



Kosmos Energy Announces First Quarter 2014 Results

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Confirms FA-1 well offshore Morocco is non-commercial

DALLAS--(BUSINESS WIRE)--May 5, 2014-- Kosmos Energy Ltd. ("Kosmos") (NYSE: KOS) announced today financial and operating results for the first quarter of 2014, which included net income of \$75 million, or \$0.20 per basic share and \$0.19 per diluted share as compared with \$20 million, or \$0.05 per basic and diluted share in the same quarter last year.

The current quarter's results include a benefit to income of \$24 million related to the farm-down of a portion of the company's interest in three exploration licenses in Morocco's Agadir Basin. In addition, first quarter results benefited from lower costs that more than offset a decrease in oil sales revenue primarily associated with lower oil prices.

Andrew G. Inglis, chairman and chief executive officer, commented: "We had a strong first quarter largely due to consistent production from the Jubilee field and lower costs overall. Looking to the future, we are encouraged by the quality of our exploration portfolio as we mature the prospects to the drilling stage from recently acquired 3D seismic. We plan to drill a series of potentially play-opening exploration wells, with the next spud targeted for late 2014. With our cash flow from Ghana and existing liquidity, we remain extremely well-positioned to deliver this program as a self-funded explorer."

Operational Update

In Morocco, the FA-1 well in the Fom Assaka Offshore block has reached a total depth of 3,830 meters and will be plugged and abandoned after failing to encounter commercial hydrocarbons. The well, which is the first in a series of play-opening wells designed to unlock the Agadir Basin, was drilled to test the salt diapir play concept targeting the Cretaceous interval in a combined structural-stratigraphic trap. This is one of several independent play types and fairways present in the Agadir Basin.

Importantly, FA-1 encountered oil and gas shows while drilling and in sidewall cores suggesting the presence of a working petroleum system. The well has also provided key seismic calibration information and the well results will now be integrated into Kosmos' ongoing petroleum system analysis; in particular, the assessment of charge and reservoir play risks, as well as the evaluation and ranking of trap types ahead of the next tests of this petroleum system in 2015 and beyond.

Additionally, a 4,300 square kilometer 3D seismic program in the Essaouira Offshore and Tarhazoute Offshore blocks in Morocco commenced during March and is expected to be completed late in the second quarter. Furthermore, seismic acquisition, seismic interpretation work and prospect maturation studies are progressing well in our exploration blocks offshore Ireland, Mauritania, Suriname and Western Sahara in advance of our continued exploration drilling program commencing end of 2014.

Gross production from the Jubilee field averaged approximately 102,000 barrels of oil per day (bopd) in the first quarter of 2014, an increase from 93,000 bopd in the fourth quarter of last year. Collectively with our Jubilee field partners and the Government of Ghana, we are continuing work to address gas-related constraints which currently limit oil production from the field.

Appraisal of the Mahogany, Teak and Akasa (MTA) discoveries within the Greater Jubilee area continued in the first quarter as a Jubilee development well was successfully deepened to evaluate the Mahogany interval.

Government approval was received for the farm-out of a non-operating interest to BP for the Essaouira Offshore, Fom Assaka Offshore and Tarhazoute Offshore blocks in the Agadir Basin, and for the farm-out of a non-operated interest to Capricorn Exploration and Development Company Limited, a wholly-owned subsidiary of Cairn Energy in the Cap Boujdour Offshore block in the Aaiun Basin.

Financial Review

First quarter 2014 oil revenues were \$213 million versus \$228 million in the same quarter of 2013.

Production expense for the first quarter of 2014 was \$16 million, versus \$24 million in the first quarter of 2013 reflecting lower well workover and rig maintenance expense.

Exploration expenses in the first quarter of 2014 totaled \$13 million compared with \$24 million in the prior year quarter. Included in the quarter were initial costs related to a large 3D seismic survey in Morocco. Depletion and depreciation expense was \$46 million versus \$59 million in the first quarter of 2013 with the improvement primarily related to the increase in proved reserves at the end of 2013.

General and administrative expenses in the first quarter of 2014 were \$27 million versus \$39 million in the first quarter of 2013 and income tax expense for the first quarter of 2014 was \$51 million; the majority of the amount was related to the company's operations in Ghana.

The company's hedging position at the end of the first quarter totaled 9.7 million barrels.

