



# BOLD MOVES

ENERGY FORWARD »

**KOSMOS**  
ENERGY

2012 Annual Review



*FPSO Kwame Nkrumah, currently producing oil at the Jubilee Field offshore Ghana.*

## **CORPORATE RESPONSIBILITY**

Corporate responsibility is an integral part of our mission to create lasting value for all of our stakeholders. Strong, collaborative and supporting relationships with governments, communities, civil society organizations and business partners in the areas of our operations underpin our success.

Our recently adopted Business Principles represent our commitments on ethical conduct, our workplaces, the environment, social issues and commercial relationships. We will continue the development and implementation of our global corporate responsibility framework guided by these Principles and with the oversight of our Board of Directors.

We anticipate publishing our first Corporate Responsibility Report in 2013 and invite you to learn more at [www.kosmosenergy.com](http://www.kosmosenergy.com).



# BOLD MOVES

## OUR COMPANY TO THE NEXT LEVEL OF SUCCESS »

### Fellow Shareholders,

At Kosmos Energy, we are successfully executing a bold strategy involving the discovery and development of frontier and emerging petroleum systems. This has positioned us for substantial value creation going forward, and our outlook for growth is strong. I am proud of the course we have charted thus far and the direction we plan to go in the future.

Our strategy – proven by the discovery of the giant Jubilee Field which opened the Tano Basin offshore Ghana – is evolving to maintain competitive advantage over companies seeking to replicate our success. We believe this evolution will continue to create the opportunity for transformational organic growth in an increasingly challenging upstream E&P environment. We are leveraging our strategic insights and contrarian thoughts, enhancing our technical capability and expanding our business knowledge to differentiate ourselves and identify new growth options for the company through ‘first mover’ initiatives.

This strategy is expanding our technical playing field and our business horizon, and thereby shifting us from being a West Africa explorer to an Atlantic Margin player. It is taking us into new geographies to pursue different exploration themes in support of building a portfolio which exposes Kosmos to multiple high-impact drilling opportunities over the next several years. Our continued success is driven by a clear, focused strategy, executed with deliberation, discipline and diligence, by best-in-class people and processes.

### 2013 ESTIMATED CAPITAL PROGRAM \$525 MILLION



● Development  
● Exploration and Appraisal



● Ghana  
● Morocco  
● Mauritania  
● Cameroon  
● Suriname  
● New Ventures and Other

## BOLD MOVES LEADERSHIP »

Kosmos' initial success resulted from a single technical theme and geography in West Africa. We're staying ahead of the competition by again looking for petroleum systems where others haven't – developing multiple new geologic themes in existing and new geographies.



### EXPLORATION

“Our exploration focus is to pursue growth by making sizable hydrocarbon discoveries that unlock new petroleum systems. We take a contrarian approach, focusing on high-impact frontier and emerging basins that others have overlooked or abandoned. Our deepwater positions offshore Morocco, Mauritania and Suriname provide Kosmos with multiple play types and significant follow-on potential after initial discovery.”

Keith Puckett, Geologist, Exploration

## Shareholders continued

### Past Success Funds Future Growth

Operationally and financially, we ended 2012 in our best position ever. Achieving plateau production at Jubilee has delivered increased crude oil sales, which coupled with strong global oil markets and our enhanced debt capacity, has strengthened our balance sheet. We are now positioned to internally fund our future developments in Ghana and our exploration programs elsewhere, as well as to capitalize on new investment opportunities as they arise.

Looking ahead, the pathway to early and meaningful future growth is well defined. Our Ghana development asset is a substantial net cash generator for the medium to long-term, with a clear line of sight on additional reserves and production increases. Beyond Ghana, in executing our exploration strategy, our captured acreage has been dramatically increased since IPO, and new opportunities are currently being evaluated to optimize our portfolio. We are planning to commence a multi-year exploration drilling campaign to open potential new petroleum systems in the near future.

### Maximizing the Value of Our Discoveries

A key part of ensuring sustainable, long-term success at Kosmos is progressively maximizing the value of our discoveries offshore Ghana. The Jubilee Field has now been producing for over two years. The reservoirs and the drainage plan are both performing exceptionally well, demonstrating the world-class nature of this outstanding oil discovery and development project.

