

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-35167



Kosmos Energy Ltd.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0686001
(I.R.S. Employer
Identification No.)

Clarendon House
2 Church Street
Hamilton, Bermuda
(Address of principal executive offices)

HM 11
(Zip Code)

Registrant's telephone number, including area code: **+1 441 295 5950**

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 1, 2017
Common Shares, \$0.01 par value	389,355,364

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Unless otherwise stated in this report, references to “Kosmos,” “we,” “us” or “the company” refer to Kosmos Energy Ltd. and its subsidiaries. We have provided definitions for some of the industry terms used in this report in the “Glossary and Selected Abbreviations” beginning on page 3.

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KOSMOS ENERGY LTD.
GLOSSARY AND SELECTED ABBREVIATIONS

The following are abbreviations and definitions of certain terms that may be used in this report. Unless listed below, all defined terms under Rule 4-10(a) of Regulation S-X shall have their statutorily prescribed meanings.

“2D seismic data”	Two-dimensional seismic data, serving as interpretive data that allows a view of a vertical cross-section beneath a prospective area.
“3D seismic data”	Three-dimensional seismic data, serving as geophysical data that depicts the subsurface strata in three dimensions. 3D seismic data typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic data.
“API”	A specific gravity scale, expressed in degrees, that denotes the relative density of various petroleum liquids. The scale increases inversely with density. Thus lighter petroleum liquids will have a higher API than heavier ones.
“ASC”	Financial Accounting Standards Board Accounting Standards Codification.
“ASU”	Financial Accounting Standards Board Accounting Standards Update.
“Barrel” or “Bbl”	A standard measure of volume for petroleum corresponding to approximately 42 gallons at 60 degrees Fahrenheit.
“BBbl”	Billion barrels of oil.
“BBoe”	Billion barrels of oil equivalent.
“Bcf”	Billion cubic feet.
“Boe”	Barrels of oil equivalent. Volumes of natural gas converted to barrels of oil using a conversion factor of 6,000 cubic feet of natural gas to one barrel of oil.
“Boepd”	Barrels of oil equivalent per day.
“Bopd”	Barrels of oil per day.
“Bwpd”	Barrels of water per day.
“Debt cover ratio”	The “debt cover ratio” is broadly defined, for each applicable calculation date, as the ratio of (x) total long-term debt less cash and cash equivalents and restricted cash, to (y) the aggregate EBITDAX (see below) of the Company for the previous twelve months.
“Developed acreage”	The number of acres that are allocated or assignable to productive wells or wells capable of production.
“Development”	The phase in which an oil or natural gas field is brought into production by drilling development wells and installing appropriate production systems.

“Dry hole”	A well that has not encountered a hydrocarbon bearing reservoir expected to produce in commercial quantities.
“EBITDAX”	Net income (loss) plus (i) exploration expense, (ii) depletion, depreciation and amortization expense, (iii) equity-based compensation expense, (iv) unrealized (gain) loss on commodity derivatives (realized losses are deducted and realized gains are added back), (v) (gain) loss on sale of oil and gas properties, (vi) interest (income) expense, (vii) income taxes, (viii) loss on extinguishment of debt, (ix) doubtful accounts expense and (x) similar other material items which management believes affect the comparability of operating results.
“E&P”	Exploration and production.
“FASB”	Financial Accounting Standards Board.
“Farm-in”	An agreement whereby a party acquires a portion of the participating interest in a block from the owner of such interest, usually in return for cash and for taking on a portion of the drilling costs of one or more specific wells or other performance by the assignee as a condition of the assignment.
“Farm-out”	An agreement whereby the owner of the participating interest agrees to assign a portion of its participating interest in a block to another party for cash and/or for the assignee taking on a portion of the drilling costs of one or more specific wells and/or other work as a condition of the assignment.
“Field life cover ratio”	The “field life cover ratio” is broadly defined, for each applicable forecast period, as the ratio of (x) the forecasted net present value of net cash flow through depletion plus the net present value of the forecast of certain capital expenditures incurred in relation to the Ghana assets, to (y) the aggregate loan amounts outstanding under the Facility less the Resource Bridge, as applicable.
“FPSO”	Floating production, storage and offloading vessel.
“Interest cover ratio”	The “interest cover ratio” is broadly defined, for each applicable calculation date, as the ratio of (x) the aggregate EBITDAX (see above) of the Company for the previous twelve months, to (y) interest expense less interest income for the Company for the previous twelve months.
“Loan life cover ratio”	The “loan life cover ratio” is broadly defined, for each applicable forecast period, as the ratio of (x) net present value of forecasted net cash flow through the final maturity date of the Facility plus the net present value of forecasted capital expenditures incurred in relation to the Jubilee Field and certain other fields in Ghana, to (y) the aggregate loan amounts outstanding under the Facility less the Resource Bridge, as applicable.

