About This Report

We are committed to reporting our performance transparently and comprehensively. As we issue this Corporate Responsibility Report, our first, we are still in the early stages of our journey towards our goal of becoming a leader in corporate responsibility. In choosing content for inclusion in this report, we consulted with external interested parties and worked with sustainability experts to select material issues that are most relevant to our stakeholders and to our long-term success. Unless otherwise noted, information and data in this report is for operated assets only. We will publish a Corporate Responsibility Report annually, continuing to work with external stakeholders and to engage experts on the content of the Report. While the Global Reporting Initiative (GRI) helped define the content, this report is not GRI-compliant, and has not received external assurance. We plan to comply with GRI in the future to expand the depth and breadth of our reporting, as well as aid in the comparability of our performance.
OUR COMMITMENT

Letter to Stakeholders

As a core part of our strategy, we are determined to ensure that Kosmos is as good above the ground as we are exploring below it; that we understand and collaborate with our host societies as we manage our geological analyses. This requires a commitment to ‘bold moves’ in areas like supporting transparency, just as we do in the implementation of our exploration strategy.

There is no doubt in my mind that success in today’s oil and gas industry depends as much on successfully managing political, reputational and social risks and ensuring sustainable benefits as the technical and operational aspects of the business. Governments and citizens in the frontier oil exploration and producing countries want to see the exploitation of natural resources contribute to their wider development through mechanisms such as effective management of resource revenues, local sourcing and building the skillsets of their people. Indeed, in some cases stability depends upon their ability to generate jobs for a growing generation of youth hungry for employment and economic opportunities. We have identified the building of human capacities and the creation of economic opportunities as the guiding theme of our corporate responsibility approach.

Our discovery of the giant Jubilee Field offshore Ghana has been transformative both for that country and for our company. Our focus remains on taking our contrarian approach combined with technical expertise and replicating that success on either side of the Atlantic – hence our presence in Cameroon, Mauritania, Morocco (including Western Sahara), Suriname and most recently Ireland, which we announced in April 2013.

Although Kosmos is a young company, we have a senior team with many decades of experience who have seen – and had the opportunity to learn from – the countries in which oil and gas resources have been beneficial for the people and where the endowment has been squandered. We want to play our part, with governments, civil society and others, in making oil and gas development rewarding for our investors and employees, but equally important as an engine for the sustainable advancement of the societies where we work.

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(1) Western Sahara is regarded by the United Nations as a “non-self-governing territory,” among 16 in the world. The Kingdom of Morocco is the de facto administering power, pending resolution of the long-term status of the territory. The Kingdom of Morocco regards the area as an integral part of its sovereign territory. We discuss this in more depth on page 25.
To that end, for example, during 2012 we declared our support for the Extractive Industries Transparency Initiative (EITI) and committed to publish our payments to host country governments even for countries that are not currently implementing the EITI (see page 9). In Ghana, we participate in the EITI multi-stakeholder group and we have also assisted the government in building its capacity to regulate the country’s growing oil and gas industry (see page 26).

A defining element of our approach is engagement. In 2012 we carried out an intensive consultation exercise with employees and external stakeholders that led to our Board’s adoption, in February 2013, of the Kosmos Energy Business Principles, as well as policies on Human Rights and Stakeholder Engagement & Community Development. We do business in some challenging environments and must ensure that we have the right policies, right tools, and above all, the right people to do so responsibly.

Our Business Principles are based on widely accepted international benchmarks – the EITI, the Voluntary Principles on Security and Human Rights, the core ILO Labor Standards, the Universal Declaration on Human Rights and the U.N. Guiding Principles on Business and Human Rights. Human rights are not a political or abstract concept; they are about understanding our impacts on those around us and treating people decently and with respect. They are fundamental to being a welcome investor and to managing risks effectively – both external risks which may impact Kosmos and risks that our activities may cause for others.

During 2010–11, we made great strides in strengthening and embedding our Anti-Corruption Compliance framework and our Health, Safety, Environment and Security (HSES) Management System. During 2012 we have built on these. In the area of emergency prevention and planning, for example, we have joined the Oil and Gas Producers (OGP) Global Industry Response Group, developed our own Well Integrity Management Standard and are working with other companies towards the creation of a Well Integrity Governance Standard (see page 10).

I am proud of the work done to prepare for and execute our drilling campaign onshore Cameroon (see pages 21 and 24). Here we undertook more than five years of studies and engagement with local people to address critical issues and formulate an environmentally responsible model for exploration. This resulted in the drilling rig being transported by helicopter to avoid building roads, and reducing the footprint of the drilling site to less than a third the size required for a conventional land rig.

Kosmos’ consultative meeting in Ghana regarding the establishment of our Business Principles in 2012.
While there are things we could have done better or differently, our Ghana operations serve as a model in many ways. There we have developed a largely Ghanaian staff and management team, supported the Ministry of Environment and the Environmental Protection Agency in building capacity to ensure a robust regulatory environment, assisted a local Ghanaian company in the environmental sector to build one of the few oilfield waste repositories in the Gulf of Guinea, and invested in the Western Region through sustainable local community water, health and fishery projects.

This is our first Corporate Responsibility Report. It shows that we are already doing some things very well but that we also are on a journey, committed to bold moves, with much to learn and areas for improvement. We will try to be candid when things do not go as planned and to learn from those experiences. For 2013, our corporate responsibility priorities are to:

• **Complete and Strengthen Our Policy Framework**
  We will ensure that each commitment in our Business Principles is supported by the means to implement it. This will include using measureable management tools to ensure compliance, completing our policy framework in areas such as supply chain and building common standards at the heart of our local human resources policies.

• **Manage Human Rights**
  We will start to implement the Voluntary Principles on Security and Human Rights; develop a process for mapping, and where necessary, mitigating, any adverse impacts we identify associated with our work; explore the implications of the U.N. Guiding Principles on our business; and ensure that we have measures in place through which people can raise and resolve grievances.

• **Get Our Governance Right**
  Process can be a substitute for action, but action without process results in poor management and patchy implementation. Our Board will be fully involved in oversight of above-ground risks through the addition of new Non-Executive Directors and the creation of specialized, Board-level committees. We are piloting compliance and reporting processes and will be putting a lot of effort into making sure that from the bottom to the top of the company, people understand what the commitments in our Business Principles mean for how we do business. Engagement and relevant external reporting are also important parts of this process.

As with all aspects of our business, we aspire to build a corporate responsibility performance that is among the industry’s best.

Corporate responsibility is central to who we are and what we do. It is integral to our strategy of advancing the societies where we work and in so doing, enhancing shareholder value by positioning Kosmos as a favored partner for governments and citizens alike. In delivering on this strategy, we are prepared to be bold and ambitious in trying new approaches; in daring to be different, both below and above the ground.

We appreciate your interest in this report and encourage you to contact us at corporateresponsibility@kosmosenergy.com with your comments or questions.

Brian F. Maxted
Chief Executive Officer
Kosmos Energy is a path-finding exploration and production company with the proven ability to discover and develop large hydrocarbon fields. Formed in 2003, Kosmos became a publicly traded company in May 2011. Our shares trade on the New York Stock Exchange under the ticker symbol KOS. At year-end 2012, we had 249 employees in five countries.

Kosmos’ overall strategy is to pursue growth by making sizable hydrocarbon discoveries that unlock new petroleum systems, primarily investing in high-impact frontier and emerging basins. Our exploration philosophy is deeply rooted in a fundamental, geologically-based approach toward the identification of underexplored or overlooked petroleum systems.

