



Quarterly Activity Report

First Quarter 2015 (Q1 2015) for the period ending 31 March 2015

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At A Glance

Key Highlights

- No recordable incidents took place in Q1 2015.
- Average daily Working Interest (“WI”) production has increased by 19.37%, as compared to the corresponding period in 2014 from 22,467 boepd to 26,820 boepd.
- Revenue has decreased by 33.28%, as compared to the corresponding period in 2014 mainly due to the decline in oil prices from US\$ 67.3million to US\$ 44.9 million.
- As of 31 December 2014, the audited reserves and resources for Kuwait Energy (“Kuwait Energy” or the “Company”) stands at approximately 671 mmboe for the 2P Working Interest (“2P WI”) Reserves and at 759 mmboe for the 2C Working Interest (“2C WI”) resources. This represents an increase of 215% of 2P WI reserves compared to 31 December 2013 (213 mmboe) from 213 to 671.
- Kuwait Energy and the Egyptian General Petroleum Corporation (“EGPC”) discovered hydrocarbons in the Alam El Bueib (Early Cretaceous) Formation, in the exploration well ASH-1X on the Abu Sennan concession, located in the Western Desert onshore Egypt. Tests of the Alam El Bueib formation achieved flow rates of 3,900 bopd of condensate with 46 API and 3.1 MMscfd of gas on choke 64/64”¹.

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 Q1 2015

In a reversal of the trend seen over the past seven months, oil price rebounded during February amid continued heightened volatility in the oil market. However, the price reversal was short-lived, as the oil price started sliding in March after reports of record U.S. stockpiles emerged.

OPEC Reference Basket settled at an average of US\$ 54.1 per barrel in February, a strong improvement of around 21.8% or US\$ 9.68 per barrel, the strongest monthly gain since September 2010, as compared to previous month’s average price of US\$ 44.4 per barrel. However, with the decline seen in March, average oil price scaled back to US\$ 53.56 per barrel.²

¹ The rates have stabilized at 2,755 bopd and 2.7 MMscfd of gas on 64" choke.

² Oil Market Monthly Report- March 2015- KAMCO Research

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”).

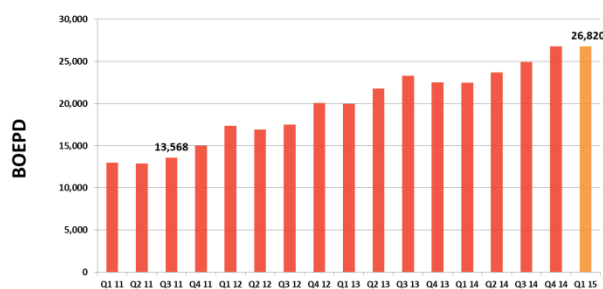
No recordable incidents took place in Q1 2015. The following table provides days without LTI at the end of Q1 2015, for the countries in which Kuwait Energy operates:

| Country | Days without LTI |
|---------|------------------|
| Iraq | 175 |
| Yemen | 178 |
| Egypt | 657 |

Production

Kuwait Energy achieved a quarterly average daily Working Interest production of 26,820 barrels of oil equivalent per day (“boepd”) that is 0.15% higher than the previous quarter and 19.37% higher than the corresponding quarter of last year primarily due to increased production from Egypt Abu Sennan and ERQ.

The chart below shows quarter-by-quarter daily Working Interest average production of the Company from Q1 2011 to Q1 2015:



