



Kosmos Energy Announces Second Quarter 2013 Results

08/05/13 11:30 GMT

Company Provides Operational Update

DALLAS--(BUSINESS WIRE)--Aug. 5, 2013-- [Kosmos Energy Ltd.](#) ("Kosmos") (NYSE: KOS) announced today financial and operating results for the second quarter of 2013, which included a net loss of \$71 million, or \$0.19 per basic and diluted share. These results include the previously announced Sipo-1 charge of \$76 million net. For the second quarter of 2012, Kosmos reported a net loss of \$25 million, or \$0.07 per basic and diluted share.

Brian F. Maxted, Chief Executive Officer, commented, "Our second quarter achievements continued to build the strategic foundation that is designed to deliver substantial value to our shareholders. During the quarter the Plan of Development for our second major oil development in Ghana, the Tweneboa-Enyenra-Ntomme (TEN) Project, was approved, which paves the way for anticipated first oil production in 2016. In addition, we continued to mature our existing exploration assets in preparation for a multi-year drilling campaign scheduled to begin early next year."

Oil and gas revenue in the second quarter of 2013 was \$193 million on the sale of approximately two million barrels of oil versus \$112 million in the second quarter of 2012 on the sale of nearly one million barrels of oil. The increase in sales volumes was the result of the successful Jubilee production enhancement programs executed during the second half of 2012. Realized pricing was \$99.51 per barrel of oil sold in the second quarter of 2013 versus \$112.60 per barrel of oil sold in the second quarter of 2012.

Forecasted capital expenditures for 2013 are expected to increase slightly to \$560 million, which reflects the acceleration of the Ireland seismic program, moving it from 2014 to 2013.

Production expense, which included certain well workover and rig equipment maintenance costs, was \$23 million in the second quarter of 2013 versus \$20 million in the second quarter of 2012. Production expense excluding well workover and rig equipment maintenance costs was \$6.54 per barrel of oil sold in the second quarter of 2013 and \$9.37 per barrel of oil sold in the second quarter of 2012. The per-barrel price reduction in the second quarter of 2013 primarily reflected an efficiency gain associated with increased field production.

Exploration expenses in the second quarter of 2013 totaled \$93 million, which included the Sipo-1 well charge and ongoing seismic acquisition, processing, and interpretation expenditures. Exploration expense was \$17 million in the second quarter of 2012.

General and administrative expenses in the second quarter of 2013 were \$43 million versus \$35 million in the second quarter of 2012. The increase over the 2012 quarter was largely related to staffing growth. Depletion and depreciation expense was \$59 million, or \$30.13 per barrel of oil sold. The per-barrel rate represents a nine percent decline from the second quarter 2012 rate, primarily the result of the reclassification of proved undeveloped reserves as proved developed reserves at the end of 2012.

Derivative gains for the second quarter of 2013 were \$13 million, which primarily represented the unrealized favorable change in the valuation of the Company's oil derivative contracts. Income tax expense for the second quarter of 2013 was \$46 million; the majority of the amount was related to the Company's operations in Ghana.

Operational Update:

The Jubilee Field operator has advised its decision to extend the planned shutdown of the Jubilee production facility for routine maintenance at the end of the third quarter 2013. Additionally, the operator has revised its production forecast for Jubilee to approximately 95,000 barrels of oil per day gross for the full year 2013.

During the second quarter of 2013, gross Jubilee Field production averaged approximately 106,000 barrels of oil per day. Phase 1A drilling and completion operations continued with two production wells and one injection well associated with the Phase 1A campaign currently online. The rig-less well intervention program was successfully executed during the quarter with acid stimulation programs performed on five production wells.

The Jubilee Field co-venturers continue work on enhancing the gas handling capabilities associated with the Jubilee floating production, storage, and offloading (FPSO) vessel through improved compressor performance in conjunction with a third gas injection well that is scheduled to be operational in the fourth quarter of 2013. With these enhancements, Kosmos is targeting a Jubilee year-end 2013 production rate of more than 120,000 barrels of oil per day gross.

The Plan of Development for the TEN Project, now approved by the Government of Ghana, is expected to deliver first oil production in 2016 with production staged up to a facilities-designed plateau production rate of 80,000 barrels of oil per day. The gross project cost is now estimated at \$4.9 billion excluding FPSO lease costs.

Darrell McKenna, Chief Operating Officer, commented, "Second quarter Jubilee Field production remained stable, and we expect the Phase 1A drilling and completion campaign to continue through the remainder of the year. Approval of the TEN Project was a major milestone. We are pleased to have secured a long-term rig agreement for the *Atwood Achiever* and have executed a letter of intent for an additional rig slot that will support first quarter 2014 drilling operations offshore Morocco. We now have the rig resources required to fulfill the Company's activities in Morocco, as well as our long-term exploration strategy."

The Moroccan acreage farm-out process progressed during the second quarter of 2013 with its finalization expected during the second half of the year.

In April, Kosmos announced the Company had entered into two farm-in agreements in the Porcupine Basin offshore western Ireland that cover three

licensed areas. Approval was received from the Irish government in early July to convert these areas to frontier exploration licenses. A 3D seismic survey is currently underway, which will encompass the three areas.