“MBbl”	Thousand barrels of oil.
“Mcf”	Thousand cubic feet of natural gas.
“Mcfpd”	Thousand cubic feet per day of natural gas.
“MMBbl”	Million barrels of oil.
“MMBoe”	Million barrels of oil equivalent.
“MMcf”	Million cubic feet of natural gas.
“MMcfd”	Million cubic feet per day of natural gas.
“Natural gas liquid” or “NGL”	Components of natural gas that are separated from the gas state in the form of liquids. These include propane, butane, and ethane, among others.
“Petroleum contract”	A contract in which the owner of hydrocarbons gives an E&P company temporary and limited rights, including an exclusive option to explore for, develop, and produce hydrocarbons from the lease area.
“Petroleum system”	A petroleum system consists of organic material that has been buried at a sufficient depth to allow adequate temperature and pressure to expel hydrocarbons and cause the movement of oil and natural gas from the area in which it was formed to a reservoir rock where it can accumulate.
“Plan of development” or “PoD”	A written document outlining the steps to be undertaken to develop a field.
“Productive well”	An exploratory or development well found to be capable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.
“Prospect(s)”	A potential trap that may contain hydrocarbons and is supported by the necessary amount and quality of geologic and geophysical data to indicate a probability of oil and/or natural gas accumulation ready to be drilled. The five required elements (generation, migration, reservoir, seal and trap) must be present for a prospect to work and if any of these fail neither oil nor natural gas may be present, at least not in commercial volumes.
“Proved reserves”	Estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be economically recoverable in future years from known reservoirs under existing economic and operating conditions, as well as additional reserves expected to be obtained through confirmed improved recovery techniques, as defined in SEC Regulation S-X 4-10(a) (2).
“Proved developed reserves”	Those proved reserves that can be expected to be recovered through existing wells and facilities and by existing operating methods.
“Proved undeveloped reserves”	Those proved reserves that are expected to be recovered from future wells and facilities, including future improved recovery projects which are anticipated with a high degree of certainty in reservoirs which have previously shown favorable response to improved recovery projects.