Initial Success in West Africa
Although we now look for prospects on both sides of the Atlantic, our founders first focused exploration activities offshore West Africa in the African Transform Margin. Our 2007 discovery of the massive Jubilee Field in the Tano Basin offshore Ghana was the largest find of the decade offshore West Africa. This successful fast-track exploration, appraisal and development effort moved from discovery to first oil in just 42 months, a record in water depths of 1,600 meters. It was followed by additional successes offshore Ghana where appraisal and exploration activities are continuing.

During 2012, we finalized the appraisal of the TEN (Tweneboa, Enyenra, Ntomme) fields on the Deepwater Tano Block, including the discovery of a new oil interval at the Ntomme field. Our Wawa exploration well encountered both crude oil and natural gas, extending the area of discovered resources on the Deepwater Tano block. We submitted a plan of development to the Government of Ghana for TEN, which will provide for our second floating production, storage and offloading (FPSO) vessel oil project offshore Ghana and an opportunity for low-risk, defined production and cash flow growth.

Expanding Our Asset Base
We have expanded our activities in West Africa and beyond, establishing a portfolio of exploration opportunities that totals 25 million gross acres. During 2012, we entered into three agreements covering new licenses (Blocks C8, C9 and C12) in the deepwater offshore Mauritania, encompassing over six million gross acres (26,775 square kilometers). We also expanded our exploration portfolio offshore Morocco by increasing our interest in the Foum Assaka and Essaouira blocks in the Agadir Basin.

Our assets now include existing production and other major hydrocarbon developments offshore Ghana as well as exploration licenses with significant hydrocarbon potential offshore Mauritania, Morocco (including
the Western Sahara), Suriname, Ireland and onshore Cameroon. We continue to seek additional exploration opportunities in Africa, Latin America and beyond where we can apply contrarian ideas to find hydrocarbon reserves where others have not.

**Financial Position**
As a result of a strong operational and financial performance in 2012 and growing cash flows, Kosmos is well positioned to fund its anticipated future development and exploration investments. We have a conservative capital structure, ample credit capacity and key relationships with major international financial institutions. We also have the ability to access debt markets, if necessary. At the end of 2012, we had $575 million in cash and borrowing capacity of $600 million under existing debt facilities.

**Governance**
Kosmos’ Board of Directors consists of eleven directors, each of whom we believe has valuable individual skills and experiences that, taken together, provide us with the knowledge, judgment and strategic vision necessary to provide effective oversight of the Company. Assessing and managing risk is the responsibility of the management of the Company. However, the Board has an active role, collectively, and also at the committee level, in overseeing management of the Company’s risks. In 2012, our Board had four standing committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Health, Safety, Environment and Security Committee. In 2013, the Strategy and Business Implementation Committee was established. The Board requested that we also establish an ad-hoc Corporate Responsibility and Above Ground Risk Committee in 2013. One of the new Committee’s primary roles will be to oversee the implementation of our Business Principles.

**Production and Sales in 2012**

- Production from the Jubilee Field offshore Ghana averaged 16,600 barrels of oil per day (bopd) net, an increase of approximately 11% from 2011
- Field production exited 2012 at a record level of 110,000 bopd, driven by the successful Jubilee Phase I enhancement program and the startup of the next phase of development, where one new well was producing at year-end
- We sold approximately six million barrels of oil during 2012 at an average price of approximately $113.12 per barrel. Sales volumes normally differ from net production volumes as a result of the timing of liftings from the Jubilee FPSO FPSO Kwame Nkrumah, currently producing oil at the Jubilee Field offshore Ghana.
Financial and Operational Priorities for 2013

The following focus areas for 2013 will support our business success going forward:

- Ensure that our balance sheet remains strong
- Maintain plateau production at Jubilee and determine potential for FPSO capacity increases
- Execute the TEN Project on schedule and at or below budget
- Complete the build-out of our exploration portfolio with additional new ventures
- Mature our existing exploration assets for drilling as early as late 2013

Financial Highlights of 2012

<table>
<thead>
<tr>
<th>Financial Highlights of 2012</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended</td>
<td>2012</td>
</tr>
<tr>
<td>(in thousands, except volume data)</td>
<td></td>
</tr>
<tr>
<td>Revenues and other income</td>
<td>$ 672,209</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>$ 101,184</td>
</tr>
<tr>
<td>Net loss attributable to common shareholders/unit holders</td>
<td>$(67,028)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$ 371,530</td>
</tr>
<tr>
<td>Capital investments</td>
<td>$ 426,894</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 2,366,123</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>$ 1,000,000</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>$ 1,028,906</td>
</tr>
<tr>
<td>Production (thousand barrels of oil per day)</td>
<td>16.6</td>
</tr>
<tr>
<td>Sales volumes (million barrels)</td>
<td>5.9</td>
</tr>
<tr>
<td>Total proved reserves (million barrels of oil equivalent)</td>
<td>43</td>
</tr>
<tr>
<td>Crude oil (million barrels)</td>
<td>42</td>
</tr>
<tr>
<td>Natural gas (billion cubic feet)</td>
<td>9</td>
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</tbody>
</table>
Our Approach to Corporate Responsibility

As Kosmos Energy has grown, our approach to corporate responsibility has evolved and become more sophisticated. Kosmos was built on the belief that a small team of highly capable explorers, equipped with decades of experience and a contrarian strategy, could find hydrocarbons in places others had not. One facet of this strategy was maintaining a small, tightly knit community of employees and directors who eschewed corporate bureaucracy and communicated with ease. Kosmos’ footprint was small, and being a ‘responsible company’ was straightforward and informal.

Following our discovery of the Jubilee Field offshore Ghana, Kosmos began to consider immediate elements such as local content, human resources, community engagement and social investment. After Kosmos completed its Initial Public Offering in 2011, we entered a period of rapid growth and began re-examining our corporate responsibility policy framework. With a renewed emphasis on portfolio expansion, Kosmos’ Board and senior management believed that the Company needed to enshrine our principles and the way we do business through defining and strengthening our corporate responsibility methodology, all the while drawing on both our successes and lessons learned in Ghana. The publication of this inaugural Corporate Responsibility Report is one of the first steps in strengthening our approach.

Strengthening Our Approach

We understand the significant growth opportunities created for host countries through the responsible and transparent development of oil and gas resources. We also recognize that, in many natural resource dependent countries, poor governance is considered by many to have led to disappointing outcomes for the general population. Further, oil and gas development has been associated in recent years in the minds of many policy-makers with the ‘resource curse’ phenomenon, whereby resource development has been linked with the appreciation of the host country’s currency, an increase in corruption and decreased development of other economic sections.

Leadership Spotlight

Reg Manhas — Vice President, External Affairs

“We are grateful to our stakeholders around the world for their input into the development of our Business Principles over the past year. Our focus has now shifted to the meaningful implementation of the Business Principles throughout our organization, and the credible, ongoing engagement of our stakeholders. I am personally excited to lead this process within Kosmos Energy, underpinned by the strong commitment of our Board of Directors and senior leadership to operating above the ground as well as we do below the ground.”
Kosmos believes that enough is now known about potential antidotes to the ‘resource curse’ phenomenon, especially in relation to improving governance, to make the creation of economic prosperity and social wellbeing a key objective of our work. We are committed to playing our part in creating positive development outcomes from our current and future oil and gas discoveries by contributing to transparency, good governance, capacity building, respect for human rights and stakeholder engagement. We realize the importance of working closely with governments, civil society and other businesses to produce the best outcomes. We place a high priority on the social, environmental and economic well-being of the communities in which we operate, live and work. We do this from the moment we enter a new country.

