

Operator

Good day, everyone. Welcome to Kosmos Energy's Third Quarter 2015 Conference Call. Just a reminder, today's call is being recorded. At this time, let me turn the call over to Neal Shah, Vice President of Finance and Treasurer at Kosmos Energy.

Neal Shah

Thank you, operator, and thanks to all of you for joining us today. This morning, we issued our third quarter earnings release, which is available on the Investors page of the kosmosenergy.com Web site. We anticipate filing our 10-Q with the SEC later today which will also be available on our Web site.

Joining me on the call today are Andy Inglis, Chairman and Chief Executive Officer and Tom Chambers, Chief Financial Officer. Following our prepared comments, we will have a question-and-answer session. Consistent with prior calls, I request that you ask only ask one primary question and one follow-up question. This will ensure we get to everyone on the call. If there are questions we aren't able to get to within our 45 minute timeframe, please contact me later today.

Before we get started, I'd like to mention that this conference call includes certain forward-looking statements based on our current expectations. The risks associated with forward-looking statements have been outlined in the earnings release and in our SEC filings. We may also refer to certain non-GAAP financial measures in our discussion. Management believes such measures are important in looking at the Company's historical and future performance, and these are commonly referred to industry metrics. These measures are provided in addition to, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP and included in our SEC filings.

At this time, I'll turn the call over to Andy.

Andy Inglis

Thanks, Neal, and good morning everyone. Through the quarter we maintained our disciplined approach to executing our strategy and are well positioned both financially with a strong and motivated organization to continue to execute our plans to create value for shareholders. As I go through my remarks today, there are three points I want to emphasize. First, we have a consistent, proven business model that has been executed with discipline over the last decade and is designed to create shareholder value in a low commodity price environment.

Second, we have a world class production and development asset in Ghana with a strong cash margin even with today's oil price. We expect to double gross production within 15 months which will continue to grow our cash flow. Third, we believe we have one of the best exploration portfolios in the industry and they are focused on maturing our existing portfolio and adding strategic new ventures. In addition to the Mauritania and Senegal basin which we opened earlier this year, we have continued to high grade the portfolio with additional high quality basin opening opportunities.

Our first point of differentiation is our consistent, proven business strategy. While the oil and gas industry is facing challenging times today with many companies refocusing strategy and reducing spend, Kosmos remains focused on executing the same disciplined strategy with its creative success since the Company was founded over a decade ago. We can do that because our business was designed to compete and most importantly to create value in a lower commodity price environment. It is only when commodity prices drop that you see which companies have been managed for the long-term.

As a result our differentiated strategy, assets and balance sheet are distinguished from our peers. Over the last few years, we prudently build a strong balance sheet with \$1.9 billion of liquidity ahead of exploration success. Most importantly, we understood that if we were to have the kind of success we anticipated, we needed a balance sheet that would allow us to execute our plans. Since Jubilee started producing in late 2010, we have consistently used the high margin cash flow to reduce debt and build liquidity. Within the last 18 months we have accessed the bond market and extended the majority of our debt facilities adding additional liquidity and diversifying our sources of capital.

Last month, we completed our semi-annual redetermination of our reserve based lending facility, which resulted in no change to our borrowing base, and is a testament of the quality of our assets. In 2015, we maintained that discipline and financial prudence. Through the year we've grown our net commodity and hedge position to secure our future cash flow and exited the quarter with \$11.6 million barrels hedged with a mark-to-market value of \$228 million. Given our growing activity set in Mauritania and Senegal, we recently renegotiated our drillship contract by reducing our day rate and extending the term. These proactive steps will enhance our liquidity, reduce costs, and enable us to continue executing our exploration program.

We continue to believe that deepwater exploration provides a competitive source of hydrocarbon supply. What the market demonstrates that over the past year is that to move projects forward, you can't just find resource, quality counts, that is why our strategy has consistently targeted large resources with good fiscal terms at the low end of the cost curve. That has

been our focus since Kosmos was created and we are continually high grading our portfolio to invest in assets that deliver value in a lower price environment.

