



Kosmos Energy Announces Fourth Quarter and Full Year 2013 Results

February 24, 2014

DALLAS--(BUSINESS WIRE)--Feb. 24, 2014-- Kosmos Energy Ltd. ("Kosmos") (NYSE: KOS) announced today financial and operating results for the fourth quarter and full year 2013. For the fourth quarter of 2013, the Company reported net income of \$4 million, or \$0.01 per basic and diluted share. For the full year 2013, the Company generated a net loss of \$91 million or \$0.24 per basic and diluted share. Total oil revenues in 2013 were \$851 million on eight oil liftings, net to Kosmos.

Highlights for the quarter ended December 31, 2013, include:

- Sold just under two million barrels of oil, net to Kosmos
- Realized a net reserve replacement ratio of 140% at year-end 2013
- Advanced the development of the TEN project following plan of development approval
- Executed our Northwest Africa farm-out initiatives to BP and Cairn Energy
- Completed significant 3D seismic programs offshore Ireland and Mauritania
- Secured the Maersk Discoverer rig to drill our first exploration well in Morocco

Brian F. Maxted, chief executive officer and chief exploration officer, commented, "We enter 2014 well-positioned to execute on our high-impact, multi-well exploration program with the first well in Morocco expected to spud next month. Our plan of development for our second major oil development in Ghana, TEN, was approved last year and work is quickly advancing with first oil targeted for 2016. As a self-funded explorer, we continue to be disciplined in our investment programs to deliver the most value to shareholders."

Fourth quarter 2013 oil revenues were \$215 million versus \$218 million in the same quarter of 2012, on sales of nearly two million barrels of oil for each period. Realized pricing was \$111.13 per barrel of oil sold in the fourth quarter of 2013 versus \$109.26 per barrel of oil sold in the fourth quarter of 2012, excluding the impact of the Company's hedging program. At the end of 2013, the Company was in a net underlift position of approximately 311,000 barrels of oil.

Production expense for the fourth quarter of 2013 was \$17 million, or \$8.88 per barrel sold, versus \$23 million in the fourth quarter of 2012, due to the absence of workover activities in the latest quarter.

Exploration expenses in the fourth quarter of 2013 totaled \$36 million. Included in the quarter were costs related to large 3D seismic surveys in Ireland and Mauritania; ongoing seismic processing and interpretation expenditures throughout the Company's portfolio; and the cost of the Akasa-2A appraisal well which confirmed the oil-water contact in the Akasa field.

Depletion and depreciation expense was \$47 million, or \$24.33 per barrel of oil sold versus \$28.75 per barrel sold in the fourth quarter of 2012. The decrease in the fourth quarter 2013 depletion rate was a result of the increase in proved reserves as of year-end 2013. General and administrative expense was \$40 million for the fourth quarter of 2013 versus \$45 million in the fourth quarter of 2012.

Derivative expense for the fourth quarter of 2013 was \$17 million, which represents the change in the mark-to-market of the Company's oil derivative contracts as of December 31, 2013. Income tax expense for the fourth quarter of 2013 was \$42 million; the majority of the amount was related to the Company's operations in Ghana.

The Company's hedging position at year-end 2013 included 6.0 million barrels of 2014 production and 3.7 million barrels of 2015 production.

Operational Update

"Reservoir performance from Jubilee continues to be strong as demonstrated by the increase in our year-end proved reserves," said Darrell McKenna, chief operating officer at Kosmos. "From a facilities standpoint, the Jubilee field partners and the Government of Ghana are working to address gas-related surface constraints which are currently limiting oil production from the Jubilee field. In addition, we are continuing to advance the TEN development and are now fully aligned with the government regarding the MTA appraisal program. On the exploration side, we are highly focused on our upcoming drilling operations in Morocco with the rig currently in transit to our FA-1 well location."

2014 year-to-date gross production from the Jubilee field has averaged approximately 104,000 barrels of oil per day (bopd). In the fourth quarter of 2013, Jubilee field production averaged nearly 93,000 bopd, an increase over the third quarter's production of around 88,000 bopd which was impacted by the planned maintenance program performed on the Jubilee floating production, storage and offloading vessel (FPSO) in late September.

Phase 1A drilling and completion operations continued during the fourth quarter, with three production wells and the two water injection wells associated with Phase 1A now online. Due to continued delays in the gas export infrastructure and the resulting limits on gas disposition, the Jubilee field partners are actively pursuing various alternatives to handle the gas associated with Jubilee production. Discussions are ongoing with the Government of Ghana.

