



## Kosmos Energy Announces Second Quarter 2014 Results

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DALLAS--(BUSINESS WIRE)--Aug. 4, 2014-- Kosmos Energy Ltd. ("Kosmos") (NYSE: KOS) announced today financial and operating results for the second quarter of 2014, which included net income of \$57 million, or \$0.15 per basic and diluted share as compared with a net loss of \$71 million, or \$0.19 per basic and diluted share in the same quarter last year. As previously disclosed, the current quarter's results include a non-cash mark-to-market charge related to the company's commodity derivatives and an internal restructuring charge.

Andrew G. Inglis, chairman and chief executive officer, said: "Second quarter results were underpinned by strong revenue and production from the Jubilee field. As a self-funded exploration company, our Ghana asset delivers multi-year growth in production, reserves and cash flow. This provides the financial foundation for our multi-well exploration campaign which continues to build momentum as we prepare to drill the Gargaa prospect beginning late in the fourth quarter."

### Operational Update

Gross production from the Jubilee field averaged approximately 104,000 barrels of oil per day (bopd) in the second quarter of 2014, an increase from 102,000 bopd in the first quarter of the year. The Jubilee field partners and the Government of Ghana are working together with various stakeholders to advance the export infrastructure needed to alleviate gas-related constraints currently limiting the field's oil production.

Kosmos continues to mature a number of promising opportunities in its portfolio through additional seismic acquisition and interpretation. A 4,300 square kilometer 3D seismic program in the Tarhazoute Offshore and Essaouira Offshore blocks in Morocco was completed in early July, and a 5,100 square kilometer 3D seismic survey currently underway in the Cap Boujdour Offshore block is expected to be completed in the third quarter.

Based on encouraging results from ongoing seismic interpretation, the company's exploration program in Mauritania is being accelerated with a farm-out initiative scheduled for later this year ahead of an initial exploration well targeted in 2015.

The *Atwood Achiever* drillship is scheduled for delivery in late August to begin mobilizing to northwest Africa in advance of the company's next exploration well which is expected to spud in late 2014.

### Financial Review

Second quarter results benefited from increased oil revenues partially offset by a previously announced non-cash mark-to-market charge of \$22 million related to crude oil price risk management and a \$12 million charge for restructuring costs. Oil revenues were \$328 million versus \$193 million in the same quarter of last year. The increase in revenue resulted from having an additional crude oil lifting from the Jubilee field during the quarter. This compared to two liftings in the second quarter of 2013. Realized oil price was \$112.58 per barrel in the quarter compared with \$99.51 per barrel in the second quarter of 2013.

Production expense for the current quarter was \$23 million or an average cost of \$7.87 per barrel versus \$11.67 per barrel in the second quarter of last year, which included certain well workover and rig maintenance costs.

Exploration expenses in the second quarter of 2014 totaled \$24 million compared with \$95 million in the prior year quarter. Included in the quarter were costs associated with two large 3D seismic surveys and the FA-1 exploration well in Morocco. Depletion and depreciation expense was \$70 million or \$23.85 per barrel versus \$30.13 per barrel in the second quarter of 2013, the improvement related to the Jubilee reserves addition at the end of last year.

General and administrative expenses decreased in the current quarter to \$32 million versus \$42 million in the second quarter of 2013 and income tax expense for the second quarter of 2014 was \$81 million; the increase over the previous year quarter largely related to higher revenues.

In August 2014, the Company issued \$300 million of 7.875% Senior Notes due 2021 and received net proceeds of \$292.5 million after deducting discounts, commissions and other expenses. We have approximately \$1.9 billion of liquidity available pro forma for the issuance. The company's hedging position at the end of the second quarter totaled 10.2 million barrels.

### Conference Call and Webcast Information

Kosmos will host a conference call and webcast to discuss second 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](http://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 [2013 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](http://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,	
	2014	2013	2014	2013
<b>Revenues and other income:</b>				
Oil and gas revenue	\$ 328,297	\$ 193,413	\$ 541,150	\$ 421,479
Gain on sale of assets	—	—	23,769	—
Interest income	196	44	254	114
Other income	869	321	1,308	575
Total revenues and other income	329,362	193,778	566,481	422,168
<b>Costs and expenses:</b>				
Oil and gas production	22,946	22,674	39,269	47,075
Exploration expenses	23,509	94,522	36,318	118,777
General and administrative	32,480	41,639	59,893	80,710
Depletion and depreciation	69,546	58,562	115,924	117,211
Amortization - deferred financing costs	2,559	2,785	5,345	5,483
Interest expense	7,635	10,017	11,146	19,008
Derivatives, net	21,566	(12,707 )	19,538	(7,199 )
Restructuring charges	11,804	—	11,804	—
Loss on extinguishment of debt	—	—	2,898	—
Other expenses, net	26	849	1,303	1,481
Total costs and expenses	192,071	218,341	303,438	382,546
Income (loss) before income taxes	137,291	(24,563 )	263,043	39,622
Income tax expense	80,784	46,253	131,567	90,344
Net income (loss)	\$ 56,507	\$ (70,816 )	\$ 131,476	\$ (50,722 )
<b>Net income (loss) per share:</b>				
Basic	\$ 0.15	\$ (0.19 )	\$ 0.34	\$ (0.13 )
Diluted	\$ 0.15	\$ (0.19 )	\$ 0.34	\$ (0.13 )
<b>Weighted average number of shares used to compute net income (loss) per share:</b>				
Basic	378,820	376,563	378,327	375,927
Diluted	381,818	376,563	381,157	375,927

