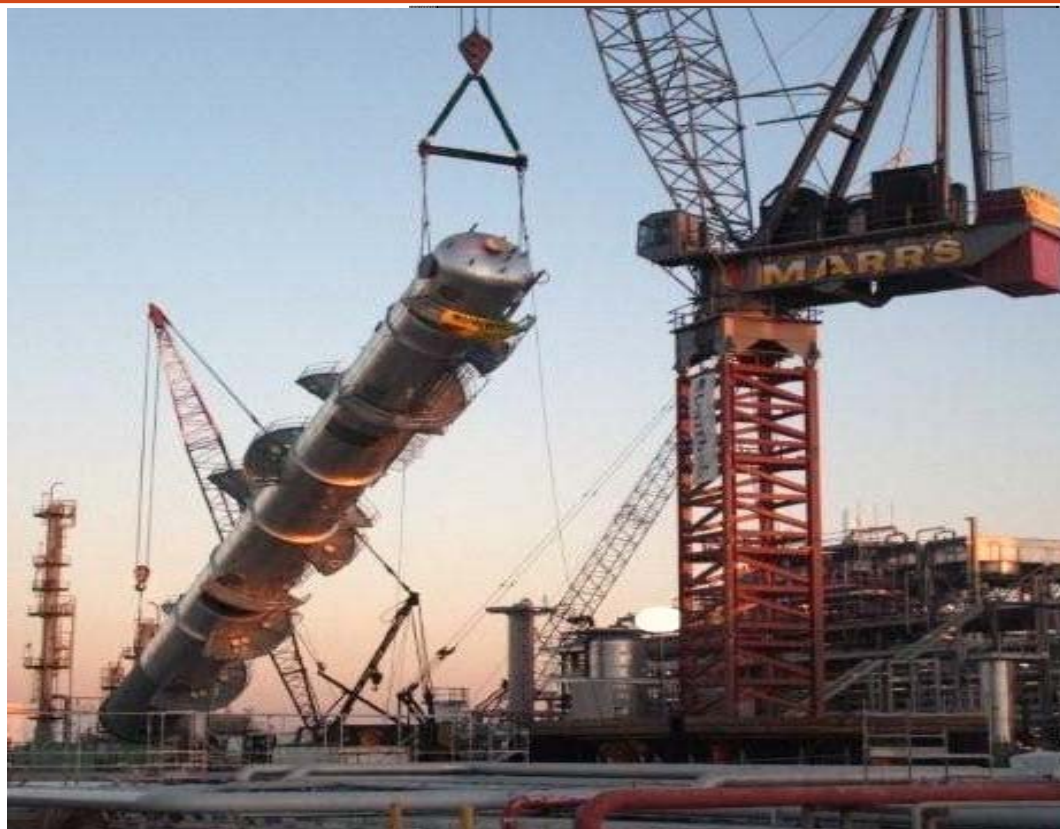


2009

Second Quarter Activity Report



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Forward looking statements

This Quarterly Activity Report 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 results to differ materially from the Company’s expectations include, among others:

- General economic and business conditions in Kuwait and other countries;
- The Company’s ability to successfully implement its strategy, growth and expansion plans and technological changes;
- Changes in the value of the Kuwaiti Dinar and other currency changes;
- Changes in Kuwaiti or international interest rates;
- Changes in laws and regulations that apply to investment companies in Kuwait;
- Changes in political conditions in Kuwait and other countries; and
- Changes in the foreign exchange control regulations in Kuwait.

Disclaimer: All information provided in this report is for information purposes only. All financial information is unaudited and is subject to an annual financial audit.