<i>“Reconnaissance contract”</i>	A contract in which the owner of hydrocarbons gives an E&P company rights to perform evaluation of existing data or potentially acquire additional data but may not convey an exclusive option to explore for, develop, and/or produce hydrocarbons from the lease area.
<i>“Resource Bridge”</i>	Borrowing Base availability attributable to probable reserves and contingent resources from Jubilee Field Future Phases and potentially Mahogany, Teak and Akasa fields.
<i>“Shelf margin”</i>	The path created by the change in direction of the shoreline in reaction to the filling of a sedimentary basin.
<i>“Stratigraphy”</i>	The study of the composition, relative ages and distribution of layers of sedimentary rock.
<i>“Stratigraphic trap”</i>	A stratigraphic trap is formed from a change in the character of the rock rather than faulting or folding of the rock and oil is held in place by changes in the porosity and permeability of overlying rocks.
<i>“Structural trap”</i>	A topographic feature in the earth’s subsurface that forms a high point in the rock strata. This facilitates the accumulation of oil and natural gas in the strata.
<i>“Structural-stratigraphic trap”</i>	A structural-stratigraphic trap is a combination trap with structural and stratigraphic features.
<i>“Submarine fan”</i>	A fan-shaped deposit of sediments occurring in a deep water setting where sediments have been transported via mass flow, gravity induced, processes from the shallow to deep water. These systems commonly develop at the bottom of sedimentary basins or at the end of large rivers.
<i>“Three-way fault trap”</i>	A structural trap where at least one of the components of closure is formed by offset of rock layers across a fault.
<i>“Trap”</i>	A configuration of rocks suitable for containing hydrocarbons and sealed by a relatively impermeable formation through which hydrocarbons will not migrate.
<i>“Undeveloped acreage”</i>	Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of natural gas and oil regardless of whether such acreage contains discovered resources.

KOSMOS ENERGY LTD.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 164,162	\$ 194,057
Restricted cash	55,852	24,506
Receivables:		
Joint interest billings, net	75,373	63,249
Oil sales	51,726	54,195
Related party	6,446	—
Other	15,756	25,893
Inventories	74,275	74,380
Prepaid expenses and other	9,359	7,209
Derivatives	16,200	31,698
Total current assets	469,149	475,187
Property and equipment:		
Oil and gas properties, net	2,251,977	2,700,889
Other property, net	6,424	8,003
Property and equipment, net	2,258,401	2,708,892
Other assets:		
Equity method investment	122,664	—
Restricted cash	15,194	54,632
Long-term receivables - joint interest billings	47,525	45,663
Deferred financing costs, net of accumulated amortization of \$13,267 and \$11,213 at September 30, 2017 and December 31, 2016, respectively	3,194	5,248
Long-term deferred tax assets	34,546	37,827
Derivatives	2,412	3,808
Other	17,363	10,208
Total assets	\$ 2,970,448	\$ 3,341,465
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 100,302	\$ 220,627
Accrued liabilities	173,804	129,706
Derivatives	9,016	19,692
Total current liabilities	283,122	370,025
Long-term liabilities:		
Long-term debt, net	1,080,352	1,321,874
Derivatives	7,256	14,123
Asset retirement obligations	68,713	63,574
Deferred tax liabilities	511,891	482,221
Other long-term liabilities	9,871	8,449
Total long-term liabilities	1,678,083	1,890,241
Shareholders' equity:		
Preference shares, \$0.01 par value; 200,000,000 authorized shares; zero issued at September 30, 2017 and December 31, 2016	—	—
Common shares, \$0.01 par value; 2,000,000,000 authorized shares; 398,545,540 and 395,859,061 issued at September 30, 2017 and December 31, 2016, respectively	3,985	3,959
Additional paid-in capital	2,004,578	1,975,247
Accumulated deficit	(951,123)	(850,410)
Treasury stock, at cost, 9,188,819 and 9,101,395 shares at September 30, 2017 and December 31, 2016, respectively	(48,197)	(47,597)
Total shareholders' equity	1,009,243	1,081,199
Total liabilities and shareholders' equity	\$ 2,970,448	\$ 3,341,465

See accompanying notes.