To this end, our Board and senior leadership have prioritized and are driving our corporate responsibility development process. In 2011, we created an External Affairs department to be the focal point for expanding and strengthening our corporate responsibility capabilities. The External Affairs department functions as the owner of internal and external communications related to corporate responsibility and stakeholder management.

**Setting the Foundation: Our Business Principles**

Our corporate character and policies are guided by our Statement of Business Principles, which defines how we conduct our business and the standards to which we hold ourselves accountable. Based on the values that guided Kosmos leaders in founding the Company, these principles were further developed and articulated in 2012 as part of a broader process to strengthen our corporate responsibility approach. They were formally adopted by our Board of Directors in February 2013.

One of the most important elements involved in establishing our Business Principles was an external consultation process that included shareholders, employees, contractors, governments and civil society groups. We convened

### Overview of Kosmos’ Corporate Responsibility

<table>
<thead>
<tr>
<th>GROUP POLICIES</th>
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<tbody>
<tr>
<td>Health, Safety and Environment</td>
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<tr>
<td>Anti-Corruption</td>
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<tr>
<td>Code of Business Conduct and Ethics</td>
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<tr>
<td>Stakeholder Engagement and Community Development</td>
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<td>Human Rights</td>
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<td>Human Resources</td>
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<tr>
<td>Supply Chain</td>
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</tbody>
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<table>
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<tr>
<th>SUPPORTING SYSTEMS</th>
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<tbody>
<tr>
<td>INTERNAL SYSTEMS</td>
</tr>
<tr>
<td>The company’s Legal Processes, HSE Management System and Anti-Corruption Compliance System support group-wide compliance with our HSE and anti-corruption policies.</td>
</tr>
<tr>
<td>INTERNAL SYSTEMS</td>
</tr>
<tr>
<td>There is an effort underway to expand existing processes – such as impact assessment, incident reporting and grievance mechanisms – to more fully incorporate human rights and community issues and thereby strengthen our policy commitments in these areas.</td>
</tr>
<tr>
<td>EXTERNAL GUIDANCE</td>
</tr>
<tr>
<td>Our newly adopted Business Principles reference several external initiatives including the Voluntary Principles on Security and Human Rights and the Extractives Industry Transparency Initiative. We are in the process of developing enhanced processes and guidance materials to support these commitments.</td>
</tr>
</tbody>
</table>

- **Existing**
- **New**
- **Planned**
multi-stakeholder roundtables in the United States, Ghana and Cameroon as well as consultations with our staff in person and through online surveys. External stakeholders encouraged us to include a greater emphasis on cultural heritage and identity, specific expectations of contractors and a greater focus on emergency preparedness. These recommendations are now reflected in the Business Principles. We received feedback that our Business Principles seemed ambitious, especially in the area of human rights, but were also realistic and sincere.

The Business Principles will be at the core of the way we manage the Company. They set out our standards in the areas of ethical conduct, our workplaces, environmental performance, human rights, community engagement and commercial relationships. Directors, officers and employees are required to comply with all aspects of these Principles in their work activities and in representing the Company. The Principles are supported by more detailed policies, procedures and management systems. We will review our Business Principles from time to time in the light of experience and input from our stakeholders. While excerpts of the Principles appear in this report, the full text can be downloaded at [www.kosmosenergy.com](http://www.kosmosenergy.com) or a copy can be requested by emailing corporateresponsibility@kosmosenergy.com.

**International Standards and Best Practices**

Kosmos is committed to observing international best practices in all aspects of our business. One way of doing so is through active membership in leading industry organizations and implementation of international standards. Thus far, Kosmos is seeking to integrate the Extractive Industries Transparency Initiative (EITI), the Voluntary Principles on Security and Human Rights and the United Nations’ Guiding Principles on Business and Human Rights into the way we do business.

**Extractive Industries Transparency Initiative**

In March 2012, Kosmos became an international Supporting Company of the EITI, a global standard that promotes transparency and accountability in the oil, gas and mining industries. We believe resource revenues are more likely to be managed in the best national interest of a country if payments and receipts are made transparently and accountability measures are in place for the use of these revenues. Already an active participant in the EITI process in Ghana and Cameroon, Kosmos is committed to encouraging and supporting the adoption of revenue transparency in other countries where we operate.

**Kosmos and the EITI Process in Ghana and Cameroon**

Kosmos participated in the EITI reporting process in both Cameroon and Ghana in 2012. The EITI reporting process in Ghana proved to be challenging, as this was the first aggregation and reporting cycle for the oil industry in Ghana. Going forward, the Ghana EITI Steering Committee, on which Kosmos serves, will need to engage in further discussions with the participants, including industry, civil society and government regarding the scope of the EITI process, the terms of reference for the Aggregator and needed improvements in the coordination of the data-gathering processes with the Ghana EITI reporting deadlines.
Voluntary Principles on Security and Human Rights

As stated within our Human Rights Policy, Kosmos will implement the Voluntary Principles on Security and Human Rights as the foundation of its security arrangements in every country where we have an established and continuing presence. The Voluntary Principles establish a well-accepted framework for risk assessments and the management of both private and national security providers. Our initial efforts related to the Voluntary Principles have been focused on our operations in Cameroon where we believe the human rights and security risks are potentially highest, due to the onshore focus of our operations. However, we believe that the Voluntary Principles are equally applicable to offshore environments as onshore activities, given the likelihood of interactions with fishing interests, coastal communities and vessels as well as possible encounters with pirates and potential migrants. We discuss Human Rights in more depth on page 24.

United Nations Guiding Principles on Business and Human Rights

Kosmos supports and seeks to apply the U.N. Guiding Principles on Business and Human Rights as part of its Human Rights Policy. In keeping with these Guiding Principles, we are in the process of enhancing our mechanisms for stakeholders to raise issues or complaints so that we can address any areas where we may have – or be perceived to have – fallen short of our standards.

Supporting International Industry Initiatives: Working with Global Industry Response Group on Well Incident Prevention

Kosmos Energy has joined the International Association of Oil & Gas Producers (OGP) in a major global initiative that is applying lessons from offshore well incidents, including Macondo in the Gulf of Mexico, to prevent and reduce the consequences of future incidents. Established in July 2010, OGP’s Global Industry Response Group (GIRG) focused its work in three core areas:

- **Prevention:** developing better capabilities and practices in well engineering, design and operations management to reduce the likelihood of future events

- **Intervention:** improving well-capping response readiness in the event of an incident and further study of global containment solutions

- **Response:** delivering effective and fit-for-purpose oil spill response preparedness and capability

Kosmos joined the Wells Expert Committee (WEC), which was formed to implement the GIRG’s recommendations on prevention. These recommendations included stronger reviews and governance of well design and operations management, the promotion of industry improvement, and improved technical and operational practices for well construction.

Kosmos engineers are also working with representatives from several major and independent oil companies through another OGP committee that will develop a Well Integrity Life Cycle Governance Standard over the next two years. We also have developed an in-house Well Integrity Management System and implemented it in our own operations. The system is discussed in greater detail in the “Health, Safety and Environment” section of this report.
ETHICS AND PEOPLE

Ethics Goals for 2013
• Begin incorporation of the Kosmos Business Principles into the internal audit process
• Increase awareness of our Whistleblower hotline
• Fully implement our global electronic anti-corruption system
• Develop approach to contract transparency

Human Resources Goals for 2013
• Integrate the Human Resource functions in Dallas and our global offices more closely
• Improve our system for measuring contractor activity in Dallas
• Create a core set of common standards for the Employee Handbooks in each country where we operate
Ethics, Anti-Corruption and Economic Transparency

Kosmos and its employees face numerous decisions in their day-to-day activities, both in our Dallas office and international locations. Our Business Principles establish clear standards for acceptable conduct.