Kuwait Energy’s daily average WI share of production for the quarter ending 31 March 2015 compared to the quarters ending 31 December 2014 and 31 March 2014 per asset is shown in the table below (in boepd):

| | Q1 2015 | Q4 2014 | % Change | Q1 2014 | % Change |
|-------------------------|---------------|---------------|----------------|---------------|----------------|
| BEA | 1,003 | 1,097 | -8.57% | 951 | 5.47% |
| Abu Sennan | 2,093 | 1,516 | 38.06% | 690 | 203.33% |
| Area A | 4,484 | 4,516 | -0.71% | 4,178 | 7.32% |
| ERQ | 12,774 | 12,255 | 4.24% | 9,695 | 31.76% |
| Egypt Total | 20,354 | 19,383 | 5.01% | 15,514 | 31.20% |
| Block 5 | 3,618 | 4,437 | -18.46% | 4,012 | -9.82% |
| Block 43 | 266 | 379 | -29.82% | 376 | -29.26% |
| Yemen Total | 3,884 | 4,816 | -19.35% | 4,388 | -11.49% |
| Oman | 2,582 | 2,581 | 0.04% | 2,566 | 0.62% |
| Production Total | 26,820 | 26,781 | 0.15% | 22,467 | 19.37% |

Exploration

Kuwait Energy and EGPC discovered hydrocarbons in the Alam El Bueib (Early Cretaceous) Formation, in the exploration well ASH-1X on the Abu Sennan concession, located in the Western Desert onshore Egypt. Tests of the Alam El Bueib formation achieved initial flow rates of 3,900 bopd of condensate with 46 API and 3.1 MMscfd of gas on choke 64/64”³.

The Company drilled 1 exploration well in Area A Egypt which turned out to be a dry hole. No additional exploration activities took place during the first quarter of 2015.

The following table summarizes the carry over exploration activities from 2014 and Q1 2015 exploration activities:

| Country | Basin/ Area | Well Name | Cost Interest | Well Status at end Q1 2015 |
|--------------------------------|-------------|-----------|---------------------|--|
| 2014 Carry-over wells | | | | |
| Egypt | Abu Sennan | ASH-1X | 78.00% | Test successfully Alam El buieb reservoir with rates 3,900 bopd and 3.1 MMscfd of gas on 64" choke ³ . |
| Iraq | Block-9 | Faihaa-1 | 70.00% ⁴ | 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. |
| Q1 2015 | | | | |
| Egypt | Area A | EY-3X | 70.00% | Dry hole |
| Total (2015 wells spud) | | 1 | | |

³ The rates have stabilized at 2,755 bopd and 2.7 MMscfd of gas on 64" choke.

⁴ 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% upon the fulfillment of certain conditions precedent, including written approval from the Iraqi government.

Development

The main development activities during Q1 2015 included the drilling of 12 development wells, 10 in Oman, 1 Abu Sennan Egypt and 1 Siba in Iraq, which has been

postponed due to weak foundation around the well, until correction measures are completed.

The table below provides the status of the wells developed in Q1 2015 as well as the carry-over from 2014:

| Country | Basin/Area | Well name | No. of Wells | Cost Interest | Status at end Q1 2015 |
|---------------------------------|--------------------|--|--------------|---------------|--|
| Q4 2014 Carry-over wells | | | | | |
| Egypt | 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) |
| Oman | Karim Small Fields | Ilham-P14, SMP-103 | 2 | 15.00% | Producing |
| Iraq | Siba | Siba-4 | 1 | 60.00% | Initial rate ~6,000 bcpd @ 64/64' choke, 28 MMscf/d after acid job |
| Q1 2015 | | | | | |
| Egypt | Abu Sennan | ASA-3 | 1 | 78.00% | Drilling |
| Oman | 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 |
| Iraq | Siba | Siba-5 | 1 | 60.00% | Postponed until correction measures are completed (weak foundation). |
| Total wells spud (2015) | | | 12 | | |

