy's operated areas.
- **Average daily WI production** for the period was **26,941 boepd**. **The total WI production volume for the period stands at 2.43 mmoeb, in line with the budget for the period.**
- **Block 9, Iraq** saw the **commencement of production from the Faihaa-3** well on 12 February 2017. The stabilized initial production rate was 7,200 bbls (Gross) on a 44/64" choke size, with exit production for the reporting period at **4,000 bbls (Gross) at a choke size of 40/64"**.
- Kuwait Energy was allocated by SOMO its **second Iraqi oil cargo of 350 kbbl (Kuwait Energy's share) of Basrah Light Crude Oil**. This payment covers Block 9 production for 2H 2016. **The total value of proceeds is expected to be approximately US\$16m**, a percentage of which will be paid to Vitol as per the Forward Sales Agreement signed in December.

Financial Reporting

Under the US\$250m 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 most recent financial report was issued on 30th September 2016 for unaudited 9 month 2016 financials, and the **next financial report will be for the audited YE 2016 accounts scheduled to be issued by the end of April 2017.**

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.

The **lone LTI incident for the period** was at the Block 9 concession in Iraq. The LTI occurred when 2 local workers deliberately and recklessly crossed a minefield barricade leading to an ERW being triggered, causing injuries to both men. Thankfully, due to the onsite medical facilities and trained medical team, both individuals were administered swift medical care before being evacuated via seismic ambulance to Basra hospital. Operations at Block 9 were halted for a day to allow Kuwait Energy staff to carry out a **thorough investigation into the incident**.

The table below provides the number of days without LTI at the end of March 2017 compared to figures at the end of 2016 for the countries in which Kuwait Energy operates:

Country	Days without LTI (at the end of March 2017)	Days without LTI (at the of end of 2016)
Iraq	14	816
Egypt	410	320
Yemen	1032	576

Production

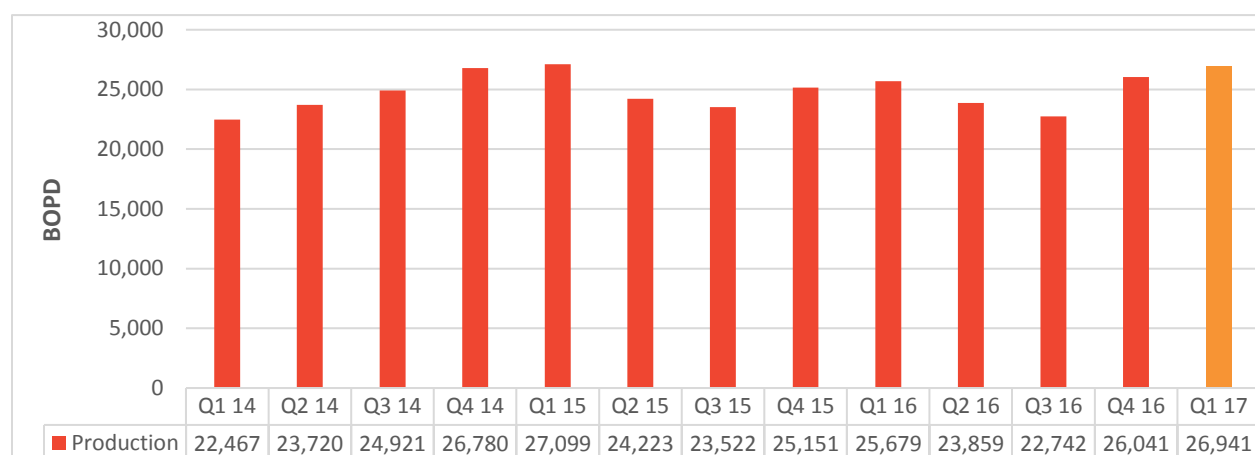
At the end of the reporting period, Kuwait Energy achieved **average daily WI production of 26,941 boepd**. The **2016 average daily WI production** as reported in the last QAR was **24,573 boepd**; the current YTD average for 2017 is nearly 10% higher than that for 2016.

Thanks to the commencement of production from the Faihaa-3 well, as part of our **Block 9 Fast-Track development program**, Kuwait Energy's Block 9 **average daily WI production stands at over 10,000 boepd**. These levels will increase throughout the year as we continue to drill more wells on the concession.

Block 9 production for the reporting period has been lower than anticipated; this is primarily due to **production being purposely limited as the Company carried out necessary upgrade works to the facilities**. The upgrade works, which are now complete, were a necessity to allow for the storage and processing of the **anticipated increases in production at Block 9 for 2017 and beyond**.

In Egypt, **production targets for YTD 2017 have been exceeded**, with **Egyptian average daily WI production of 16,338 boepd**. The exceeded Egyptian target is primarily due to our efficient work over and well management program.