I'll now shift to our Ghana operations where we remain on track to deliver over 2,000 barrels of oil per day growth in the next 15 months with high quality cash flow. As you are all aware early in July a gas compressor on the Jubilee FPSO experienced unplanned downtime resulting in reduced oil production and a temporary limit in our ability to export gas. In early August we fixed the issues and have since returned to normal operations with oil production near the FPSO plateau. Excluding the compressor downtime our oil sales volume averaged approximately 108,000 barrels of oil per day and gas exports averaged over 85 million cubic feet per day.

Industry experience has shown and has proven the mantra that big fields get bigger and the data we are receiving for Jubilee suggests it's no exception. We'll continue on the full field development plan for Greater Jubilee, which we expect to submit by year-end. The plan is expected to include all future plays of Jubilee, which will target infill drilling in reservoirs currently in production, incremental reservoirs in Jubilee that are currently not producing, and the tie back of the Mahogany and Teak discoveries into the Jubilee FPSO. Once the plan has approved the partnership we will have more opportunity to grow the value of the asset. Moreover through time Kosmos will be able to book reserves associated with those additional resources.

The TEN project is now approximately 75% complete and remains on time and on budget to deliver first oil in the third quarter of 2016. The full development well is expected to commence completion operation shortly, and the FPSO construction is proceeding well. We are expected to sail from Singapore in early 2016, at a very high level of completion. Combined with Jubilee production the TEN development is expected to push Ghana production to more than 200,000 barrels of oil per day within the next 15 months. With growing production and reducing capital, we expect Ghana will deliver significant free cash flow in 2017 and beyond.

I'll now shift from our Ghana assets to provide an update on our portfolio basin opening opportunities. In terms of exploration our portfolio has never been stronger in the history of the Company, and there has never been a better time in recent years to add new opportunities. In Mauritania and Senegal, we have a true super major scale positioned at approximately 40,000 square kilometers that we opened with our initial Tortue success last quarter. That is equal to approximately 1,700 Gulf of Mexico blocks, which is greater than 10 times the size of our initial Ghana acreage and we own 60%

of it. We continue to believe the basin has significant oil and gas potential and we will test the prospectivity through a targeted program.

I'll remind you that we have two clear objectives for the basin. First, we plan to commercialize our Tortue discovery with an efficient appraisal plan and second we plan to unlock the rest of the basin targeting the liquids potential. Given the result of the Tortue-1 well, which demonstrate the close calibration of our seismic have found excellent reservoir. Our goal remains to confirm 16 plus Tcf of resource with minimum capital through an efficient appraisal program. This should demonstrate that we de-risked adequate resource to underpin a world class LNG projects. Later in the fourth quarter, we anticipate spudding the first appraisable well in Tortue called Grumble which will task the continuity of the reservoir to Senegal. This will likely be followed by two other delineation wells. We expect this program should be complete by the third quarter of next year.

Our second objective is to unlock the full potential of the basin, which will be done through select wells targeting a number of different structural trends. Our first test is already underway the Marsouin exploration well was spud on August of 28th and results are expected later this quarter. In addition to Marsouin we anticipate drilling three other wells which will specifically target liquids, one in Northern Mauritania and two in Southern Senegal where we believe the same source rocks at the Tortue reservoir are very shallow and that will potentially more liquids prone. In all, the next 18 months we plan to have a seventh high quality high impact exploration appraisal catalyst that will help us gain a better understanding of the basin, and its resource potential.