A 6,300 kilometer 2D seismic survey was completed in the second quarter of 2013 over Kosmos' acreage positions C8, C12, and C13 offshore Mauritania. Based on encouraging initial results of the 2D data, a 3D seismic program was accelerated and the survey area expanded to 10,000 square kilometers. The 3D survey, which covers portions of the C8 and C12 licenses, commenced in June and is scheduled to be completed in the fourth quarter of 2013.

As previously announced, the Sipo-1 exploration well drilled in the Ndian River Block, onshore Cameroon was plugged and abandoned after the well failed to encounter commercial reservoirs.

Conference Call and Webcast Information

Kosmos will host a conference call and webcast to discuss second quarter 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. The Company's asset portfolio includes existing production and other major development projects offshore Ghana, as well as exploration licenses with significant hydrocarbon potential offshore Ireland, Mauritania, Morocco and Suriname. 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, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues and other income:				
Oil and gas revenue	\$ 193,413	\$ 112,214	\$ 421,479	\$ 227,985
Interest income	44	282	114	1,028
Other income	321	175	575	205
Total revenues and other income	193,778	112,671	422,168	229,218
Costs and expenses:				
Oil and gas production	22,674	19,592	47,075	26,918
Exploration expenses	93,050	16,901	116,346	56,545
General and administrative	43,111	34,799	83,141	74,122
Depletion and depreciation	58,562	32,999	117,211	64,648
Amortization - deferred financing costs	2,785	2,194	5,483	4,388
Interest expense	10,017	10,446	19,008	23,504
Derivatives, net	(12,707)	(1,982)	(7,199)	1,878
Other expenses, net	849	44	1,481	792
Total costs and expenses	218,341	114,993	382,546	252,795

Income (loss) before income taxes	(24,563)	(2,322)	39,622	(23,577)
Income tax expense	46,253	22,521	90,344	38,807
Net loss	\$ (70,816)	\$ (24,843)	\$ (50,722)	\$ (62,384)
Net loss per share:				
Basic	\$ (0.19)	\$ (0.07)	\$ (0.13)	\$ (0.17)
Diluted	\$ (0.19)	\$ (0.07)	\$ (0.13)	\$ (0.17)

Weighted average number of shares used to

compute net loss per share:

Basic	376,563	370,720	375,927	369,973
Diluted	376,563	370,720	375,927	369,973

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

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 508,874	\$ 515,164
Receivables, net	45,742	134,216
Other current assets	97,796	100,738
Total current assets	652,412	750,118
Property and equipment, net	1,481,964	1,525,762
Other noncurrent assets	91,354	90,243
Total assets	\$ 2,225,730	\$ 2,366,123
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 63,955	\$ 128,855
Accrued liabilities	71,812	41,021
Other current liabilities	7,000	20,377
Total current liabilities	142,767	190,253
Long-term liabilities:		
Long-term debt	900,000	1,000,000
Deferred tax liability	129,241	104,137
Other noncurrent liabilities	52,296	42,827
Total long-term liabilities	1,081,537	1,146,964
Total shareholders' equity	1,001,426	1,028,906
Total liabilities and shareholders' equity	\$ 2,225,730	\$ 2,366,123

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Operating Activities:				
Net loss	\$ (70,816)	\$ (24,843)	\$ (50,722)	\$ (62,384)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depletion, depreciation and amortization	61,347	35,193	122,694	69,036
Deferred income taxes	31,731	25,734	52,646	33,447
Unsuccessful well costs	75,915	10,967	85,668	19,237
Change in fair value of derivatives	(3,836)	(2,031)	(3,302)	14
Cash settlements on derivatives	(10,294)	(4,659)	(15,144)	(7,081)
Equity-based compensation	18,062	17,561	37,000	38,851
Other	1,431	1,886	2,827	4,983
Changes in assets and liabilities:				
Net changes in working capital	106,461	(44,026)	45,203	64,582
Net cash provided by operating activities	210,001	15,782	276,870	160,685
Investing activities:				
Oil and gas assets	(83,090)	(120,005)	(166,581)	(188,075)
Other property	(2,464)	(3,802)	(3,278)	(6,912)
Restricted cash	1,079	721	1,965	793
Net cash used in investing activities	(84,475)	(123,086)	(167,894)	(194,194)
Financing activities:				
Payments on long-term debt	(100,000)	—	(100,000)	—
Purchase of treasury stock	(12,959)	(8,378)	(13,041)	(8,378)
Deferred financing costs	(982)	345	(2,225)	(1,254)
Net cash used in financing activities	(113,941)	(8,033)	(115,266)	(9,632)
Net increase (decrease) in cash and cash equivalents	11,585	(115,337)	(6,290)	(43,141)
Cash and cash equivalents at beginning of period	497,289	745,288	515,164	673,092
Cash and cash equivalents at end of period	\$ 508,874	\$ 629,951	\$ 508,874	\$ 629,951



Source: Kosmos Energy Ltd.

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