The chart below shows **quarter-by-quarter daily WI average production** of the Company from Q1 2014 to Q1 2017:



Kuwait Energy's **daily average WI share of production for Q1 2017 compared to Q4 2016 and YTD figures compared to those for the last calendar year per asset** are shown in the table below (in boepd):

	Q1 2017	Q4 2016	% Change	YTD Actual	Average for 2016	% Difference
Abu Sennan	1,633	1,721	-5.11	1,633	1,879	-13.09
BEA	1,051	1,072	-1.96	1,051	1,380	-23.84
Area A	4,816	5,089	-5.36	4,816	5,055	-4.73
ERQ	8,838	9,198	-3.91	8,838	9,842	-10.20
Egypt Total	16,338	17,080	-4.34	16,338	18,155	-10.01
Iraq Total (Block 9)	8,033	6,487	23.83	8,033	3,974	102.14
Oman Total (Karim Small Fields)	2,569	2,475	3.76	2,569	2,444	5.11
Yemen Total*	0	0	-	0	0	0
Production Total	26,941	26,041	3.45	26,941	24,573	9.64

* Yemen production has been suspended since April 2015

Development & Exploration

The main development and exploration activity in the period has been **the completion of Faihaa-3**, which commenced production in February 2017. Kuwait Energy intends to drill two more wells within its Block 9 concession in 2017, with the **drilling of the first of those wells, Faihaa-4, commencing in April**. The table below provides the status of the development and exploration wells for the reporting period:

Country	Basin/Area	Well Name	No. of Wells	Cost Interest	Status at end of March 2017
2016 Carry-over Wells					
Iraq	Block 9	Faihaa-3	1	60%	Production commenced on 12 February 2017 at an initial stabilized rate of 7,200 bbls (Gross) on a 44/64" choke size.
Oman	Karim Small Fields	WRDM-K29	1	15%	Producing
YTD March 2017					
Oman	Karim Small Fields	Various	5	15%	Producing
Total for 2017			5		

RESERVES AND RESOURCES

As at 31st 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**. **We anticipate to be able to report our GCA Audited 2016 Reserves and Resources in the next QAR.**

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	-8	0	97	-37	312	85
	2P	671		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	

	YE15	YE14
Total	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 1st July 2013.
- 25% of BEA, Egypt was acquired from Gharib Oil effective 15th 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	-	-	-
Oman Total	Oman	-	-	-
Total		312	818	942

Notes:

- Audited figures by GCA as of 31st 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, the **Faihaa-4 well**, Block 9, was **spud on 21 April 2017**. We anticipate **production from the well to commence in 2H 2017**. Kuwait Energy also seeks to **drill and complete another well at Block 9, Faihaa-5**, by the end of the year.

As explained previously, **SOMO have allocated a further crude cargo shipment of 350 kbbl (Kuwait Energy Share) of Basrah Light Crude Oil for Kuwait Energy**. It must be noted that for the previous cargo allocation, it took Kuwait Energy 9 months to build up the requisite receivable level. As the Company increases the well count in Block 9 we anticipate the periods between crude payments to fall even further, or alternatively the Company will have **the option to be allocated even larger crude cargo shipments from SOMO**.

The Iraqi crude cargo shipment, as per the terms of our **Forward Sales Agreement, signed in December 2016**, will be marketed by Vitol. The proceeds of the crude sale will be apportioned between Kuwait Energy and Vitol, with the Vitol share of the crude cargo offsetting the Forward Sales Agreement facility.

The Siba Gas Plant's Engineering, Procurement and Construction (EPC) works are ongoing and progressing on the ground. **The Farm-Out to EGPC**, detailed in the last QAR, has **received all necessary government and pre-emption approvals** and we are currently **awaiting the final signing ceremony**, the date of which is currently being determined by the Iraqi and Egyptian governments.

In Egypt, Kuwait Energy will continue its **well management and work over program** to optimize production from its mature assets. The **Farm-Out to Global Connect**, announced in the last QAR, should **receive government and pre-emption approval by Q3 2017**.

In Yemen, Kuwait Energy continues to monitor the situation and is **operationally-ready to commence production when the situation permits**.

Sustainability

As part of our HSSE efforts, Kuwait Energy continues to apply the leading HSSE auditing programs; as shown by **Egypt's Area A and Cairo Office's recertification of their ISO 14001 and OHSAS 18001 certification** during 2016.

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.
Bbls	Barrels
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
ERW	Explosive Remnants of War
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 Incidents
M	Metres

Abbreviation	Definition
MENA	Middle East and North Africa
Mmbbl	Million barrels
Mmboe	Million barrels of oil equivalent
Mmscfd	Million metric standard cubic feet per day
Mscf	Thousand standard cubic feet
OEC	Oil Exploration Company (Iraq's Ministry of Oil seismic company)
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



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