Beyond Mauritania and Senegal we're strategically managing our portfolio to open the next basin. We continue to mature and high-grade our portfolios to create the best possible set of basin opening opportunities. As part of our continuous high-grading process, we recently decided to exit Ireland which offered good fiscal terms but where the geologic risk is now justifying drilling. At the same time as we're rationalizing our portfolio, we're also taking the advantage of the current environment and are leveraging the learnings from our recent success in the Cretaceous and the Atlantic Margin to add quality assets. The industry downturn provides easier access and lower costs allowing Kosmos to enter new plays that were not historically available to us at competitive terms. This counted physical approach is a fundamental component of our business strategy and puts Kosmos in an excellent position to continue to grow.

Consistent with that strategy we're being selective and are pursuing opportunities that have good fiscal terms, low firm commitments and are competitive in today's price environment. We're exciting we reinterring the

Gulf of Guinea through our new acreage position in Sao Tome where we secured an entry position of scale with fiscal terms. Industry activity in Sao Tome, unlike Mauritania and Ghana have been limited to mainly sub-commercial discoveries in the inboard while the outboard remains mostly unexplored. Our acreage position is outboard of a proven petroleum system currently in production, to save OTM complex offshore neighboring Equatorial Guinea, a system first discovered by the same exploration team that founded Kosmos. This is an area we know well and are looking to grow our position in Sao Tome beyond this initial entry position.

And with that I'll now turn the call over to Tom to update you on the financials.

Tom Chambers

Thanks, Andy and good morning everybody. Financial performance for the third quarter was very strong. Kosmos exited the third quarter of 2015 with 1.9 billion of liquidity and 517 million of net debt, which was down slightly compared to the previous quarter. As Andy mentioned, during the quarter we completed our semi-annual borrowing base redetermination and we retained full access to the \$1.5 billion RBL facility. Our balance sheet and liquidity remained strong allowing us to continue to focus on executing our strategy. We finished the third quarter with two crude oil liftings generating oil revenues of \$97 million. This excludes derivative settlements of \$61 million over the quarter.

When you add our revenue to our settled hedges in the quarter it reflects a realized price of approximately \$85.09 per barrel. For the quarter, we generated net income of \$60 million or \$0.15 per diluted share, adjusting for the impact of one-time items that affect the comparability the Company generated adjusted net income of \$7 million or \$0.02 per diluted share for the third quarter of 2015.

On the cost side operating expense for the quarter was \$23 million or \$12.52 per barrel sold versus 15 million or \$10.46 per barrel sold in the third quarter of 2014. The increase in operating expense is primarily related to increased sales volumes, as well as non-routine maintenance on the FPSO, including expenses to repair the gas compressor. Exploration expense for the quarter was \$19 million reflecting ongoing seismic processing primarily in Senegal and Portugal.

General and administrative costs for the quarter were 27 million compared with \$41 million incurred during the second quarter of 2015. The sequential decrease was driven by lower equity-based compensation expense and lower cost during the quarter. Depreciation expense was \$36 million or \$19.46 per

barrel of oil sold versus \$25.61 per barrel sold in the third quarter of 2014. Income tax expense for the third quarter was \$62 million. This amount was impacted primarily by tax expense of \$50 million associated with the mark-to-market gain of our commodity hedges during the quarter, the majority of which was deferred.

During the quarter we spent \$197 million on CapEx bringing our year-to-date CapEx total to \$515 million which is net of previously announced Mauritania farm-out proceeds. For the full year our CapEx forecast remains at \$800 million and we're committed to managing to that budget. In terms of our production guidance for the year, we are raising our full year guidance to nine cargos compared to the previously issued guidance of eight based on strong production levels at Jubilee and timing of cargos. The size of the cargos can vary due to operational considerations, but for the remainder of the year we expect liftings to average 950,000 barrels.

Furthermore, we expect operating expense on a per barrel oil basis to be lower during the fourth quarter with a sequential decline to a level more in line with the second quarter, absent any additional non-routine maintenance. We exited the third quarter in a very strong financial position, despite the macroeconomic environment and as Andy said we continue to be good stewards of capital and focus on opportunities that add value to the Company. And with that operator, we'd like to open the call for questions.

