



Kosmos Energy Announces Fourth Quarter and Full Year 2012 Results

February 25, 2013

DALLAS--(BUSINESS WIRE)--Feb. 25, 2013-- [Kosmos Energy](#) ("Kosmos") (NYSE: KOS) announced today financial and operating results for the fourth quarter and full year 2012. For the fourth quarter of 2012, the Company reported net income attributable to common shareholders of \$32 million, or \$0.08 per basic and diluted share. For the fourth quarter of 2011, Kosmos reported net income attributable to common shareholders of \$34 million, or \$0.09 per basic and diluted share. For the full year 2012, the Company generated a net loss attributable to common shareholders of \$67 million. Total oil revenues in 2012 were \$668 million on six oil liftings, net to Kosmos.

Highlights for the quarter ended December 31, 2012, include:

- Sold approximately two million barrels of oil, net to Kosmos
- Performed two successful acid treatments on Jubilee Phase 1 production wells
- Commenced production from the Phase 1A development at Jubilee
- Exited 2012 with Jubilee production of approximately 110,000 barrels of oil per day
- Submitted a Plan of Development for the Tweneboa, Enyenra, and Ntomme fields on the Deepwater Tano Block to the government of Ghana
- Completed the assignment of 50 percent of the Company's 100 percent participating interest in Blocks 42 and 45, offshore Suriname, to Chevron
- Secured a new Corporate Revolving Credit Facility, with \$260 million available
- Enhanced financial liquidity position, with cash on hand of \$515 million and available borrowings of over \$600 million at the end of 2012

Brian F. Maxted, Chief Executive Officer, commented, "During the fourth quarter, we achieved a number of significant milestones, exiting 2012 in our best position ever, both operationally and financially. We have established great momentum at Jubilee, with production now at a record level, and we are working to enhance throughput even further. Moving forward, we are preparing for additional developments in Ghana, as well as the commencement of a high-impact exploration program elsewhere, with multiple wells anticipated annually beginning as soon as late 2013. Our disciplined strategy, strong balance sheet and substantial existing cash flows have positioned Kosmos to internally fund our investment programs well into the future. I am excited about all we have accomplished, even more so, the meaningful potential in our exploration and development programs ahead."

Fourth quarter 2012 oil revenues were \$218 million versus \$220 million in the same quarter of 2011, on sales of nearly two million barrels of oil for each period. The average fourth quarter 2012 realized oil price was approximately \$109 per barrel versus \$110 per barrel in the fourth quarter of 2011, excluding the impact of the Company's strategic hedging program. At the end of 2012, the Company was in a net overlift position of approximately 51,000 barrels of oil since field startup.

Production expense for the fourth quarter of 2012 was \$23 million, which included costs from two acid stimulation treatments performed on Phase 1 wells at the Jubilee field. Excluding workover costs, production expense for the quarter was approximately \$8.60 per barrel sold. The reduction from the fourth quarter 2011 per barrel rate is primarily attributable to the purchase of the Jubilee floating production, storage and offloading vessel (FPSO) in late 2011, which capitalized the asset and ceased ongoing lease payments.

Exploration expense in the fourth quarter of 2012 totaled \$4 million. Included in the fourth quarter of 2012 were costs related to the Okure well offshore Ghana. The completion of the Company's assignment of interest in Blocks 42 and 45 offshore Suriname during the fourth quarter of 2012 resulted in a reduction to exploration expense. In the fourth quarter of 2011, exploration expense included seismic acquisition costs related to the Company's Morocco acreage position.

General and administrative expense was \$45 million for the fourth quarter of 2012, with the increase from the same quarter of 2011 mostly a result of higher non-cash, equity-based compensation expense.

Depletion and depreciation expense was \$57 million in the fourth quarter of 2012, or \$28.75 per barrel sold. The fourth quarter 2012 per barrel rate was positively impacted by the recording of year-end 2012 reserves, which reflected a reclassification of proved reserves from undeveloped to developed. This was primarily a result of the Company's successful acid stimulation program in 2012. The per barrel rate increase versus the fourth quarter of 2011 is mostly a result of the purchase of the Jubilee FPSO and the ongoing capital spend for development of the Jubilee field.