During 2012, we successfully resolved the well productivity issues that impacted the first phase of development through effective acid treatments and did so at much lower costs than originally planned. We restored productivity of the treated wells to their initial level of deliverability, and in some cases, achieved even higher production rates.

Also during 2012, we began implementing the Jubilee Phase 1A development program, applying the initial learnings to establish new well deliverability levels and substantially increase well production capacity. With our successful production enhancement program, in addition to the new deliverability from Phase 1A, we exited 2012 with production at the highest level in the field's history. Our goals for Jubilee in 2013 include

maintaining this high level of current production, as well as testing the upside facility limits to enhance our base production even further.

### Additional Developments Move Forward

In our other development and appraisal programs offshore Ghana, we have materially progressed the Tweneboa, Enyenra and Ntomme (TEN) discoveries. This included extending the Enyenra oil field and identifying a new oil pool down-dip at Ntomme in 2012. TEN represents our second major project development and the next tranche of production and cash flow growth for Kosmos.

At the same time, we are finalizing appraisal activities for our other discoveries at Mahogany, Teak and Akasa. The delineation of these fields has enabled us to define the most optimal development for their resources, which will likely be a tie-back to Jubilee.

These development projects, along with our ongoing Jubilee production, continue to highlight the substantial value of our assets and our significant growth profile. Clearly, our Ghana position is the result of outstanding exploration vision and leadership combined with a strong development and production focus.

### Maturing Exploration Assets to the Drilling Stage

The prevailing competitive environment for high-quality exploration opportunities is intense. While we endeavor to try to think ahead of the rest of the industry and build our asset inventory through new venture efforts, we are also maturing leads and prospects to the drilling stage. This includes executing new seismic programs and integrating the interpretation of this data into our petroleum system analysis to properly perceive the potential reward and exploration risk. In addition, we are also focused on attracting strategic license partners to mitigate risks and manage costs.

In the first half of 2013, we are drilling the Liwenyi Prospect in our Ndiyan River Block in Cameroon, with the Sipo-1 exploration well. We have also made considerable progress offshore Morocco and are moving forward quickly with plans to commence a multi-well program there in the near future. Throughout 2012, we expanded our offshore Morocco position by acquiring additional interest in both the Essaouira and Foum Assaka Blocks. These blocks are located in the Agadir Basin, an area



### DEVELOPMENT AND PRODUCTION

“Once we discover a new petroleum system, we are focused on maximizing its value through development and production. Our development focus is on obtaining early dynamic reservoir information to assist with full-field development. This proved highly beneficial at Jubilee where we are now experiencing record production levels and cash flows. We are taking a similar approach on the TEN project, our second major project offshore Ghana.”

*Ekang Henshaw, Geologist, Development*



### KOSMOS IN THE COMMUNITY

“Our track record of success in exploration and production is just one of the positive impacts Kosmos Energy is making. We are also building a meaningful and enduring legacy above the ground, where we are committed to being a responsible and caring corporate citizen. This includes implementing key stakeholder engagement practices and corporate responsibility programs in all areas of our operation, regardless of the stage of our exploration activities.”

*Reg Manhas, Vice President, External Affairs*

**Our strategy is evolving to maintain competitive advantage over companies seeking to replicate our success. It is taking us into new geographies to pursue different exploration themes in support of building a portfolio which exposes Kosmos to multiple high-impact drilling opportunities over the next several years. Our continued success is driven by a clear, focused strategy, executed with deliberation, discipline and diligence, by best-in-class people and processes.**

that is attracting significant industry attention. Seismic processing and interpretation continues on these blocks, and we are very excited about the hydrocarbon potential. We are continuing to prepare prospects for drilling on the Cap Boudjour Block as well.

We further expanded our leading acreage position in northwest Africa during 2012 by capturing three new licenses offshore Mauritania. This involves a petroleum system concept that is geologically similar to our discoveries in the Tano Basin offshore Ghana. For Kosmos, this venture in Mauritania represents an opportunity to leverage our exploration understanding to potentially deliver the industry’s first commercial success involving this proven concept since the discovery of Jubilee in 2007. We are planning to commence new seismic acquisition, including both 2D and 3D surveys offshore Mauritania in 2013.