Question-and-Answer Session

Operator

Certainly. Ladies and gentlemen, we will now be conducting a question-and-answer session. [Operator Instructions] As a reminder, in the interest of time and so that other participants have the opportunity to ask their questions during the conference as well, we ask that you please limit yourself to one question and one follow-up question during the Q&A. [Operator Instructions] And our first question comes from the line of Ed Westlake with Credit Suisse. Please go ahead with your questions.

Ed Westlake

So just on Ghana and I guess we're getting closer to FID on MTAP so just wondering if there is a breakeven again that you can share for the projects and still seems like costs are coming down. So maybe just run through how that project is becoming on its competitive, should be fairly competitive?

Andy Inglis

Yes we are getting closer to and just to remind you that the next phase of the development in Ghana of the Jubilee will include not only sort of Jubilee resource, but we'll also include Mahogany and Teak. The project is a good project, it's clearly leveraging off the existing infrastructure, the Jubilee FPSO. So as you sort of look around the world of projects that do compete in our low price environment, this is absolutely one that does that maybe primarily because of the quality of the resource but also because you got the primary investment in the FPSO was already there. So it is a solid project and is one that we believe is obviously very competitive.

Ed Westlake

But do you have a rough breakeven?

Andy Inglis

I am not going to give you the breakeven, but what I will say is that the breakeven is sort of not dissimilar to the breakeven of the initial project.

Ed Westlake

And then I love how you're going to go for less labor twice, but maybe give us a view of the potential resources if I mean I appreciate it's still very early but on the Sao Tome? Thanks.

Andy Inglis

Yes look Sao Tome is interesting it's absolutely at the fairway of what Kosmos does well. This is a basin that we believe has been underexplored, primarily the inboard it is an area that we know well from our seller experience in actual Guinea and we've been able to secure through a series of deals now an entry position that is 14,000 square kilometers what 600-700 Gulf of Mexico blocks. So it is a position that's got scale, the fundamental concepts are very similar to Mauritania we but that the quality of reservoir is outboard and the seismic that's available on public demand clearly gives us encouragement at various --there are good structure there. So look I think this is a great example of Kosmos continuing to execute its strategy, and it's all about getting big acreage positions, being always so you can secure good fiscal terms and then having the space and running room with low commitments to do the exploration right where we will start with a seismic program and if that proves up the concept, we'll then be able to move forward to a drilling program. So we're encouraged by it.

Operator

Thank you. And our next question comes from the line of David Gamboa with TPH Partners. Please proceed with your questions.

David Gamboa

So I have a one question please. So I appreciate that you guys have maintained sizeable through your strategy over the past years which have been quite successful for you guys. But now on the like of acting counter cyclically we've seen some of the projects and discoveries which are still in the appraisal or pre-FID space that are might be trading at a potentially cheaper or similar cost to which it would require finding new barrels from an exploration perspective. I am just interested in knowing if how you guys think about deploying capital into buying pre-FID barrels versus putting more capital into exploration with that or anything you would be interested in doing? Thanks.

Andy Inglis

Yes I think it is an interestingly timed I think fundamentally you have got to come back to the key question of ensuring of our capital and human resources are being deployed in the optimal way. I think we have a very good set of opportunities internally which we've accessed at very low cost to say term they wanted that we just talked about is an example of that so as you look at barrels that are pre-FID we have to be confident that in the capital sense they compete with what we have, so we are not ruling anything at the moment but to rule it in it has to be competitive from a capital allocation perspective.

And I think the second thing that we are very rigorous about is that it has to be something that we can add value to so that has to be a resource that you could grow where there is a resource base that has additional potential, so we are putting a very-very tight filter on it and I think that today's world is providing opportunities which weren't accessible before but ultimately we have to ensure that they compete with anything that we have internally I think you get a sense from my remarks that we've got a very full exploration portfolio things that are of high quality that we've accessed at very low cost and that we can explore efficiently so that's the comparison that we are using as we evaluate inorganic opportunities.