Reserves and Resources

As at 31 December 2014, Kuwait Energy's working interest Proven and Probable ("2P") reserves are approximately 671 mmboe. Working interest contingent resources ("2C") is approximately 759 mmboe and the best estimate of

risked prospective resources ("P50") is approximately 32 mmboe⁵. A breakdown of the reserves and resources is shown in the table below:

| Classification | Category | YE13 | Production | Exploration adds | Revisions | Acquisitions and Divestments | YE14 | YE14-Net Entitlement |
|-----------------------|-------------|-------|------------|------------------|-----------|------------------------------|---------|----------------------|
| Reserves | <u>1P</u> | 90.5 | | 169.3 | 6.8 | -0.1 | 259.0 | 68.8 |
| | <u>2P</u> | 213.1 | -7.5 | 509.2 | 3.2 | -46.6 | 671.3 | 108.7 |
| | <u>3P</u> | 300.7 | | 1,038.4 | -6.1 | -93.5 | 1,232.0 | 152.8 |
| Contingent resources | <u>2C</u> | 853.0 | | 0.0 | -92.9 | -0.7 | 759.4 | |
| Prospective resources | <u>Best</u> | 37.1 | | 0.0 | 2.7 | -8.1 | 31.6 | |

Notes:

- Reserves replacement ratio takes into account acquisition or divestment activities during the year.
- Proven Reserves Replacement Ratio (RRR) = 2337%
- Proven plus Probable Reserves Replacement Ratio (RRR) = 6186%
- 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.
- Ukraine and Russia were divested in 2014.

⁵ Audited by Gaffney, Cline & Associates ("GCA") as at 31 December 2014.

Financials

At the end of Q1 2015, the current debt of the Company stood at US\$350 million with cash as at end of the quarter of US\$146 million including US\$95 million in short term fixed deposits. Net debt is US\$204 million.

The Company achieved revenue of US\$44.9 million (based on management accounts) a decrease of 33.28%, as compared to the corresponding period in 2014 primarily due to a lower oil price.

The Company has paid its first coupon/interest for its 9.5% yield bond amounting to a total of US\$11.9 million in February 2015.

The capital expenditure as at the end of Q1 is US\$38.2 million.

US\$50 million was collected from EGPC during the quarter. Another US\$28 million was collected in early April 2015. As at mid April 2015, EGPC due as at 31 March is fully collected.

The Company has completed a buyback of 31.7 million shares from Kuwait Energy Company K.S.C.C. ("KEC") as per the Annual General Assembly approval of October 19, 2014. These shares are now being held as treasury shares.

| Unaudited Consolidated Financial Highlights ⁶ | Q1 2015 | Q4 2014 | Q1 2014 |
|--|---------|---------|---------|
| Revenue | 44.9 | 59.4 | 67.3 |
| Net Profit/(loss) from continuing operations | (12.4) | (13.8) | 20.3 |
| Exploration costs expensed | 11.2 | 10.6 | 8.7 |
| Development costs expensed | 27.0 | 65.8 | 29.3 |
| General and Administrative Expenses | 4.4 | 12.6 | 6.7 |
| EBITDA | 24.0 | 29.9 | 47.8 |
| Working Capital | 175.7 | 204.1 | 169.1 |
| Total Assets | 875.6 | 935.5 | 960.6 |
| Total Debt ⁷ | 350.0 | 350.0 | 258.9 |
| Earnings/(loss) Per Share (US\$ cents) | (3.8) | (4.2) | 6.2 |
| Outstanding shares (number of shares in millions) | 358.5 | 357.2 | 328.8 |

⁶ All figures are unaudited and based on management accounts and are in US\$ millions unless otherwise specified.

⁷ 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, after the second discovery in the first drilled well of Iraq Block 9, the Company is considering fast tracking the development plans of the well. It is expected that two additional appraisal wells are to be drilled during 2015.

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

In Yemen, the operations are facing lifting constraints as all other assets in Yemen. The Company continues monitoring the situation closely.

In Egypt, the Company continues its focus on the drilling and development programs.

EIA forecasts that Brent crude **oil prices** will average \$59 barrels in 2015 and \$75 barrels in 2016. The current values of futures and options contracts continue to suggest very high uncertainty in the oil price outlook⁸.

⁸ Source: Eia.gov, 'Short-Term Energy and Summer Fuels Outlook', April 2015.

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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