1. Executive Summary:

Second Quarter Activities Report For Period Ended 30 June 2009

Comparative Performance at a Glance				
Quarterly comparison		Q2 2009	Q1 2009	Change %
Production	BOEPD	10,493	10,021	+4.7
Revenue	USD Million	36.6	25.5	+43.5
Corresponding Period		Q2 2009	Q2 2008	Change %
Production	BOEPD	10,493	8,264	+27.0%
Revenue	USD Million	36.6	58.3	-37.2%
YTD Comparison		2009	2008	Change %
Production	BOEPD	10,259	7,069	+45.1%
Revenue	USD Million	62.2	84.1	-26.0%

Quarterly production summary

- Kuwait Energy's Q2 2009 average daily working interest production was 10,493 barrels of oil equivalent per day (boepd), a 4.7% increase on Q1 2009; revenue was up 43.5% primarily due to improving oil prices and increasing production.
- The Q2 2009 production average was a 27.0% increase on Q2 2008 primarily due to production increases in Egypt from ERQ and Area A, this was partially offset by the completion of the ARD contract in Indonesia on 22nd April.
- The 2nd Quarter revenue compared to the corresponding period is down 37.2% due to falling oil prices despite a 27% increase in production.

Key activities during the period

Financial

- **Profit:** Reported a net profit of US\$4.5million in Q2 2009.
- **Financing Facility:** Due diligence for financing facility for US\$50million with International Finance Corporation (IFC) is progressing and the facility is likely to be granted in Q3 2009.

Operations

- **Reserves:** External reserves audit by Gaffney Cline & Associates for Ukraine, Egypt and Yemen commenced in May 2009 and is likely to be completed in Q3 2009.
- **Production:** Daily average production increased and remained above 10,000boepd mark throughout Q2 2009.
- **Exploration:** Exploration licenses for Yemen Blocks 15 and 49 have been extended. Military approvals obtained to commence drilling in Burg El Arab field, Egypt; 2 rigs are being commissioned to start drilling exploration wells in Q3 2009, with one in the Jurassic targeting both oil and gas.

Key activities during the period (Cont'd)

Operations

- **Development:** Successfully drilled 12 producing development wells in the 2nd Quarter.
- **HSE:** A successful government audit was held by the Egyptian Environmental Authority on Area A in Egypt where KEC is the Operator. Area A also recorded nil Lost Time Incidents during Q2 2009.

Business Development

- **Iraq:** KEC submitted an application to the Ministry of Oil, Iraq for a contract to develop a discovered field following the submission of a conceptual development plan. A response from the Ministry of Oil is expected during Q3 2009.
- **Kuwait Facility Project:** KEC submitted a joint bid with its consortium partner Daelim Industrial Company, South Korea for the GC-16 project of Kuwait Oil Company on 21 June 2009. Bid results are likely to be announced by September 2009.
- **Latvia:** KEC submitted a joint bid with PKN for an Offshore Block in Baltic Sea. Bid results are likely to be announced by September 2009.

2009 Budget

Item	2009 Budget
Production	4.5 mmboe
Daily Average Production	12,371boe
Production Costs	US\$31 million
Exploration Capital	US\$60 million
Development Capital	US\$88 million
Total Capital	US\$148 million

2009 Work Program

In 2009, we have a target to achieve the following work program together with our joint venture partners:

15 Exploration Wells

53 Development Wells

Over 200 Work-over Wells

In first half of 2009, KEC had 6 scheduled exploration wells and drilled 5 exploration wells with a 6th exploration well under drilling. For development drilling, 20 wells were drilled out of the scheduled 24. KEC is on track to complete its 2009 Budget Work Program by year end.

2. Reserves:

Kuwait Energy's working interest year end 2008 2P reserves increased by 27% on year end 2007 to 43.4mmboe, as shown in the tables below.

Classification	Category	KEC WI Reserves/Resources mboe					
		YE07 (NSA)	Production	Exploration Adds	Revisions	Acq & Divest	YE08
Reserves	2P	34,135	2,220	4,856	-4,714	11,389	43,445
Contingent Resources	2C	N/A	0	0	205,276	0	205,276
Prospective Resources	Best Estimate	N/A	0	0	548,870	167,000	715,870

1P RRR =	=	219.7%
2P RRR =	=	519.3%

Proven plus Probable Reserves (KEC Working Interest)				
	Sales Gas (mmcf)	Crude Oil (mdbl)	Condensate (mdbl)	Total (mboe)
Reserves year end 2007	104,286	13,335	3,420	34,135
Production	-294	-1,903	-23	-2,220
Revisions	-18,642	-2,636	1,074	-4,714
Exploration Discoveries	0	4,856	0	4,856
Acquisition/Divestments	0	11,389	0	11,389
Reserves year end 2008	85,350	25,041	4,470	43,445

Note:

- Estimates above are KEC working Interest and are un-risked
- Estimates above exclude Karim Small Fields (Oman) which is covered by a Service Agreement which does not allow external reporting of reserve volumes.