David Gamboa

And lastly just a follow-up on the Ireland decision pulling out of that country can you give us a bit more color upon why or what's the main thing that failed, what's the main issue there in terms of drilling there any cost figure that made you pull out of the country? Thanks.

Andy Inglis

Well David and again it's really unlike to the question that you just asked which is I believe that you get to a quality exploration outcome by creating quality through choice always having more things to do when you have the capital to do it. And I think Ireland was simply a process of high grading as we look through the opportunity set that we have the prospectivity that we developed versus other opportunities we had in the portfolio it didn't like and therefore we made the decision to withdraw.

Operator

And our next question comes from the line of John Herrlin with Société Générale. Please proceed with your questions. John Herrlin your line is live, please proceed with your questions. Please check if you are un-muted. Okay, well our next question comes from the line of Pavel Molchanov with Raymond James. Please proceed with your questions.

Pavel Molchanov

I appreciate a slightly more granular guidance on the timing for TEN startup do you have a sense at this point of what the kind of trajectory of production ramp will be looked like to get to the target capacity?

Andy Inglis

Look one of the basic sort of parameters that will impact that I think that we will have I mean I think current view is we will have 10 if not 11 of the wells completed so there will be a full well stock so and that well stock will be more than sufficient to sell the FPSO capacity. So I actually think that would really be dependent on the initial reliability of the facility and demonstrating a reliable up time in terms of in my due event today I believe the projects has been very well executed to-date. The FPSO is leaving Singapore at a very high level of completion and so one expects that the level of pre-commissioning that was taken place to be good so I anticipate that we will have a relatively sound build up to that plateau rate and our view is that certainly by the end of 2016 that will start in 2017 we should be able to deliver reliably at the plateau.

Pavel Molchanov

And then slightly broader question given that you operate in a pretty diverse set of countries have you had any discussions with any of the host governments to-date about potentially revising the fiscal terms in light of the commodity price environment to make them perhaps a little more lucrative or generous than they were originally?

Andy Inglis

Initially the only answer to develop capital is no and why and I actually believe that the countries that we are in we've negotiated in a very competitive terms from day 1. Therefore they didn't visit to the sort of world we're in today. So it is hard to go to those governments and actually sort of plead your case when you're already in a sort of relatively sound position. So we're not suffering and then not really as I've said in my remarks it has been a fundamental part of our strategy is to ensure that when we enter a country we're targeting full cycle breakevens in the \$30 to \$50 range. So if it doesn't work at that level at entry we don't go in, so perhaps there is no need to have that renegotiation. And second I'm a big believer that what comes around goes around and I think we're expecting that governments honor agreements and the reverse works for us. So now we have it and I think that the fundamental why we have it is because we've got terms that work in today's environment.

Operator

[Operator Instructions] Our next question comes from the line of John Herrlin, Société Générale. Please go ahead with your questions.

John Herrlin

With sands in the head can you give us a sense of what the contract terms are like vis-à-vis Ghana?

Andy Inglis

In Sao Tome?

John Herrlin

Yes.

Andy Inglis

Yes I would actually just without giving you the...

John Herrlin

Well I don't expect specifics, that is why I wanted a comment.

Andy Inglis

Those are very competitive John. As we look at it in terms of the quartile of that countries we are in Sao Tome would be up there and one that would absolutely sort of match the Ghana's fiscal terms.

John Herrlin

For the wells that you're drilling the seven catalysts that you mentioned, what's the average time to TD 70 days-80 days can you give...?

Andy Inglis

Yes and what we're saying John is that the average time to TD is 90 days. It will vary from well-to-well but the average is 90.

John Herrlin

And has Chevron come back to get it on Tortue?

Andy Inglis

No, and they are not required to. They have essentially 90 days from when will completed the Marsouin well, so we'd anticipate them coming back to us sort of the end of the first quarter.