Derivative expense for the fourth quarter of 2012 was \$5 million, which represents the change in the mark to market of the Company's oil derivative contracts as of December 31, 2012. During the fourth quarter of 2012, Kosmos added new hedge positions covering two million barrels of oil in 2013 and 1.5 million barrels in 2014.

Included in the Company's fourth quarter 2012 results was a \$5 million loss on the extinguishment of debt resulting from the amendment of the Company's reserve-based lending facility.

Income tax expense for the fourth quarter of 2012 was \$36 million, with the majority of the amount resulting from the Company's Ghana operations.

Year-End 2012 Reserves

The Company's proved reserves at the end of 2012 were 43 million barrels of oil equivalent, with the difference from year-end 2011 largely a result of the Company's net sales volumes in 2012. In addition, Kosmos removed 14 billion cubic feet of natural gas from its proved reserves in 2012 as a result of lower anticipated utilization of fuel gas for operations. The Company's proved natural gas reserves at the end of 2012 represent only those amounts anticipated to be consumed on the FPSO in association with proved oil reserves.

Kosmos' proved developed reserves as a percentage of total proved increased from 50 percent at year-end 2011 to 77 percent at year-end 2012. The increase was a result of the successful acid stimulation treatments on Jubilee Phase 1 wells and the startup of Phase 1A. The Company's reported reserves are prepared by Netherland Sewell & Associates, Inc., an independent reserve engineering firm.

Total costs incurred in oil and gas activities in 2012 were \$419 million. Exploration represented approximately 60 percent of the costs incurred amount, with development comprising the remainder.

Conference Call and Webcast Information

Kosmos will host a conference call and webcast to discuss fourth quarter and full year 2012 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 in Africa and South America. The Company's asset portfolio includes existing production and other major project developments offshore Ghana, as well as exploration licenses with significant hydrocarbon potential offshore Mauritania, Morocco and Suriname and onshore Cameroon. 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's 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's 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, unaudited)

	Three Months			
	Ended		Year Ended	
	December 31, 2012	2011	December 31, 2012	2011
Revenues and other income:				
Oil and gas revenue	\$ 217,591	\$ 219,998	\$ 667,951	\$ 666,912
Interest income	(57)	1,634	1,108	9,093
Other income	2,220	40	3,150	775
Total revenues and other income	219,754	221,672	672,209	676,780
Costs and expenses:				
Oil and gas production	23,318	25,070	95,109	83,551
Exploration expenses	3,808	21,752	97,712	126,409
General and administrative	45,239	41,439	160,027	113,579
Depletion and depreciation	57,265	51,509	185,707	140,469
Amortization - deferred financing costs	2,402	2,194	8,984	16,193
Interest expense	8,490	10,510	52,207	65,749
Derivatives, net	5,083	6,527	31,490	11,777
Loss on extinguishment of debt	5,342	—	5,342	59,643

Doubtful accounts expense	—	—	—	(39,782)
Other expenses, net	747	167	1,475	149
Total costs and expenses	151,694	159,168	638,053	577,737
Income before income taxes	68,060	62,504	34,156	99,043
Income tax expense	36,454	28,181	101,184	76,686
Net income (loss)	31,606	34,323	(67,028)	22,357
Accretion to redemption value of convertible preferred units	—	—	—	(24,442)
Net income (loss) attributable to common shareholders/unit holders	\$ 31,606	\$ 34,323	\$ (67,028)	\$ (2,085)

Net income (loss) per share attributable to common shareholders (the year ended December 31, 2011 represents the period from

May 16, 2011 to December 31, 2011):

Basic	\$ 0.08	\$ 0.09	\$ (0.18)	\$ 0.09
Diluted	\$ 0.08	\$ 0.09	\$ (0.18)	\$ 0.09

Weighted average number of shares used to compute net income (loss) per share (the year ended December 31, 2011 represents the period from May 16, 2011 to December 31,

2011):