The Tweneboa, Enyenra and Ntomme (TEN) project continues to build positive momentum. Construction on the FPSO is ongoing, and development drilling began in the fourth quarter. The second major oil development project in Ghana, TEN is expected to deliver first oil in 2016 with production staged up to a facilities-designed gross production target of 80,000 barrels of oil per day.

Appraisal of the Mahogany, Teak and Akasa (MTA) discoveries within the Greater Jubilee area continued in the fourth quarter with the completion of

the Akasa-2A appraisal well. The well successfully tested the down-dip extent of the Akasa accumulation and further refined the resource base attributable to the three discovery areas.

In preparation for our 2014 drilling campaign, the farm-out of our Morocco license acreage was completed in October with BP acquiring a non-operating interest in the Essaouira Offshore, Fom Assaka Offshore and Tarhazoute Offshore blocks in the Agadir Basin, and Cairn Energy acquiring a non-operating interest in the Cap Boujdour Offshore block in the Aaiun Basin, offshore Western Sahara, subject to receipt of requisite government approvals.

During the fourth quarter, Kosmos continued to make progress on a number of other exploration initiatives. A 5,000 square kilometer 3D seismic program in the Porcupine Basin offshore western Ireland was completed in October, and a 10,300 square kilometer 3D seismic survey was completed in November offshore Mauritania.

Conference Call and Webcast Information

Kosmos will host a conference call and webcast to discuss fourth quarter and full year 2013 financial and operating results today at 10:00 a.m. Central time (11:00 a.m. Eastern time). A live webcast of the event can be accessed on the Investors page of Kosmos' website at www.kosmosenergy.com. The dial-in telephone number for the call is +1.877.407.3982. Callers outside the United States should dial +1.201.493.6780. A replay of the webcast will be available on the Investors page of Kosmos' website for approximately 90 days following the event.

About Kosmos Energy

Kosmos Energy is a leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margin. Our assets include existing production and other major development projects offshore Ghana, as well as exploration licenses with significant hydrocarbon potential offshore Ireland, Mauritania, Morocco (including Western Sahara) and Suriname. As an ethical and transparent company, Kosmos is committed to doing things the right way. The company's [Business Principles](#) articulate our commitment to transparency, ethics, human rights, safety and the environment. Read more about this commitment in the Kosmos [2012 Corporate Responsibility Report](#). Kosmos is listed on the New York Stock Exchange and is traded under the ticker symbol KOS. For additional information, visit www.kosmosenergy.com.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that Kosmos expects, believes or anticipates will or may occur in the future are forward-looking statements. Kosmos' estimates and forward-looking statements are mainly based on its current expectations and estimates of future events and trends, which affect or may affect its businesses and operations. Although Kosmos believes that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to Kosmos. When used in this press release, the words "anticipate," "believe," "intend," "expect," "plan," "will" or other similar words are intended to identify forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of Kosmos, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. Further information on such assumptions, risks and uncertainties is available in Kosmos' Securities and Exchange Commission ("SEC") filings. Kosmos undertakes no obligation and does not intend to update or correct these forward-looking statements to reflect events or circumstances occurring after the date of this press release, except as required by applicable law. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. All forward-looking statements are qualified in their entirety by this cautionary statement.

Kosmos Energy Ltd.

Consolidated Statement of Operations

(in thousands, except per share amounts)

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2013	2012	2013	2012
	(unaudited)			
Revenues and other income:				
Oil and gas revenue	\$ 214,564	\$ 217,591	\$ 851,212	\$ 667,951
Interest income	84	(57)	275	1,108
Other income	233	2,220	941	3,150
Total revenues and other income	214,881	219,754	852,428	672,209
Costs and expenses:				
Oil and gas production	17,140	23,318	96,791	95,109
Exploration expenses	35,930	4,518	230,314	100,652
General and administrative	39,634	44,529	158,421	157,087
Depletion and depreciation	46,966	57,265	222,544	185,707
Amortization - deferred financing costs	2,785	2,402	11,054	8,984
Interest expense	9,022	8,490	36,811	52,207
Derivatives, net	16,641	5,083	17,027	31,490
Loss on extinguishment of debt	—	5,342	—	5,342
Other expenses, net	167	747	3,512	1,475

Total costs and expenses	168,285	151,694	776,474	638,053
Income before income taxes	46,596	68,060	75,954	34,156
Income tax expense	42,430	36,454	166,998	101,184
Net income (loss)	\$ 4,166	\$ 31,606	(91,044)	\$(67,028)
Net income (loss) per share:				
Basic	\$ 0.01	\$ 0.08	\$(0.24)	\$(0.18)
Diluted	\$ 0.01	\$ 0.08	\$(0.24)	\$(0.18)
Weighted average number of shares used to compute net income (loss) per:				
Basic	377,738	373,953	376,819	371,847
Diluted	378,316	374,146	376,819	371,847