- We aim to foster a culture based on integrity, professionalism, respect, fairness and compliance.
- We will take responsibility and be accountable for our actions.
- We aim to align our conduct with international standards of good practice.
- We have zero tolerance of corruption and maintain a robust compliance program.
- We are politically neutral and will not provide funding for candidates or party political entities.
- We will be advocates for transparency in our dealings with host governments.
- It is the responsibility of every employee to uphold the Company’s stated values and to report any concerns they may have regarding the conduct of others.

Our Business Principles are supported by robust compliance policies and methodology, including our Anti-Corruption Compliance Policy and Procedures, which were updated in 2012 to align more closely with the U.K. Bribery Act of 2010 as well as best practices in anti-corruption compliance. We are putting additional safeguards in place during 2013 to continuously monitor and improve our performance.

Business Ethics and Anti-Corruption Procedures

All Kosmos employees, board members and individual contractors are required to attend anti-corruption training yearly and certify that they have read, understood and will comply with our Anti-Corruption Compliance Policy. To further ensure comprehension, all of our employees are required to pass a test on the Anti-Corruption Compliance Policy. We exercise care in the selection of vendors, suppliers and contractors, and we impose the same high standards of conduct that we observe in our own company. A risk-based vetting process of third parties who will work on our behalf is conducted by our compliance group. It includes due diligence questionnaires supported by an online system used to track due diligence queries. We conduct background due diligence when appropriate to make sure we have obtained full disclosure. In addition to providing all third parties with copies of our Anti-Corruption Compliance Policy, we routinely conduct in-country contractor and supplier training on compliance and supplement in-person training with online training portals. We also conduct rigorous due diligence on potential partners as we seek to expand our exploration portfolio. In some cases, we have decided against pursuing opportunities in which we were uncomfortable with potential partners’ ethical standards.

Anti-Corruption Safeguards

Our Compliance Committee reviews requests for payments on behalf of as well as gifts and travel provided to government officials to ensure that they conform to our policies. The Kosmos Internal Audit team conducts an annual audit of the Company’s compliance with its business ethics policies and periodically conducts audits on third parties. In 2012, we instituted a Whistleblower Hotline as a vehicle for employees, third parties and others to report, without risk of retaliation,
violations of any Kosmos policy, including the Anti-Corruption Compliance Policy. There are several reporting avenues including an anonymous hotline. All reports go directly to the Chief Compliance Officer, the Director of Internal Audit or the Chairman of the Audit Committee, as appropriate. To date, the number of complaints has been low, and we will work in 2013 to address cultural constraints and to build employee confidence in the whistleblower facility. In future years, we will provide figures for the number of alerts lodged via the hotline.

**Economic Transparency**

We believe resource revenues are more likely to be managed in the best interests of a country if payments and receipts are made transparently, accountability measures are in place for the use of these revenues and if this process is underpinned by a national dialogue in which industry plays its part as a partner with government and civil society.

As discussed in greater detail on page 9 of this report, Kosmos supports the Extractive Industries Transparency Initiative (EITI) as a means of promoting trust and dialogue as well as greater accountability around payments to governments and the use of resource revenues. We will report and publish annually material payments to governments. We are committed to exceeding EITI requirements and have also resolved to publish material payments to our host governments. Where it is legally possible and acceptable to our host government, we also prefer to make the material terms of our petroleum agreements with governments publicly available. In our Business Principles, we recognize the critical importance of resource revenues in contributing to sustainable development in our host countries. We commit to honesty in our declarations and will not allow any form of abusive transfer pricing.

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**The Kosmos Energy Board of Directors is engaged in overseeing the Company’s Corporate Responsibility Program. Above, Director of Corporate Affairs of Kosmos Energy Ghana, George Sarpong, (left) briefs Kosmos Energy Chairman John Kemp (right) on local social investment programs.**

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**2012 Payments to Governments**

In 2012, Kosmos made the following aggregated payments to governments in the countries where we operate. The payments are highest in Ghana, where we produce and pay royalties to the government of Ghana in barrels of oil. In the remaining countries, payments are a combination of signature bonus, surface rental, training and taxes. For a detailed breakdown of these payments, please see page 29.

<table>
<thead>
<tr>
<th></th>
<th>Payments</th>
<th>Royalties (in barrels of oil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>$2,911,273</td>
<td>319,297 bbl</td>
</tr>
<tr>
<td>Cameroon</td>
<td>$1,236,299</td>
<td></td>
</tr>
<tr>
<td>Mauritania</td>
<td>$4,473,895</td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>$85,511</td>
<td></td>
</tr>
<tr>
<td>Suriname</td>
<td>$38,589</td>
<td></td>
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<tr>
<td>United States</td>
<td>$21,968,952</td>
<td></td>
</tr>
</tbody>
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(1) Using Kosmos’ average sale price of $113.12 per barrel in 2012, these barrels equal approximately $36.1 million.
In less than two years, Kosmos has grown from 124 to 249 employees. We continue to grow and be challenged by attracting, hiring and developing the talent we need. We are determined to incorporate the ideas and experiences new employees bring to our organization while retaining our unique culture and upholding our Business Principles. Our workforce is referenced throughout the Business Principles. We have summarized key points below.

- Recruitment and advancement are based on merit. We will not tolerate unfair discrimination.
- We will seek to promote diversity in our workforce.
- We seek to employ suitably qualified individuals from the countries in which we operate.
- We are committed to investing in the development of our employees.
- Employees are respected and free to contribute their ideas. We will not tolerate harassment or intimidation.
- We will not permit child, forced or bonded labor at our operations or among our suppliers.
- We recognize the fundamental labor rights and require our contractors to adhere to core international labor standards and local laws.

Developing Our Employees

To succeed in a fast-paced industry, Kosmos must recruit, retain and develop a capable and diverse workforce of talented people who embrace our Business Principles and core values and entrepreneurial culture. Given that our workforce doubled since 2010, we have worked hard to ensure that employees understand, embrace and thrive in the “Kosmos culture.” We often provide opportunities to discuss our culture and how we work together, such as during our quarterly Town Hall meetings or weekly company-sponsored lunches and breakfasts, traditions that we are proud to have upheld since Kosmos was founded.

Our fundamental commitment to the health and safety of our employees and those who work with us is described in the “Health, Safety and Environment” section of this report.

Articulating Our Culture and Values

As a relatively young company with many new employees, we are tasked with maintaining a well-defined corporate culture and a strong sense of shared values. We are working to build upon a culture that is technically and professionally challenging, personally rewarding, fun and enjoyable, but also focused on performance. During 2012, we articulated our corporate vision and began to develop a set of core values to catalyze behaviors consistent with our Business Principles and to sustain our company’s unique culture over time.

Other than Accra and Dallas, our offices have small numbers of employees and are built up as we progress the exploration timeline. As such, the human resources systems in these newer offices vary in their level of formality.
Promoting Performance
We maintain a merit-based culture that recognizes and rewards top performers. Individual employee goals are set annually and aligned with company and departmental goals. Annual performance appraisals track individual progress toward achieving stated goals and support performance-based compensation. In Ghana, we hold Employee Appreciation lunches to celebrate significant contributions or achievements by individual employees and departments.