KOSMOS ENERGY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Revenues and other income:				
Oil and gas revenue	\$ 151,240	\$ 46,628	\$ 391,035	\$ 154,259
Other income, net	2	20,001	58,697	20,179
Total revenues and other income	151,242	66,629	449,732	174,438
Costs and expenses:				
Oil and gas production	39,187	13,574	80,677	75,647
Facilities insurance modifications, net	(3,906)	5,946	(1,334)	5,946
Exploration expenses	36,983	66,238	162,679	126,498
General and administrative	20,029	21,914	50,555	59,672
Depletion and depreciation	73,490	17,838	180,909	66,031
Interest and other financing costs, net	18,478	11,066	54,729	30,268
Derivatives, net	26,864	(16,891)	(36,404)	33,752
Other expenses, net	5,037	(795)	14,233	13,768
Total costs and expenses	216,162	118,890	506,044	411,582
Loss before income taxes	(64,920)	(52,261)	(56,312)	(237,144)
Income tax expense (benefit)	(1,515)	7,502	44,401	(10,064)
Net loss	\$ (63,405)	\$ (59,763)	\$ (100,713)	\$ (227,080)
Net loss per share:				
Basic	\$ (0.16)	\$ (0.15)	\$ (0.26)	\$ (0.59)
Diluted	\$ (0.16)	\$ (0.15)	\$ (0.26)	\$ (0.59)
Weighted average number of shares used to compute net loss per share:				
Basic	389,058	386,026	388,114	385,130
Diluted	389,058	386,026	388,114	385,130

See accompanying notes.

KOSMOS ENERGY LTD.**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY****(In thousands)****(Unaudited)**

	<u>Common Shares</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Treasury</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u> <u>Capital</u>	<u>Deficit</u>	<u>Stock</u>	
Balance as of December 31, 2016	395,859	\$ 3,959	\$ 1,975,247	\$ (850,410)	\$ (47,597)	\$ 1,081,199
Equity-based compensation	—	—	30,873	—	—	30,873
Restricted stock awards and units	2,686	26	(26)	—	—	—
Purchase of treasury stock	—	—	(1,516)	—	(600)	(2,116)
Net loss	—	—	—	(100,713)	—	(100,713)
Balance as of September 30, 2017	<u>398,545</u>	<u>\$ 3,985</u>	<u>\$ 2,004,578</u>	<u>\$ (951,123)</u>	<u>\$ (48,197)</u>	<u>\$ 1,009,243</u>

See accompanying notes.

KOSMOS ENERGY LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2017	2016
Operating activities		
Net loss	\$ (100,713)	\$ (227,080)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depletion, depreciation and amortization	188,563	73,684
Deferred income taxes	32,820	(16,821)
Unsuccessful well costs	24,515	2,609
Change in fair value of derivatives	(25,924)	37,179
Cash settlements on derivatives, net (including \$36.4 million and \$146.5 million on commodity hedges during 2017 and 2016)	25,275	144,522
Equity-based compensation	29,945	30,391
Loss on equity method investment	11,230	—
Other	3,412	13,358
Changes in assets and liabilities:		
Decrease in receivables	3,232	29,833
(Increase) decrease in inventories	58	(12,066)
(Increase) decrease in prepaid expenses and other	(19,327)	15,164
Decrease in accounts payable	(120,325)	(122,142)
Increase (decrease) in accrued liabilities	41,651	(34,254)
Net cash provided by (used in) operating activities	94,412	(65,623)
Investing activities		
Oil and gas assets	(100,712)	(506,256)
Other property	(1,639)	(1,003)
Proceeds on sale of assets	222,068	210
Net cash provided by (used in) investing activities	119,717	(507,049)
Financing activities		
Borrowings under long-term debt	—	450,000
Payments on long-term debt	(250,000)	—
Purchase of treasury stock	(2,116)	(1,930)
Net cash provided by (used in) financing activities	(252,116)	448,070
Net decrease in cash, cash equivalents and restricted cash	(37,987)	(124,602)
Cash, cash equivalents and restricted cash at beginning of period	273,195	310,862
Cash, cash equivalents and restricted cash at end of period	\$ 235,208	\$ 186,260
Supplemental cash flow information		
Cash paid for:		
Interest	\$ 48,694	\$ 25,540
Income taxes	\$ 27,199	\$ 6,997
Non-cash activity:		
Conversion of joint interest billings receivable to long-term note receivable	\$ —	\$ 8,124
Contribution to equity method investment	\$ 133,893	\$ —

See accompanying notes.