Basic	373,953	369,134	371,847	368,474
Diluted	374,146	369,134	371,847	368,607

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

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 515,164	\$ 673,092
Receivables	134,216	310,155
Other current assets	100,738	129,234
Total current assets	750,118	1,112,481
Property and equipment, net	1,525,762	1,377,041
Other non-current assets	90,243	62,412
Total assets	\$ 2,366,123	\$ 2,551,934
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 128,855	\$ 278,006
Accrued liabilities	41,021	37,194
Other current liabilities	20,377	24,407
Total current liabilities	190,253	339,607
Long-term liabilities:		
Long-term debt	1,000,000	1,110,000
Deferred tax liability	104,137	47,608

Other non-current liabilities	42,827	33,993
Total long-term liabilities	1,146,964	1,191,601
Total shareholders' equity	1,028,906	1,020,726
Total liabilities and shareholders' equity	\$ 2,366,123	\$ 2,551,934

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

	Three Months			
	Ended		Year Ended	
	December 31, 2012	2011	December 31, 2012	2011
Operating Activities:				
Net income (loss)	\$ 31,606	\$ 34,323	\$ (67,028)	\$ 22,357
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depletion, depreciation and amortization	59,667	53,703	194,691	156,662
Deferred income taxes	28,169	19,281	80,036	56,457
Unsuccessful well costs	12,872	3,409	32,229	91,254
Non-cash change in fair value of derivatives	4,618	4,068	18,465	21,014
Cash settlements on derivatives	(9,839)	(14,424)	(28,594)	(19,203)
Equity-based compensation	25,208	21,702	83,423	50,966
Doubtful accounts expense	—	—	—	(39,782)
Loss on extinguishment of debt	5,342	—	5,342	59,643
Other	151	1,014	7,890	2,953
Changes in assets and liabilities:				
Net changes in working capital	63,626	(25,313)	45,076	(37,412)
Net cash provided by (used in) operating activities	221,420	97,763	371,530	364,909
Investing activities:				
Oil and gas assets	(96,309)	(196,845)	(368,990)	(478,943)
Other property	(964)	(2,375)	(9,994)	(4,303)
Notes receivable	—	9,205	—	13,653
Restricted cash	(589)	(1,098)	(23,678)	84,453
Net cash used in investing activities	(97,862)	(191,113)	(402,662)	(385,140)
Financing activities:				
Borrowings under long-term debt	—	110,000	—	1,503,000
Payments on long-term debt	—	—	(110,000)	(1,438,000)
Net proceeds from the initial public offering	—	—	—	580,374
Purchase of treasury stock	—	—	(8,378)	—
Deferred financing costs	(8,044)	—	(8,418)	(52,466)
Net cash provided by (used in) financing activities	(8,044)	110,000	(126,796)	592,908
Net increase (decrease) in cash and cash equivalents	115,514	16,650	(157,928)	572,677
Cash and cash equivalents at beginning of period	399,650	656,442	673,092	100,415
Cash and cash equivalents at end of period	\$ 515,164	\$ 673,092	\$ 515,164	\$ 673,092

Net Proved Developed and Undeveloped Reserves

(unaudited)

Oil Gas Total
(MMBbl) (Bcf) (MMBoe)

Net proved developed and undeveloped reserves at December 31, 2011	47	24	51
Extensions and discoveries	—	—	—
Production	(6)	(1)	(6)
Purchases of minerals-in-place	—	—	—
Revisions in estimates	1	(14)	(2)
Net proved developed and undeveloped reserves at December 31, 2012	42	9	43

	Oil (MMBbl)	Gas (Bcf)	Total (MMBoe)
Proved reserves at December 31, 2012 (1)			
Proved developed reserves	32	9	33
Proved undeveloped reserves	10	1	10

(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, 2012.

	Ghana	Other (2)	Total
	(in thousands)		
Property acquisition			
Unproved	\$ —	\$ 5,000	\$ 5,000
Proved	—	—	—
Exploration	173,463	78,939	252,402
Development	161,925	—	161,925
Total costs incurred	\$ 335,388	\$ 83,939	\$ 419,327

(2) Includes Africa, excluding Ghana, and South America.

Source: Kosmos Energy

Kosmos Energy
Investor Relations
Brad Whitmarsh, +1-214-445-9772
bwhitmarsh@kosmosenergy.com