Recruiting and Retention
We strive to recruit the most appropriately skilled individuals and to provide stimulating and rewarding careers. We make an effort to recruit, hire and develop local talent for our international operations, and we recruit internationally for technical positions throughout our organization. We offer highly competitive compensation and benefits as well as a promote-from-within philosophy that provides excellent growth and development opportunities and supports our high retention rates: 4% voluntary turnover group-wide in 2012. Our benefits include a broad range of programs that enhance the physical, mental and financial well-being of our employees. We have also created a formal, graduate-level internship program in our Dallas office and look forward to welcoming the program’s first participant in the summer of 2013.

Development and Advancement
We provide development opportunities to employees hired into our local offices through assignments in our Dallas office, enabling them to assume greater responsibility and handle the increasingly complex work that we are moving to the local country offices. Our primary focus in this area for 2013 is the expansion of our leadership development and employee development programs to include a variety of options for all levels of employees. We augment our internal programs with external development opportunities through our Education Reimbursement Policy, implemented in both Dallas and Ghana.

Our ultimate objectives are to equip our employees to be successful in any position they may hold throughout their career and to support their overall career aspirations. In Ghana, employees can request training on various personal development goals not traditionally associated with oil and gas. Over 50% of our employees in Ghana participated in company-sponsored external professional development programs in 2012 and we expect to increase that number in 2013.

Local Employment and Advancement
As part of our commitment to hire locally for key positions in our international offices, and to expand their skillset and responsibilities, we provide long-term rotational assignments in our Dallas office. Christina Yorke, Accounts Payable Manager in our Accra office, recently completed an eight-month training assignment in our Dallas office. Read Christina’s spotlight on page 16. Local employees hired into our offices in Suriname, Morocco and Cameroon as well as additional Ghanaian employees have completed similar short-term training assignments in Dallas.

91% Local Employees
9% Expatriates

Employee Distribution (YE 2012)

**Total Employees**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Global Employees</th>
<th>U.S. Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>113</td>
<td>67</td>
</tr>
<tr>
<td>2010</td>
<td>124</td>
<td>76</td>
</tr>
<tr>
<td>2011</td>
<td>194</td>
<td>118</td>
</tr>
<tr>
<td>2012</td>
<td>249</td>
<td>158</td>
</tr>
</tbody>
</table>

**Expatriates**

Expatriates in our local country offices are counted in the totals of the country in which they work.
Diversity
We promote diversity and inclusion in our workforce both because it is the right thing to do and because it gives us access to the widest range of talents. We base employee recruitment and advancement solely on merit and will not tolerate discrimination. In some contexts, we seek to accelerate the recruitment and advancement of suitably qualified nationals of the countries in which we operate.

Engagement
Kosmos is a relatively small company with a fast-paced, collaborative work environment and a high level of employee engagement. Starting in our Dallas office, we have instituted programs and mechanisms to ensure employees remain engaged as we evolve into a much larger organization. These include our quarterly Town Hall meetings, which provide an operational update from senior leadership as well as a question and answer session, and “Kosmos Think Tanks”. During the Think Tanks, participating employees meet with Human Resources management to brainstorm ideas that can generate cost savings, targeted solutions or more effective management of our organization. Rapid growth and ongoing expansion into new regions presents a challenge in implementing similar mechanisms for employee engagement in all countries of operation.

Employee Wellness
The year 2012 was a health-focused year for Kosmos. We held our first company-wide Wellness Fairs in our Accra and Dallas offices. The Accra office holds quarterly health seminars, while the Dallas office periodically invites health experts to present during “Lunch & Learns” or to provide medical checkups for employees. Beyond providing a healthy office environment, we want to educate employees and their families on health issues and encourage healthy behaviors.

Leadership Spotlight
Christina Yorke — Accounts Payable Manager, Kosmos Energy Ghana HC

“I joined Kosmos Energy Ghana in early 2008 as an accountant. I am now the Accounts Payable Manager. I had the opportunity to temporarily transfer to the Dallas office for a period of eight months to train in Joint Venture Budget Administration. In addition to coordinating, preparing, planning and tracking our activities in Ghana, this role involves interacting with the Joint Venture Partners, the Government of Ghana and the Dallas team concerning all matters involving budgeting and expenditure control. Being part of a team that engages employees at all levels as decision makers and develops them to be leaders makes me proud to be a Kosmos employee.”
HEALTH, SAFETY AND ENVIRONMENT

Health, Safety and Environment
Goals for 2013

• Implement well integrity, capping and containment, and oil spill response capabilities to be ready to drill in a deep water environment as early as late 2013

• Develop an internal branding campaign for our culture around Health, Safety, Environment and Security (HSES) activities, including a behavior-based safety program in which all of our employees in both Dallas and Ghana will participate

• Total Recordable Injury Rate below 4.0/1 MM Mhr and Lost-Time Injury Frequency below 1.0/1 MM Mhr

• Zero fines, penalties and spills

• Train over 90% of employees on HSE program
Health, Safety and Environment

We place a high priority on Health, Safety and the Environment at all of our work locations, across all phases of our operations. We are committed to maintaining the same high standards for contractors and as we do for our own employees. These standards are articulated in our Business Principles, which, in summary, state:

- We have a fundamental commitment to the health and safety of our employees and of those who work with us.
- No one will be required to work in unsafe conditions.
- We aim to eliminate accidents and environmental incidents.
- We respect the environment and will seek to prevent or minimize adverse impacts.
- We plan for an effective and timely response to emergencies.
- We endeavor to use resources efficiently and responsibly.
- We are committed to reducing emissions and waste.
- We will aim to promote the sustainable management of living natural resources.

HSES Management System

In 2011, we developed our bespoke Health, Safety, Environment and Security (HSES) Management System under the guidance of our Board of Directors’ HSES Committee, which meets regularly throughout the year. The System supports our HSES policy and provides a framework to articulate corporate and management expectations and cascade them throughout the organization.

Our goal in developing the Kosmos HSES Management System was to maintain internal control of our operations while preserving the Company’s entrepreneurial spirit, of rapid identification and development of national resources. During 2012, we rolled out the Kosmos HSES Management System across our global organization, establishing 52 specific expectations that fall into ten broad management system categories listed on page 19.

Leadership Spotlight

Kwame Boakye-Agyei PhD — Health, Safety, Environment and Security Director, Kosmos Energy Ghana HC

“Maintaining our steadfast commitment to health, safety, environment and security has always been a responsibility shared by every Kosmos employee in Ghana. We work in close partnership with local authorities, communities and regulators to continuously improve the workplace health and safety of our Ghana assets, operations and locations. As a Director of HSES, I am committed to the Company’s adherence to best-practice standards and consistent employee training to meet the high-level of performance Kosmos is known for.”
Our Board of Directors oversees our HSES Performance and Management System implementation. We set annual HSES objectives, hold frequent meetings to review our key performance indicators and monitor our progress in meeting the high HSES objectives we have set for the Company.

In 2012, Kosmos developed 17 policies and procedures to meet the high expectations of the HSES Management System. The highest-priority procedures developed were for crisis management, risk management and contractor oversight. We also aggressively addressed industry initiatives around well integrity management, capping and containment, and oil spill response.

**Well Integrity Management System**

One of our most important roles, as an operator, is to ensure the integrity of our well barriers and pressure containment boundary through the life cycle from design to final abandonment. In 2012, we developed a Well Integrity Management System (WIMS) that dictates the design and execution of drilling, completions and testing of wells in a safe and efficient manner that is consistent with strong well governance procedures and internationally recommended best practices. The guiding principles of our WIMS are largely based on recommendations from a major global initiative undertaken by the Oil and Gas Producers Association and our participation on the Well Expert Committee. This work, which is discussed in greater detail on page 10, was designed to reduce the likelihood and consequences of offshore incidents. Our system also incorporates standards and recommended practices of the International Finance Corporation, the American Petroleum Institute, the International Association of Drilling Contractors, the Oil and Gas Producers Association, the Norwegian Oil Industry Association and Oil and Gas U.K.