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

	<b>June 30, 2014</b>	<b>December 31, 2013</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 621,631	\$ 598,108
Receivables	156,957	21,326
Other current assets	126,961	115,527
Total current assets	905,549	734,961
Property and equipment, net	1,564,404	1,522,962
Other non-current assets	108,103	87,903
<b>Total assets</b>	<b>\$ 2,578,056</b>	<b>\$ 2,345,826</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 88,728	\$ 94,172
Accrued liabilities	216,830	115,212
Other current liabilities	21,380	9,940
Total current liabilities	326,938	219,324
Long-term liabilities:		
Long-term debt	800,000	900,000
Deferred tax liability	224,767	170,226
Other non-current liabilities	73,393	63,941
Total long-term liabilities	1,098,160	1,134,167
Total shareholders' equity	1,152,958	992,335
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,578,056</b>	<b>\$ 2,345,826</b>

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

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Operating activities:</b>				
Net income (loss)	\$ 56,507	\$ (70,816 )	\$ 131,476	\$ (50,722 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depletion, depreciation and amortization	72,105	61,347	121,269	122,694
Deferred income taxes	25,550	31,731	55,817	52,646
Unsuccessful well costs	3,060	75,915	2,815	85,668
Change in fair value of derivatives	23,111	(3,836 )	22,301	(3,302 )
Cash settlements on derivatives	45	(10,294 )	(1,510 )	(15,144 )
Equity-based compensation	22,998	18,062	40,898	37,000
Gain on sale of assets	—	—	(23,769 )	—
Loss on extinguishment of debt	—	—	2,898	—
Other	88	1,431	(4,132 )	2,827
Changes in assets and liabilities:				

Net changes in working capital	(30,989 )	106,461	(62,002 )	45,203
Net cash provided by operating activities	172,475	210,001	286,061	276,870
<b>Investing activities:</b>				
Oil and gas assets	(89,977 )	(83,090 )	(186,463 )	(166,581 )
Other property	(486 )	(2,464 )	(914 )	(3,278 )
Proceeds from sale of assets	23,734	—	58,315	—
Restricted cash	583	1,079	(1,827 )	1,965
Net cash used in investing activities	(66,146 )	(84,475 )	(130,889 )	(167,894 )
<b>Financing activities:</b>				
Payments on long-term debt	—	(100,000)	(100,000)	(100,000)
Purchase of treasury stock	(10,869 )	(12,959 )	(10,940 )	(13,041 )
Deferred financing costs	(1,857 )	(982 )	(20,709 )	(2,225 )
Net cash used in financing activities	(12,726 )	(113,941)	(131,649)	(115,266)
Net increase (decrease) in cash and cash equivalents	93,603	11,585	23,523	(6,290 )
Cash and cash equivalents at beginning of period	528,028	497,289	598,108	515,164
Cash and cash equivalents at end of period	\$ 621,631	\$ 508,874	\$ 621,631	\$ 508,874

## Kosmos Energy Ltd.

### EBITDAX

(In thousands, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,
	2014	2013	2014	2013	2014
Net income (loss)	\$ 56,507	\$ (70,816 )	\$ 131,476	\$ (50,722 )	\$ 91,154
Exploration expenses	23,509	94,522	36,318	118,777	147,855
Depletion, depreciation and amortization	72,105	61,347	121,269	122,694	232,173
Equity-based compensation	18,043	18,062	35,943	37,000	67,969
Unrealized (gain) loss on commodity derivatives	22,096	(11,335 )	23,601	(5,246 )	40,625
Gain on sale of assets	—	—	(23,769 )	—	(23,769 )
Interest expense, net	7,439	9,973	10,892	18,894	28,534
Income tax expense	80,784	46,253	131,567	90,344	208,221
Loss on extinguishment of debt	—	—	2,898	—	2,898
Restructuring charges	11,804	—	11,804	—	11,804
EBITDAX	\$ 292,287	\$ 148,006	\$ 481,999	\$ 331,741	\$ 807,464

We define EBITDAX as net income (loss) plus (i) exploration expense, (ii) depletion, depreciation and amortization expense, (iii) equity-based compensation expense, (iv) unrealized (gain) loss on commodity derivatives, (v) (gain) loss on sale of oil and gas properties, (vi) interest (income) expense, (vii) income taxes, (viii) loss on extinguishment of debt, (ix) doubtful accounts expense and (x) similar other material items which management believes affect the comparability of operating results.

The EBITDAX data for the twelve months ended June 30, 2014 was calculated by subtracting the unaudited data for the six months ended June 30, 2013 from the unaudited data for the year ended December 31, 2013, and adding the unaudited data for the six months ended June 30, 2014.

### Oil Revenue Summary

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013

Net Oil Volume Sold (millions of barrels)	2.916	1.944	4.853	3.935
Realized Oil Price (per barrel)	\$ 112.58	\$ 99.51	\$ 111.50	\$ 107.11
Oil Revenue (thousands)	\$ 328,297	\$ 193,413	\$ 541,150	\$ 421,479

Overlifted by approximately 263,000 barrels as of June 30, 2014

### Hedging Summary

As of June 30, 2014

	2014	2015	2016	Total
Hedging Position (millions of barrels)	3.0	5.2	2.0	10.2



Source: Kosmos Energy Ltd.

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