KOSMOS ENERGY LTD.Notes to Consolidated Financial Statements
(Unaudited)**1. Organization**

Kosmos Energy Ltd. was incorporated pursuant to the laws of Bermuda in January 2011 to become a holding company for Kosmos Energy Holdings. Kosmos Energy Holdings is a privately held Cayman Islands company that was formed in March 2004. As a holding company, Kosmos Energy Ltd.'s management operations are conducted through a wholly owned subsidiary, Kosmos Energy, LLC. The terms "Kosmos," the "Company," "we," "us," "our," "ours," and similar terms refer to Kosmos Energy Ltd. and its wholly owned subsidiaries, unless the context indicates otherwise.

Kosmos is a leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margins. Our assets include existing production and development projects offshore Ghana, large discoveries and significant further hydrocarbon exploration potential offshore Mauritania and Senegal, as well as exploration licenses with significant hydrocarbon potential offshore Sao Tome and Principe, Suriname, Morocco and Western Sahara. Kosmos is listed on the New York Stock Exchange and London Stock Exchange and is traded under the ticker symbol KOS.

We have one reportable segment, which is the exploration and production of oil and natural gas. Substantially all of our long-lived assets and all of our product sales are currently related to production located offshore Ghana.

2. Accounting Policies**General**

The interim-period financial information presented in the consolidated financial statements included in this report is unaudited and, in the opinion of management, includes all adjustments of a normal recurring nature necessary to present fairly the consolidated financial position as of September 30, 2017, the changes in the consolidated statements of shareholders' equity for the nine months ended September 30, 2017, the consolidated results of operations for the three and nine months ended September 30, 2017 and 2016, and the consolidated cash flows for the nine months ended September 30, 2017 and 2016. The results of the interim periods shown in this report are not necessarily indicative of the final results to be expected for the full year. The consolidated financial statements were prepared in accordance with the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain notes or other financial information that are normally required by Generally Accepted Accounting Principles in the United States of America ("GAAP") have been condensed or omitted from these interim consolidated financial statements. These consolidated financial statements and the accompanying notes should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2016, included in our annual report on Form 10-K.

Investment in Corporate Joint Venture

Kosmos held a 50.01% interest in Kosmos BP Senegal Limited ("KBSL"), which we exercised significant influence over. Our investment in KBSL is accounted for under the equity method of accounting. In applying the equity method of accounting, our investment in KBSL was initially recorded at carryover basis of assets contributed and subsequently adjusted for the Company's proportionate share of earnings, losses and distributions. During the three and nine month periods ended September 30, 2017 we recognized \$4.8 million and \$11.2 million, respectively, related to our share of losses in KBSL. As of September 30, 2017, our investment in KBSL was \$122.7 million and is reported as an equity method investment in our consolidated balance sheets. We had related party receivables of \$6.4 million as of September 30, 2017, which relate to amounts due from KBSL for costs incurred by Kosmos on behalf of KBSL.

In October 2017, upon approval, KBSL transferred a 30% working interest in the Cayar offshore Profond and Saint Louis Offshore Profond blocks offshore Senegal to BP Senegal Investments Limited in exchange for their outstanding shares of KBSL. As a result, KBSL became a wholly-owned subsidiary of Kosmos, and will no longer be accounted for under the equity method of accounting. After the transfer, KBSL has a 30% working interest in the Cayar Offshore Profond and Saint Louis Offshore Profond blocks (the "Senegal Blocks") offshore Senegal.

Reclassifications

Certain prior period amounts have been reclassified to conform with the current presentation. Such reclassifications had no impact on our reported net income (loss), current assets, total assets, current liabilities, total liabilities, shareholders' equity or cash flows.