**Health, Safety, Environment and Security (HSES) Management System Governance**

Our HSES Policy, Management System and Global Procedures govern our operations in all locations. They are supplemented by detailed requirements specific to each project and country where we operate.

**REQUIREMENTS**

- Global
- Country
- Operations

**HSES Management System Categories**

- Policy and Leadership
- Safety and Health
- Risk Management
- Incident Reporting and Investigation
- Crisis Management
- Environmental Protection
- Training
- Community Relations
- Legal Requirements
- Continuous Improvement
Key HSES Performance Indicators for 2012 and 2013 Goals

For our first year of data collection, we selected five Key Performance Indicators that fit our culture and are representative of an exploration and production company with drilling operations in West Africa. In 2013, we added an additional goal around Well Integrity Initiatives. We also capture additional data for industry OGP and IFC reporting. Some of this data appears in the table on page 29.

<table>
<thead>
<tr>
<th>Metric</th>
<th>2012 Goal(1)</th>
<th>2012 Actual</th>
<th>2013 Goal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Recordable Injury Rate (TRIR)</td>
<td>&lt;=4.0/1 MM Mhr(2)</td>
<td>2.47 (4 recordable in 1,621,526 Mhr)</td>
<td>&lt;=4.0/1 MM Mhr</td>
</tr>
<tr>
<td>Lost-Time Injury Frequency (LTIF)</td>
<td>&lt;=1.0/1 MM Mhr</td>
<td>1.23 (2 recordable in 1,621,526 Mhr)</td>
<td>&lt;=1.0/1 MM Mhr</td>
</tr>
<tr>
<td>Hydrocarbon or Non-Aqueous Drilling Fluid (NADF) Spills</td>
<td>Zero spills over Level II(3)</td>
<td>Zero spills over Level I</td>
<td>Zero spills over Level II</td>
</tr>
<tr>
<td>Fines/Penalties</td>
<td>Zero</td>
<td>Zero</td>
<td>Zero</td>
</tr>
<tr>
<td>Well Integrity Initiatives (Morocco)</td>
<td>Complete Scheduled Milestones</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Completed</td>
<td>90%</td>
<td>92%</td>
<td>90%</td>
</tr>
</tbody>
</table>

(1) Goal: below average 2010 OGP reported rate and frequency for an E&P company with drilling operations in West Africa.
(2) Million Man Hours (MM Mhr).
(3) As defined by the OSCP, a Level I spill is 10 barrels (bbls) or less, a Level II spill is between 10–100 bbls and a Level III spill is 100 bbls or more of a petroleum-based spill with visible sheen.

Protecting Marine Life in Suriname

Environmentally sound offshore exploration requires a great deal of care to assess and mitigate the potential impacts on marine life at every stage of operations. During the acquisition of seismic data, the greatest concern is the potential impact of noise on marine mammals and other sea life. Seismic data collection can be conducted safely by following accepted protocols and protective measures. For example, prior to commencing seismic activities offshore Suriname, Kosmos hired a marine mammal expert to conduct a workshop that informed interested stakeholders about its plans and the precautions that would be taken. Another meeting, for the local fishing industry, reduced the risk that fishing vessels would inadvertently enter the path of seismic vessels. As a result of this and other expert consultations, Kosmos aimed to minimize its impact through the gradual start-up of seismic arrays and the employment of Marine Mammal Observers on the seismic vessel to recommend a delay or suspension of operations if marine mammals or sea turtles were detected within the mitigation zone.
Since 2006, when Kosmos Energy began exploring for energy resources onshore Cameroon, it was clear that extreme care would be needed to preserve the country’s unique and precious ecosystem.

Upon signing an agreement with the Government of Cameroon for exploration in the Ndian River Block, located in the southwestern part of the country, we began engaging with local stakeholders to understand critical issues, address concerns and begin formulating a plan for environmentally responsible exploration activities. Early research included an Environmental Baseline Study, which provided an inventory of all key social and environmental sensitivities in the area.

Kosmos identified the Sipo-1 prospect in a location that presented multiple challenges of topography, environmentally sensitive areas and lack of infrastructure. As part of a detailed, 15-month Environmental and Social Impact Assessment (ESIA), we evaluated different alternatives for accessing the optimal drilling location by land, water and air. We selected air access to minimize the project’s environmental impact. It involved transporting the drilling rig and a majority of all necessary drilling equipment to the location via helicopter. This approach reduced the footprint of the drilling site to roughly four hectares, less than a third the size required for a conventional land rig.

During more than 150 helicopter trips to the drill site in 2012, we encountered one load failure which fortunately did not have any negative impact on the environment or our local stakeholders. Root cause analysis of the incident resulted in improved operational processes.

Prior to finalizing our drilling plan for Sipo-1, Kosmos brought in teams of flora and fauna experts who conducted inventories of wildlife and plant species in the immediate area in order to assess potential impacts of drilling operations and help formulate mitigation measures.

We also conducted a study to provide baseline information on primates and other large mammals that can be used for future monitoring as part of an Environmental Management Plan for future appraisal or development work. The project’s development plan contains nine sub-plans that address everything from forest access control to site rehabilitation and closure.
SOCIETY AND COMMUNITIES

Society and Communities Goals for 2013
• Implement the Voluntary Principles on Security and Human Rights
• Roll out, company-wide, our new Human Rights policy and Stakeholder Engagement policy along with the necessary supporting systems and tools
• Ensure that grievance mechanisms are in place in every country where we have a significant and continuing presence, working within the framework that we have already developed
• Pilot social incident reporting system
Two new policies adopted in 2013 support our Business Principles with additional detail on our beliefs and commitments with regard to Stakeholder Engagement, Community Development and Human Rights.

**Stakeholder Engagement and Community Development**

While our legal license to operate is granted by national governments, we seek to obtain the broad support of, and bring sustainable benefits to, the communities directly associated with our operations. Committed to understanding the direct and indirect effects of our activities on people and communities, we identify relevant stakeholders and consult with them throughout the project cycle on matters that affect them in order to understand their perspectives and any concerns. We inform them of our plans and seek to ensure that they are engaged and kept informed about our activities through accessible and culturally appropriate methods of communication.

Our operations in Cameroon demonstrate how we put these principles into action. We began exploration drilling at the Sipo-1 site in early 2013 following more than five years of studies and engagement with local stakeholders to understand critical issues, address concerns and formulate a plan for environmentally responsible exploration activities.

Extensive consultations with Cameroon stakeholders at the national, regional and local level allowed Kosmos to share information, understand concerns and build relationships based on collaboration and partnership. Stakeholders providing input included Cameroon’s National Hydrocarbons Corporation, government ministries, divisional and local administrative authorities, traditional leaders, civil society organizations, and residents of the Bamusso and West-coast subdivisions. In addition to eight stakeholder consultation meetings held as part of the formal ESIA process, we held five additional meetings to maintain a continuing dialogue with the community for corporate policy development as well as community relations purposes.
**Human Rights**

At Kosmos, human rights is not an abstract concept. We established a Human Rights policy in 2012 as a framework for ensuring that our behavior toward employees, contractors and external stakeholders is both responsible and respectful. It is designed to foster conditions in which human rights are preserved. The value created by our activities helps empower individuals and communities to realize their rights in areas like access to healthcare, education and clean water.