3. Production:

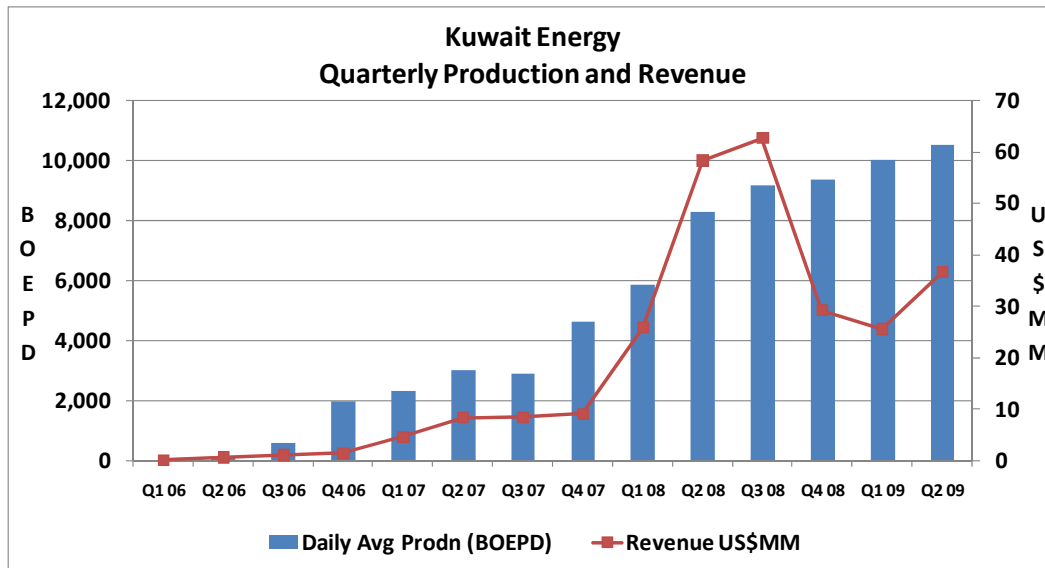
Kuwait Energy's working interest share of production and the revenue for the quarter ended 30 June 2009 is shown in the table below:

Daily Average Production	Quarter Ended	
	Q2 2009	Q1 2009
BOEPD		
Egypt		
BEA	138	124
Area A	3,674	2,654
ERQ	1,604	1,396
Egypt Total	5,416	4,174
Oman	2,514	2,440
Yemen	1,120	1,301
Ukraine	988	1,081
Russia	282	205
Indonesia	173	820
Total	10,493	10,021
Sales Revenue (USD million)	36.6	25.5
Sales Revenue (USD per boe)	38.33	28.27

Kuwait Energy's Q2 2009 average daily working interest production was 10,493 barrels of oil equivalent per day (boepd), a 4.7% increase on Q1 2009. This was primarily due to the increased production from the Shukheir NW field in Area A.

Note the ARD contract in Indonesia ended on the 22nd April and hence KEC has exited from Indonesia.

The table below shows a quarter-on-quarter comparison of daily average production (boepd) from Q1 2006 until Q2 2009:



4. Capital Expenditure:

Total exploration and development expenditure is summarized in the table below:

	Q2 2009	Q1 2009
	US\$ million	US\$ million
Exploration	12.4	6.4
Development	14.5	10.9
Total Capital Expenditure	26.9	17.3

4.1 Exploration activity:

Exploration expenditure during Q2 2009 was US\$12.4 million.

Kuwait Energy drilled one exploration well during Q2 2009 with the Ghard-2 still drilling at the end of the quarter.