Cash, Cash Equivalents and Restricted Cash

	September 30, 2017	December 31, 2016
	(In thousands)	
Cash and cash equivalents	\$ 164,162	\$ 194,057
Restricted cash - current	55,852	24,506
Restricted cash - long-term	15,194	54,632
Total cash, cash equivalents and restricted cash	<u>\$ 235,208</u>	<u>\$ 273,195</u>

Cash and cash equivalents include demand deposits and funds invested in highly liquid instruments with original maturities of three months or less at the date of purchase.

In accordance with our commercial debt facility (the "Facility"), we are required to maintain a restricted cash balance that is sufficient to meet the payment of interest and fees for the next six-month period on the 7.875% Senior Secured Notes due 2021 ("Senior Notes") plus the Corporate Revolver or the Facility, whichever is greater. As of September 30, 2017 and December 31, 2016, we had \$24.7 million and \$24.5 million, respectively, in current restricted cash to meet this requirement.

In addition, in accordance with certain of our petroleum contracts, we have posted letters of credit related to performance guarantees for our minimum work obligations. These letters of credit are cash collateralized in accounts held by us and as such are classified as restricted cash. Upon completion of the minimum work obligations and/or entering into the next phase of the petroleum contract, the requirement to post the existing letters of credit will be satisfied and the cash collateral will be released. However, additional letters of credit may be required should we choose to move into the next phase of certain of our petroleum contracts. As of September 30, 2017 and December 31, 2016, we had \$31.1 million and zero, respectively, of current restricted cash and \$15.2 million and \$54.6 million, respectively, of long-term restricted cash used to collateralize performance guarantees related to our petroleum contracts.

Inventories

Inventories consisted of \$68.9 million and \$68.1 million of materials and supplies and \$5.4 million and \$6.3 million of hydrocarbons as of September 30, 2017 and December 31, 2016, respectively. The Company's materials and supplies inventory primarily consists of casing and wellheads and is stated at the lower of cost, using the weighted average cost method, or net realizable value. We recorded write downs of nil and \$15.2 million during the nine months ended September 30, 2017 and 2016, respectively, for materials and supplies inventories as other expenses, net in the consolidated statements of operations and other in the consolidated statements of cash flows.

Hydrocarbon inventory is carried at the lower of cost, using the weighted average cost method, or net realizable value. Hydrocarbon inventory costs include expenditures and other charges incurred in bringing the inventory to its existing condition. Selling expenses and general and administrative expenses are reported as period costs and excluded from inventory costs.

Recent Accounting Standards***Not Yet Adopted***

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which supersedes the revenue recognition requirements in ASC Topic 605, "Revenue Recognition," and most industry-specific guidance. ASU 2014-09 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB

ASC. The new guidance is effective for annual reporting periods beginning after December 15, 2017 for public companies. Early adoption is not permitted. Entities have the option of using either a full retrospective or modified retrospective approach to adopt ASU 2014-09. The Company completed its assessment of the new accounting standard and does not expect the adoption of this standard to have a material impact to our revenue recognition based on our existing contracts with customers. We will adopt the new standard during the first quarter of 2018 using the modified retrospective approach and there is no impact to our previously recorded revenue under the new standard.

3. Acquisitions and Divestitures

In December 2016, we announced transactions with affiliates of BP p.l.c. ("BP") in Mauritania and Senegal following a competitive farm-out process for our interests in our blocks offshore Mauritania and Senegal. The Mauritania and Senegal transactions closed in January 2017 and February 2017, respectively. In Mauritania, BP acquired a 62% participating interest in our four Mauritania licenses (C6, C8, C12 and C13). In Senegal, BP acquired a 49.99% interest in KBSL, our majority owned affiliate company which held a 60% participating interest in the Senegal Blocks. Previously we indicated that KBSL would hold a 65% participating interest upon the completion of our exercise in December 2016 of an option to increase our equity in each contract area by 5% in exchange for carrying Timis Corporation Limited's ("Timis") paying interest share of a third well in either contract area, subject to a maximum gross well cost of \$120.0 million. However, we agreed to withdraw the exercise of this call option upon completion of an agreement between BP and Timis by which BP acquired Timis' entire 30% participating interest in the Senegal Blocks. The transaction between BP and Timis was completed and KBSL's participating interest in these blocks remains at 60%. In consideration for these transactions, Kosmos received \$162 million in cash up front during the first quarter of 2017 and will receive a \$228 million exploration and appraisal carry (increased from \$221 million upon completion of the transfer of a 30% working interest to BP Senegal Investments Limited), up to \$533 million in a development carry and variable consideration up to \$2 per barrel for up to 1 billion barrels of liquids, structured as a production royalty, subject to future liquids discoveries and prevailing oil prices. The effective date of these transactions was July 1, 2016, with BP paying interim costs from the effective date to the closing dates. We reduced our unproved property balance by \$221.9 million for the consideration received as a result of these transactions including the upfront cash and interim costs from the transaction date to the effective date.