Many of the countries that we enter are new to oil and gas exploration and are sometimes unprepared for this activity, as evidenced by the lack of administrative capacity, governance structures and institutional strength that are necessary for sustainable energy development. In some instances, development of natural resources occurs against a background of pre-existing tensions, or it may trigger conflicts related to the distribution of benefits. In addition, the social and environmental footprint of our activities has the potential for significant direct and indirect impacts upon local communities.

A failure to manage these issues may negatively impact individuals and the societies where we work, damage Kosmos’ reputation and relationships with stakeholders, create complex legal liabilities and cause disruption to our business. Adopting a proactive approach to human rights is good risk management. To ensure that we understand the nature of our impacts on human rights, we will conduct due diligence and engage with stakeholders on a regular basis. Where we identify potential impacts, we will also identify ways to avoid or mitigate them.

Kosmos has made important commitments in relation to human rights and conflict risk. In 2013, we are beginning to implement the Voluntary Principles on Security and Human Rights, and we have joined the Business and the Human Rights Roundtable at the Fund of Peace. We are also seeking to apply the relevant sections (i.e. those addressed to the private sector) of the U.N. Guiding Principles on Business and Human Rights, which was adopted unanimously by the United Nations Human Rights Council in 2011.

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**Leadership Spotlight**

Jean Marc Bidjo — External Affairs Director, Kosmos Energy Cameroon HC

“As the first employee of Kosmos Energy Cameroon, I contributed by sharing the Kosmos spirit and applying it in the context of Cameroon, to my interactions with new employees and external stakeholders. Now I am charged with building and improving the Company’s relationship with numerous stakeholders including local communities and governmental, non-governmental and civil society organizations. Currently, I am devoting much of my time to supporting Kosmos’ multinational, in-country team under the supervision of the Country Manager, and managing the high expectations of our team and our external stakeholders for Kosmos’ first exploration well in Cameroon.”
Human Rights and Security

Because our operations are often a significant source of investment and revenues for our host governments, we may have to rely on state security personnel or private security companies. In order to minimize risks associated with these arrangements, we will seek to ensure that personnel providing security services to our operations have been vetted against prior involvement in human rights abuses and are appropriately trained regarding human rights and the appropriate use of force. Because we operate primarily offshore, we are working on gaining a better understanding of the application of the Voluntary Principles on Security and Human Rights to such situations.

Our onshore operations in Cameroon face security risks that stem from potential pirate incursions and local criminal elements. Security for our operations is provided by the Battalion d’Intervention Rapide (BIR), a special unit of the Cameroonian military. Kosmos has partnered with the US-based organization Fund for Peace to conduct community relations and human rights training for BIR personnel. The Fund for Peace has created an educational training program for the BIR in regards to human rights and community interactions. After piloting the program in Cameroon, we will have the ability to use it at other operations as appropriate.

The Non-Self-Governing Territory of Western Sahara

Western Sahara has been on the United Nations’ list of non-self-governing territories (NSGT) since 1963 (currently, 15 other areas are listed as NSGTs). In November 1975, Spain withdrew from the Western Sahara (its former colony). In 1976, Morocco and Mauritania became the de facto Administering Powers over the territory. Mauritania withdrew in 1979, leaving Morocco in possession of over 80% of the territory. Morocco considers the area an integral part of its sovereign territory. The United Nations is mediating resolution of the territory’s political status between the government of the Kingdom of Morocco and the Polisario Front, with Algeria and Mauritania also attending the negotiations. The Kingdom of Morocco seeks to have its sovereignty acknowledged and has proposed that the territory enjoy autonomy under Moroccan sovereignty. The Moroccan Autonomy Initiative, proposed in 2007 in line with U.N. Security Council resolutions, has been recognized by the United States government over the years as “serious, realistic and credible.”

Kosmos has held rights over the Cap Boujdour block, currently an area of less than 30,000 square kilometers approximately 120 miles off-shore Western Sahara since 2006 under a petroleum agreement with the Kingdom of Morocco, which includes our partner, the Office National des Hydrocarbures et des Mines (ONHYM). We are extremely attentive to the sensitivity of the area and to the requirements of international law. We have been guided in particular by the Opinion issued by the then U.N. Under Secretary General for Legal Affairs in 2002 on resource exploration and development in non-self-governing territories, including its explicit application to exploration for hydrocarbons offshore the Western Sahara.

Kosmos’ activities are focused on exploration and do not involve the removal of resources; and have yet to provide conclusive evidence as to whether hydrocarbon resources, sufficient to justify development, are present. However, Kosmos is working with the Kingdom of Morocco with the objective being to ensure that if commercial deposits were to be discovered offshore Western Sahara, they could be developed in a manner that both reflects international best practices on resource management and transparency as well as complies with international law (including the 2002 U.N. Opinion).

Kosmos Energy is committed to operating ethically, transparently and in accordance with applicable law, and we believe that if our exploration efforts are successful over the medium term then resource development will have the potential to create tangible social and economic benefits for all the people of the area.
Political Risk
Doing business in frontier areas entails the risk that political decisions or political or socioeconomic events in operating countries, or in other locations, will negatively affect the continuity, security and profitability of Kosmos’ operations. We use a three-stage approach to define and assess our portfolio-wide exposure to political risk, both in our current operations and in evaluating business opportunities. By providing an in-depth understanding of political risk, based on the regions where we are working and those that we may enter, this process improves our ability to manage and mitigate that risk exposure.

Assessing and Mitigating Risk as Part of New Country Entry
Kosmos is determined to understand the political risks we face and manage them in a rigorous manner. We conduct an in-depth review of political risk in all new country entry opportunities, drawing from numerous sources. Notably, a high level of political risk does not necessarily preclude our investment in a country, but it does require a close review of the risk elements as well as our ability, and the resources that will be required, to mitigate the risks. We maintain an active program of stakeholder engagement in all of our host countries as an integral part of managing and mitigating risks that could jeopardize the safety of our personnel and damage our reputation or disrupt our operations.

Corporate Social Investment: Building Human Capacity and Economic Opportunity
We strive to maximize the benefits that local residents and businesses derive from successful exploration and production activities, particularly in nations that are relatively new to hydrocarbon development. This includes creating direct benefits from our own operations and working to ensure that the activities of those acting as our partners, including national oil companies and other international investors, generate as much broadly-based economic opportunity as possible. We recognize that our principal beneficial impacts flow from our core operations. However, we undertake a variety of Corporate Social Investment (CSI) activities as well as seeking to support capacity-building programs. These programs enhance the ability of governments new to oil and gas operations in regulating and managing oil and gas operations and in delivering improved services made possible by oil and gas tax revenues.

2012 Social Investment Spending

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>$34,178</td>
</tr>
<tr>
<td>Ghana</td>
<td>$373,418</td>
</tr>
<tr>
<td>Jubilee Partnership(1)</td>
<td>$2,699,280</td>
</tr>
<tr>
<td>Morocco(2)</td>
<td>$79,994</td>
</tr>
<tr>
<td>Suriname</td>
<td>$45,940</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,232,810</strong></td>
</tr>
</tbody>
</table>

In 2012, Kosmos invested in three significant Corporate Responsibility needs assessments and related consultation processes in Morocco, Suriname and Cameroon. In Cameroon, because of the complex logistics and lack of baseline data in our local operating area, this assessment process actually cost significantly more than our 2012 Cameroon Social Investment spending, as described above. However, this foundation will allow us to proceed with a more sustainable and locally driven social investment program in 2013.