Operator

Our next question comes from the line of Al Stanton with RBC. Please proceed with your questions.

Al Stanton

Just quickly on Marsouin, is there anything more that you can say about the weather in terms of being on schedule and on budget?

Andy Inglis

The well is on schedule and on budget. [Multiple Speakers], yes go ahead Al.

Al Stanton

You wouldn't say it's going to be concluded in November rather than Q4 or anything like that?

Andy Inglis

No, I think in the guidance we've given to the market which remains the guidance says it was spud on the 28th of August and it is a 90 day well. So you can figure out the timing on that.

Al Stanton

And then just finally then on in terms of being counter cyclical it's an opportunity and also a problem so people like ConocoPhillips were saying the other day that they didn't want to be in the deepwater. So does that create a bit of a dilemma for you in terms of looking for an operator for developing your fields you're looking to sell on or divest after the exploration phase or conversely does it create an opportunity in the event that you might seek to operate some of your future discoveries?

Andy Inglis

Well now I mean I think that sort of its one companies view and I think we need to be careful about what motivates that company to say that. I firmly believe the future growth of supply will come from both the unconventional in the U.S. the shale plays and it will come from deepwater. Deepwater occupies around 7% or 8% of the world supply today, and as you look at meeting the forecast demand, deepwater will continue to grow, but what's important and whether you're looking at unconventional or deepwater is that it is the best projects in both of those areas have more progressed, and that's exactly what we're seeing in the unconventional onshore today in the U.S., the best basins with the best rocks are actually going forward, and I think the same will be true in the deepwater where fields that have great reservoir will have scale, that have good fiscal terms will proceed. So I'm of a view that sort of nothing's changed actually, we're going on a big leap here and actually what's important is quality counts and nothing's ever to changed. So from that perspective when we look at the opportunities the Greater Tortue appraisal will create and we look at the super-majors and their need to grow. I think we have a very attractive project.

Operator

Our next question comes from the line of Petr Grishchenko with Imperial Capital. Please proceed with your questions.

Petr Grishchenko

Can you please quantify the amendment of the Atwood Achiever contract, and also remind us what the percentage of decline in their rate represents?

Andy Inglis

Yes, I think Petr I'll let Tom to just to chime in but well essentially what happened is that we added an additional year to the contract, it's originally a three-year contract we'd executed a year of it, so there were two years to go, we added a third year, we added the third year of additional year at

\$285,000 per day that 285 then gets averaged with the remaining two years which are at 595 and if you do the math on that you get to an average rate of 495, yes?

Petr Grishchenko

And do you contemplate amending the cargo lease contracts for the TEN project and would it be the manageable rate card you could obtain?

Andy Inglis

Can you just repeat the question Petr?

Petr Grishchenko

Do you contemplate amending the FSPO lease for the TEN project?

Andy Inglis

No terribly we don't at the moment.

Operator

Thank you. [Operator Instructions] Our next question comes from the line of Sergey Bolshakov with Invest Asset Management. Please go ahead with your questions.

Sergey Bolshakov

The question is from the fixed income perspective. If you can please comment on the covenants of the reserve base facility, has there been any changes, have you added any new covenants, are you still computing the debt cover ratio based on the last 12 months or have you changed it to the annualized numbers? Are all covenants doing maintenance or have there been any changes there?

Andy Inglis

So yes this time there have not been any changes to any of the covenants. All the covenants as we had, as they have been previously in the documents still remain, so there is -- the redetermination did not have any covenant change whatsoever.

Operator

Thank you. And this does conclude today's question-and-answer session. I'd like to turn the floor back to Neal Shah for closing remarks.

Neal Shah

Thank you, operator. We appreciate all of you joining us on the call today and your interest in Kosmos. If you have any further questions, please don't hesitate to contact me. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's teleconference. You may disconnect your lines at this time. And thank you for your participation.