Across the Atlantic in Suriname, we were very encouraged with the timely completion of our 3D seismic survey in deepwater Blocks 42 and 45 in 2012. We were also pleased to execute an agreement with Chevron to join our efforts. This agreement combines Kosmos’ successful exploration leadership with Chevron’s proven drilling and development capabilities. During 2013, we will focus our efforts in Suriname on maturing prospects for drilling.

By identifying, accessing and maturing an exploration portfolio to the drilling stage, we expect to have the risked value exposure and sufficient “shots on goal” to deliver high-impact success. Through these positions, coupled with attracting strategic partners and minimizing discovery cycle time, I am confident that we will maintain our track record of creating substantial shareholder value through exploration discovery and field development.

### Leadership Above and Below the Ground

Another differentiator, and a pillar of our corporate strategy, is our enhanced focus on leading the industry “above the ground.” As part of this effort, we have adopted and are implementing sophisticated and integrated business practices that support our commitment to government and industry partnership, as well as corporate responsibility. We are committed to the people and places where we operate by working with our host countries and local communities, operating in a safe and efficient manner and protecting the environment in all that we do. This is core to Kosmos’ approach to creating, maximizing and sustaining real value.

Late last year, we were honored to welcome Sir Richard Dearlove and Lars Thunell to our Board of Directors. Distinguished by their talents and skills, these two gentlemen reflect the quality of our Board and our focus on governance, as well as Kosmos’ expanding capacity as an organization.

I am greatly encouraged by the Board’s unwavering support as well as the exceptional dedication of our employees. All of us are wholly committed to the success and future of Kosmos. I am more confident than ever in our ability to deliver industry-leading success and create significant value for our shareholders. With this in mind, I would like to sincerely thank our shareholders, Board and employees for their support of Kosmos Energy.



Brian F. Maxted  
Chief Executive Officer

## Business Area Highlights



### SURINAME



Kosmos completed a significant 3D seismic survey offshore Suriname in 2012 and executed an agreement with Chevron to join Kosmos' exploration efforts on this deepwater position.

### CAMEROON

Following extensive seismic interpretation, environmental planning and stakeholder engagement, Kosmos is pursuing substantial hydrocarbon potential with its first operated well onshore Cameroon in the proven Rio del Rey petroleum system in 2013.

### MAURITANIA

**6.6 Million**  
Gross acre expansion

Kosmos expanded its leading exploration position in Northwest Africa in 2012, capturing three new deepwater blocks totaling 6.6 million gross acres offshore Mauritania. Acquisition of 2D and 3D seismic data in this proven petroleum system is planned for 2013.

### GHANA

**110,000 Bpd**

Jubilee Field exited 2012 at a record gross production level

**>55 MMBbl**

Cumulative Jubilee Field gross oil production from startup in late 2010 through the end of 2012

### MOROCCO



More than 9,000 square kilometers of 3D seismic data is being processed and interpreted to identify exploration play types and prospects for drilling. In 2012, Kosmos expanded its position in the Agadir Basin by acquiring additional interest in the Essaouira and Fom Assaka Blocks.

The Company estimates 2013 average daily production to be approximately 50 percent higher than the 2012 average.

Year-end 2013 field production is planned to be over 120,000 barrels of oil per day.

## Financial and Operating Data

Year ended	2012	2011
(in thousands, except volume data)		
Revenues and other income	\$ 672,209	\$ 676,780
Income tax expense	\$ 101,184	\$ 76,686
Net loss attributable to common shareholders/unit holders	\$ (67,028)	\$ (2,085)
Net cash provided by operating activities	\$ 371,530	\$ 364,909
Capital investments	\$ 426,894	\$ 637,368
Total assets	\$ 2,366,123	\$ 2,551,934
Total long-term debt	\$ 1,000,000	\$ 1,110,000
Total shareholders' equity	\$ 1,028,906	\$ 1,020,726
Production (thousand barrels of oil per day)	16.6	14.8
Sales volumes (million barrels)	5.9	6.0
Total proved reserves (million barrels of oil equivalent)	43	51
Crude oil (million barrels)	42	47
Natural gas (billion cubic feet)	9	24