(1) Includes $2,699,280 of non-Kosmos operated Jubilee Partnership social projects, net to Kosmos Energy Ghana.
(2) This includes spending in relation to our Cap Boujdour project offshore the Western Sahara.
Building human capacity and economic opportunity is the theme we have chosen to frame our CSI programs and to ensure that we maintain a company-wide focus on the central objective of these efforts. We believe this consistent theme, while underscoring the tangible, much-needed benefits our investments provide to people living in the countries where we operate, will also provide practical benefits to the Company by creating greater clarity about the way we view these activities. We want to highlight to Kosmos personnel and to external stakeholders that our CSI activities are an integral part of our larger business plans and objectives rather than discrete, unrelated programs. We continue to develop a better understanding and expertise around the needs in each of the countries where we work and the best ways to build human capacity and economic opportunity in each region.

In addition to our international operations, our Dallas office formed a committee in 2012 to oversee our philanthropic contributions in the Dallas-Fort Worth area. In 2013, we are working to more closely align our contributions in Dallas with the principles that we apply to our social investments in the countries where we operate.

Our decisions when identifying, designing and implementing CSI projects are guided by the following principles:

• We take a participatory approach to understand needs and seek to create broad-based benefits
• We invest in projects that are sustainable and that aim to build local capacity or economic opportunity
• We require accountability and evaluate CSI based on outcomes
• We integrate CSI with our core business and other activities

We take a partnership approach, engaging local governments and non-governmental organizations (NGOs) to work on project monitoring and follow-up with the community liaisons who are part of our in-country staff.

Leadership Spotlight
William S. Hayes — Senior Vice-President, Legal and External Affairs

“It is rewarding to be a part of Kosmos, a young company, taking a world-class approach to corporate responsibility and for me to be able to witness the results of our efforts. When we take on new opportunities, we plan for success; and, in so doing, at a very early stage we engage the many stakeholders in our sphere of operations about social investment in capacity and long-term opportunity. If we are successful, then hopefully we have not only created additional economic opportunity as a whole, but have also developed capacity for many to participate. If our exploration is unsuccessful, we have nevertheless departed having assisted in the development of human resources and left a sustainable legacy.
Clean Water for Ghana’s Western Region

To residents in rural communities in Western Ghana, clean water and better health care are the clearest evidence of Kosmos Energy’s presence in the country. Working with Ghana’s Ministry of Health and local communities, Kosmos has embarked on projects carefully planned to address urgent needs, such as safe water, within the area onshore of our operations.

Providing Safe Water

With a high rate of water-borne diseases, safe water is critical in Western Ghana, but it is almost non-existent in some communities. Kosmos joined with Safe Water Network, a non-governmental organization that has successful project experience in Ghana, to provide residents with access to clean water. The project also is building a sustainable business that will be owned and operated by the community.

In April 2013, the first water treatment plant began serving approximately 7,000 residents in four communities in the Western Region of Ghana. Payments from residents for the water they receive will provide revenue to be invested in maintaining the water system and in additional community development projects.

In the coming years, two more plants that are currently in the planning stage will extend the benefits of clean water to more communities while providing funds for additional development. Upon completion of the three stations, this safe water initiative will benefit more than 20,000 people.

“Our partnership with Safe Water Network is driven by what we saw, the innovative water supply concept and the shared vision of building capacity, providing economic empowerment, all in a safe and healthy manner, for our communities. The Safe Water Network concept goes beyond providing water! It requires community collaboration and buy-in for the project so that, at the end of the day, the community can claim ownership, with a sense of pride.”

George Sarpong — Director of Corporate Affairs, Kosmos Energy Ghana HC

“We are pleased to partner with Kosmos Energy Ghana. Together we are improving the health and livelihoods of communities by building the local capacity and capability for them to own and manage their water systems. Our partnership includes refining this approach so that it can be broadly replicated throughout Ghana for the millions still without safe water access.”

Kurt Soderlund — CEO of Safe Water Network
## 2012 Performance Data

### Payments to Governments

<table>
<thead>
<tr>
<th></th>
<th>Cameroon</th>
<th>Ghana(1)</th>
<th>Mauritania</th>
<th>Morocco</th>
<th>Suriname</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature Bonus</td>
<td>$1,000,000</td>
<td>$ -</td>
<td>$3,000,000</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Surface Rental</td>
<td>$63,685</td>
<td>$62,157</td>
<td>$83,209</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Training(2)</td>
<td>$ -</td>
<td>$71,525</td>
<td>$1,390,686</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
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<tr>
<td>Taxes(3)</td>
<td>$172,614</td>
<td>$2,777,591</td>
<td>$ -</td>
<td>$85,511</td>
<td>$38,589</td>
<td>$ -</td>
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<tr>
<td>Income Taxes(4)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$21,968,952</td>
<td>$ -</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$1,236,299</td>
<td>$2,911,273</td>
<td>$4,473,895</td>
<td>$85,511</td>
<td>$38,589</td>
<td>$21,968,952</td>
</tr>
<tr>
<td>Royalties (in barrels of oil)</td>
<td>-</td>
<td>319,297</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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(9) Includes spending in relation to our Cap Boujdour project offshore Western Sahara.

### Human Resources

#### 2012 Employees and Hiring

<table>
<thead>
<tr>
<th></th>
<th>Number of Employees, by Country</th>
<th>Local Employment</th>
<th>Gender Distribution – U.S.</th>
<th>Gender Distribution – Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>United States 158 Ghana 74 Morocco 8 Cameroon 7 Suriname 2 TOTAL 249</td>
<td>Local 91%</td>
<td>38% 62%</td>
<td>Female 52% Male 48%</td>
</tr>
</tbody>
</table>

### Health, Safety and Environment

#### Key Performance Indicators(5) – Global

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Recordable Injury Rate</td>
<td>2.47</td>
</tr>
<tr>
<td>Lost-Time Injury Frequency</td>
<td>1.23</td>
</tr>
<tr>
<td>Fatalities</td>
<td>0</td>
</tr>
<tr>
<td>Hydrocarbon or Non-Aqueous Drilling Fluid Spills</td>
<td>0</td>
</tr>
<tr>
<td>Fines/Penalties</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Offshore Air Emissions (tonnes) – Ghana

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Dioxide (CO₂)</td>
<td>40,607.9</td>
</tr>
<tr>
<td>Mono-Nitrogen Oxides (NOₓ)</td>
<td>1,088.4</td>
</tr>
<tr>
<td>Sulfur Dioxide (SO₂)</td>
<td>172.8</td>
</tr>
<tr>
<td>Methane (CH₄)</td>
<td>2.86</td>
</tr>
<tr>
<td>Non-Methane Volatile Organic Compounds (mmVOCs)</td>
<td>30.7</td>
</tr>
</tbody>
</table>

#### Total Amount of Oil Discharged – Ghana

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onshore</td>
<td>0</td>
</tr>
<tr>
<td>Offshore</td>
<td>0</td>
</tr>
<tr>
<td>Unspecified</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Waste (tonnes) – Ghana

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazardous</td>
<td>125.30</td>
</tr>
<tr>
<td>Non-Hazardous</td>
<td>156.52</td>
</tr>
<tr>
<td>Recycled/reused/treated</td>
<td>55%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>281.82</td>
</tr>
</tbody>
</table>

### Social Investments

#### 2012 Social Investment Spending(7)

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cameroon</td>
<td>$34,178</td>
</tr>
<tr>
<td>Ghana</td>
<td>373,418</td>
</tr>
<tr>
<td>Jubilee Partnership(8)</td>
<td>2,699,280</td>
</tr>
<tr>
<td>Morocco(9)</td>
<td>79,994</td>
</tr>
<tr>
<td>Suriname</td>
<td>45,940</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$3,232,810</td>
</tr>
</tbody>
</table>

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