The company is realigning and reorganizing its activities to better focus on delivering its exploration strategy. In this regard, the company intends to record an estimated \$9 million charge during the second quarter to cover costs associated with these actions and associated staff redundancies.

Conference Call and Webcast Information

Kosmos will host a conference call and webcast to discuss first quarter 2014 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 Statements of Operations

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
	(unaudited)	
Revenues and other income:		
Oil and gas revenue	\$ 212,853	\$ 228,066
Gain on sale of assets	23,769	—
Interest income	58	70
Other income	439	254
Total revenues and other income	237,119	228,390
Costs and expenses:		
Oil and gas production	16,323	24,401
Exploration expenses	12,809	24,255
General and administrative	27,413	39,071
Depletion and depreciation	46,378	58,649
Amortization - deferred financing costs	2,786	2,698
Interest expense	3,511	8,991
Derivatives, net	(2,028)	) 5,508
Loss on extinguishment of debt	2,898	—
Other expenses, net	1,277	632
Total costs and expenses	111,367	164,205
Income before income taxes	125,752	64,185
Income tax expense	50,783	44,091
Net income	\$ 74,969	\$ 20,094
Net income per share:		
Basic	\$ 0.20	\$ 0.05
Diluted	\$ 0.19	\$ 0.05

Weighted average number of shares used to compute net income per:		
Basic	377,830	375,284
Diluted	381,472	375,651

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Condensed Consolidated Balance Sheets

(in thousands, unaudited)

	March 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 528,028	\$ 598,108
Receivables	108,626	21,326
Other current assets	123,435	115,527
Total current assets	760,089	734,961
Property and equipment, net	1,544,821	1,522,962
Other non-current assets	108,451	87,903
Total assets	\$ 2,413,361	\$ 2,345,826
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 103,563	\$ 94,172
Accrued liabilities	150,524	115,212
Other current liabilities	8,107	9,940
Total current liabilities	262,194	219,324
Long-term liabilities:		
Long-term debt	800,000	900,000
Deferred tax liability	205,509	170,226
Other non-current liabilities	60,931	63,941
Total long-term liabilities	1,066,440	1,134,167
Total shareholders' equity	1,084,727	992,335
Total liabilities and shareholders' equity	\$ 2,413,361	\$ 2,345,826

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Condensed Consolidated Statements of Cash Flows

(in thousands, unaudited)

	Three Months Ended March 31,	
	2014	2013
Operating Activities:		
Net income	\$ 74,969	\$ 20,094
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	49,164	61,347
Deferred income taxes	30,267	20,915
Unsuccessful well costs	(245	) 9,753
Change in fair value of derivatives	(810	) 534
Cash settlements on derivatives	(1,555	) (4,850
Equity-based compensation	17,900	18,938
Gain on sale of assets	(23,769) —
Loss on extinguishment of debt	2,898	—
Other	(4,220	) 1,396

Changes in assets and liabilities:		
Net changes in working capital	(31,013	) (61,258
Net cash provided by operating activities	113,586	66,869
Investing activities:		
Oil and gas assets	(96,486	) (83,491
Other property	(428	) (814
Proceeds on sale of assets	34,581	—
Restricted cash	(2,410	) 886
Net cash used in investing activities	(64,743	) (83,419
Financing activities:		
Payments on long-term debt	(100,000) —
Purchase of treasury stock	(71	) (82
Deferred financing costs	(18,852	) (1,243
Net cash used in financing activities	(118,923	) (1,325
Net decrease in cash and cash equivalents	(70,080	) (17,875
Cash and cash equivalents at beginning of period	598,108	515,164
Cash and cash equivalents at end of period	\$ 528,028	\$ 497,289

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Oil Revenue Summary

	Three Months Ended March 31,	
	2014	2013
Net Oil Volume Sold (millions of barrels)	1.937	1.991
Realized Oil Price (per barrel)	\$109.87	\$114.54
Oil Revenue (thousands)	\$212,853	\$228,066

Underlifted by approximately 481,500 barrels as of March 31, 2014

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Hedging Summary

	2014	2015	2016
Remaining 2014 Hedging Position (millions of barrels)	4.5	5.2	1.0

Through April 30, 2014



Source: Kosmos Energy Ltd.

Kosmos Energy Ltd.

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