Kosmos Energy Ltd.
Condensed Consolidated Balance Sheets
(in thousands, unaudited)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 598,108	\$ 515,164
Receivables	21,326	134,216
Other current assets	115,527	100,738
Total current assets	734,961	750,118
Property and equipment, net	1,522,962	1,525,762
Other non-current assets	87,903	90,243
Total assets	\$ 2,345,826	\$ 2,366,123
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 94,172	\$ 128,855
Accrued liabilities	115,212	41,021
Other current liabilities	9,940	20,377
Total current liabilities	219,324	190,253
Long-term liabilities:		
Long-term debt	900,000	1,000,000
Deferred tax liability	170,226	104,137
Other non-current liabilities	63,941	42,827
Total long-term liabilities	1,134,167	1,146,964
Total shareholders' equity	992,335	1,028,906
Total liabilities and shareholders' equity	\$ 2,345,826	\$ 2,366,123

Kosmos Energy Ltd.
Condensed Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2013	2012	2013	2012
Operating Activities:				
Net income (loss)	\$ 4,166	\$ 31,606	\$(91,044)	\$(67,028)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depletion, depreciation and amortization	49,751	59,667	233,598	194,691

Deferred income taxes	19,623	28,169	82,380	80,036
Unsuccessful well costs	8,653	12,872	107,565	32,229
Non-cash change in fair value of derivatives	18,341	4,618	23,093	18,465
Cash settlements on derivatives	(14,753)	(9,839)	(33,411)	(28,594)
Equity-based compensation	18,234	25,208	69,026	83,423
Loss on extinguishment of debt	—	5,342	—	5,342
Other	448	151	4,916	7,890
Changes in assets and liabilities:				
Net changes in working capital	136,592	63,626	126,281	45,076
Net cash provided by operating activities	241,055	221,420	522,404	371,530
Investing activities:				
Oil and gas assets	(72,961)	(96,309)	(317,413)	(368,990)
Other property	(1,258)	(964)	(4,970)	(9,994)
Restricted cash	(8,964)	(589)	(1,750)	(23,678)
Net cash used in investing activities	(83,183)	(97,862)	(324,133)	(402,662)
Financing activities:				
Payments on long-term debt	—	—	(100,000)	(110,000)
Purchase of treasury stock	(31)	—	(13,101)	(8,378)
Deferred financing costs	—	(8,044)	(2,226)	(8,418)
Net cash used in financing activities	(31)	(8,044)	(115,327)	(126,796)
Net increase (decrease) in cash and cash equivalents	157,841	115,514	82,944	(157,928)
Cash and cash equivalents at beginning of period	440,267	399,650	515,164	673,092
Cash and cash equivalents at end of period	\$ 598,108	\$ 515,164	\$ 598,108	\$ 515,164

**Net Proved Developed and Undeveloped Reserves
(unaudited)**

	Oil (MMBbl)	Gas (Bcf)	Total (MMBoe)
Net proved developed and undeveloped reserves at December 31, 2012	42	9	43
Extensions and discoveries	—	—	—
Production	(8)	(1)	(8)
Purchases of minerals-in-place	—	—	—
Revisions in estimates	11	3	12
Net proved developed and undeveloped reserves at December 31, 2013	45	11	47

	Oil (MMBbl)	Gas (Bcf)	Total (MMBoe)
Proved reserves at December 31, 2013 ⁽¹⁾			
Proved developed reserves	36	10	38
Proved undeveloped reserves	9	1	9

(1) The sum of proved developed reserves and proved undeveloped reserves may not add to net proved developed and undeveloped reserves due to rounding.

**Costs Incurred in Oil and Gas Activities
(unaudited)**

The following table reflects total costs incurred, both capitalized and expensed, for oil and gas property acquisition, exploration, and development activities for the year ended December 31, 2013.

	Ghana	Other (1) (in thousands)	Total
Property acquisition			

Unproved	\$ —	\$ 13,787	\$ 13,787
Proved	—	—	—
Exploration	183,635	183,213	366,848
Development	61,071	—	61,071
Total costs incurred	\$ 244,706	\$ 197,000	\$ 441,706

(1) Includes Africa, excluding Ghana, Europe and South America.

Source: Kosmos Energy Ltd.

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