Country	Basin/Area	Well	Target	KEC Interest	Well Status
Q1 2009					
Egypt	Area A	Shukheir NW-X2	Oil	70%	Success
Egypt	Area A	East Um El-Yusr-1	Oil	70%	P&A, Dry Hole
Egypt	ERQ	Al-Zahraa-1	Oil	49.5%	Success
Egypt	ERQ	Dalia-1	Oil	49.5%	P&A, Dry Hole
Q2 2009					
Egypt	ERQ	Marwa-1	Oil	49.5%	P&A, Dry Hole
Egypt	ERQ	Ghard -2	Oil	49.5%	Currently drilling

Seismic Activity

Seismic activity during the first half is shown in the table below:

Country	Area/Basin	Type	Km/km2	Status
Q1 2009				
Egypt	Area A	3D	655km2	Reprocessing complete
Q2 2009				
Ukraine	BC	3D	220km2	Interpretation near completion
Yemen	Block 35 & 74	2D	1400km	Reprocessing underway

Russia	Luzskoye	3D	68km2	Acquired, processing underway
Pakistan	Kunri/Jherruck	2D	1600km	Interpretation near completion

4.2 Development activity:

Development expenditure during the second quarter was US\$14.5 million with 12 development wells drilled.

- **Egypt** - Positive drilling results in Area A, Egypt and Karim, Oman.

The table below provides the 20 development wells drilled during the first half of 2009:

Country	Basin/Area	Well	Target	KEC Interest	Well Status
Q1 2009					
Egypt	ERQ	Shahd SE-3	Oil	49.5%	Producer
Egypt	Area A	Shukheir NW-3	Oil	70%	Producer
Oman	Karim	BM-17	Oil	15%	Producer
Oman	Karim	ARD-02	Oil	15%	Producer
Oman	Karim	WRD-32	Oil	15%	Producer
Oman	Karim	BM-18	Oil	15%	Producer
Oman	Karim	NSM004	Oil	15%	Producer
Oman	Karim	ZRA008	Oil	15%	Producer
Q2 2009					
Egypt	Area A	Shukheir NW-4	Oil	70%	Producer
Egypt	Area A	Shukheir NW-5	Oil	70%	Producer
Egypt	Area A	Shukheir 24	Oil	70%	Producer

Oman	Karim	BM-19	Oil	15%	Producer
Oman	Karim	BM-20	Oil	15%	Producer
Oman	Karim	NSM005	Oil	15%	Producer
Oman	Karim	ZRA-09	Oil	15%	Producer
Oman	Karim	NSM006	Oil	15%	Producer
Oman	Karim	SSM050	Oil	15%	Producer
Oman	Karim	BM-P11	Oil	15%	Producer
Oman	Karim	SSM051	Oil	15%	Producer
Oman	Karim	ZHR-M3	Oil	15%	Producer

Facilities

Country	Facilities
Egypt	Production facilities built at the Al-Zahraa discovery & a temporary rented facility installed at Shukheir NW
Ukraine	No major projects undertaken
Oman	No major projects undertaken
Yemen	Central Processing Facilities upgrades completed by DNO
Russia	Facility upgrade on-going

5. Financials

Kuwait Energy reported a net profit of US\$4.5 million for the quarter ending 30 June 2009; this was primarily due to the increase in production as well as the increase in oil prices.

Estimated Consolidated Statements of Income: Quarter on Quarter Comparison

Consolidated Statements of Income	Actuals	Actuals
	2Q 2009 US\$MM	1Q 2009 US\$MM
Income		
Sales Revenue & Change in Stock	36.6	25.5
Less:- Cost of Sales		
Government Take	17.1	11.1
Operating Expenses	5.2	6.6
General & Administrative Expenses	2.2	4.1
EBITDA	12.1	3.7
Depletion Expenses	8.2	9.5
Financing & others	-0.5	0.9
Net Income for the period	4.5	-6.8

Estimated Consolidated Statements of Income: 2nd Quarter Comparison to Budget

Consolidated Statements of Income	Actuals	Budget
	2Q 2009 US\$MM	2Q 2009 US\$MM
Income		
Sales Revenue & Change in Stock	36.6	35.8
Less:- Cost of Sales		
Government Take	17.1	19.4
Operating Expenses	5.2	8.0
General & Administrative Expenses	2.2	4.6
EBITDA	12.1	3.8
Depletion Expenses	8.2	11.0
Financing & others	-0.5	0.0
Net Income for the period	4.5	-7.2