#### BOARD OF DIRECTORS

##### **John R. Kemp III**

Chairman of the Board  
Nominating and Corporate  
Governance Committee

##### **Brian F. Maxted**

Chief Executive Officer  
Health, Safety, Environmental  
and Security Committee

##### **Sir Richard B. Dearlove**

Audit Committee

##### **David I. Foley**

Strategy and Business  
Implementation Committee

##### **David B. Krieger**

Strategy and Business  
Implementation Committee

##### **Joseph P. Landy**

Compensation Committee  
Nominating and Corporate  
Governance Committee

##### **Prakash A. Melwani**

Compensation Committee\*  
Nominating and Corporate  
Governance Committee

##### **Adebayo O. Ogunlesi**

Nominating and Corporate  
Governance Committee\*  
Audit Committee  
Compensation Committee

##### **Lars H. Thunell**

Audit Committee  
Health, Safety, Environmental  
and Security Committee

##### **Chris Tong**

Audit Committee\*  
Health, Safety, Environmental  
and Security Committee  
Strategy and Business  
Implementation Committee

##### **Christopher A. Wright**

Health, Safety, Environmental  
and Security Committee\*  
Strategy and Business  
Implementation Committee\*

\*Committee Chairman

#### SENIOR LEADERSHIP

##### **Brian F. Maxted**

Chief Executive Officer

##### **W. Greg Dunlevy**

Executive Vice President  
and Chief Financial Officer

##### **Darrell L. McKenna**

Chief Operating Officer

##### **Paul Dailly**

Senior Vice President  
and Chief Geoscientist

##### **Jason E. Doughty**

Senior Vice President,  
General Counsel

##### **Marvin M. Garrett**

Senior Vice President,  
Operations and  
Development

##### **Tyner M. Gaston**

Senior Vice President,  
Global Human Resources

##### **Eric J. Haas**

Senior Vice President,  
Production and Technical  
Services

##### **William S. Hayes**

Senior Vice President,  
Legal and External Affairs

##### **Paul M. Nobel**

Senior Vice President and  
Chief Accounting Officer

#### CORPORATE OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

#### DALLAS OFFICE

Kosmos Energy Ltd.  
c/o Kosmos Energy LLC  
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Suite 500  
Dallas, TX 75231

#### WEBSITE

[www.kosmosenergy.com](http://www.kosmosenergy.com)

#### STOCK EXCHANGE LISTING

New York Stock Exchange  
Symbol: KOS



#### ANNUAL MEETING

June 5, 2013  
8 AM A.S.T.  
Rosewood Tucker's Point  
60 Tucker's Point Drive  
Hamilton Parish  
HS 02, Bermuda

#### FORM 10-K

Copies of the Corporation's  
10-K are available  
on our website at:  
[www.kosmosenergy.com](http://www.kosmosenergy.com)

#### AUDITORS

Ernst & Young LLP  
Dallas, TX

#### SHAREHOLDER SERVICES

Computershare  
250 Royall St.  
Canton, MA 02021  
1-800-962-4284  
International: 1-781-575-3120

#### INVESTOR RELATIONS

Additional corporate  
information is available  
on our website at:  
[www.kosmosenergy.com](http://www.kosmosenergy.com)  
or by contacting:  
Investor Relations  
214-445-9680  
[investor.relations@kosmosenergy.com](mailto:investor.relations@kosmosenergy.com)

#### FORWARD-LOOKING STATEMENTS

This Annual Review contains forward-looking statements that the Company expects, believes, or anticipates will or may occur in the future. The Company's estimates or forward-looking statements are mainly based on its current expectations and estimates of future events and trends, which affect or may affect its business and operations. Although the Company 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 the Company. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, 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 with the 10-K and the Company's other filings with the Securities and Exchange Commission.



[www.kosmosenergy.com](http://www.kosmosenergy.com)