In November 2015, we entered into a line of credit agreement with Timis, whereby Timis had the right to draw up to \$30.0 million on the line of credit to offset its joint interest billings arising from costs under the Senegal Blocks petroleum agreements. The line of credit agreement was terminated in April 2017 when Timis entered into an agreement with BP to acquire Timis' 30% participating interest in the Senegal Blocks. As a result of the termination of this credit agreement, Kosmos received \$16 million in August 2017 representing payment in full of outstanding amounts drawn on the line of credit.

In September 2017, we closed a farm-in agreement with Tullow Mauritania Limited, a subsidiary of Tullow Oil plc ("Tullow"), to acquire a 15% non-operated participating interest in Block C18 offshore Mauritania. Based on the terms of the agreement, we will reimburse a portion of past and interim period costs and partially carry future costs.

In October 2017, we entered into an agreement to acquire all of the equity interest of Hess International Petroleum Inc., a subsidiary of Hess Corporation ("Hess"), which holds an 85% paying interest (80.75% revenue interest) in the Ceiba Field and Okume Complex assets, through a joint venture with an affiliate of Trident Energy ("Trident"). Under the terms of the agreement, Kosmos and Trident will each own 50% of Hess International Petroleum Inc. Kosmos will be primarily responsible for exploration and subsurface evaluation while Trident will primarily be responsible for production operations and optimization. The transaction expands our position in the Gulf of Guinea and provides immediate cash flow through existing production with potential to increase existing production and also provides step-out exploration opportunities with potential tie-back through existing infrastructure. The gross acquisition price is \$650 million effective as of January 1, 2017. Kosmos is expected to pay net cash consideration of approximately \$240 million at close, subject to post-closing adjustments, with a combination of cash on hand and availability under the Facility. The transaction is expected to close by year end, subject to customary closing conditions, and will be accounted for as an equity method investment.

In October 2017, we also entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea. Ratification of the petroleum contracts by the President of Equatorial Guinea is expected by the end of the year. We presently have an 80% interest and are the operator in all three blocks, but pursuant to an agreement with Trident we expect to assign a 40% interest in the blocks to an affiliate of Trident after completion of the Hess transaction. The Equatorial Guinean national oil company, Guinea Equatorial De Petroleos ("GEPetrol"), currently has a 20% carried participating interest during the exploration period. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the date of notification of ratification by the President of Equatorial Guinea. The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work program includes a 6,000 square kilometer 3D seismic acquisition requirement across the three blocks. Upon closing of the Hess transaction and the assignment

of a 40% interest to the Trident affiliate noted above, interests in these three blocks will be 40% Kosmos, 40% Trident and 20% GEPetrol.

4. Joint Interest Billings

The Company's joint interest billings consist of receivables from partners with interests in common oil and gas properties operated by the Company. Joint interest billings are classified on the face of the consolidated balance sheets as current and long-term receivables based on when collection is expected to occur.

In 2014, the Ghana National Petroleum Corporation ("GNPC") notified us and our block partners of its request for the contractor group to pay GNPC's 5% share of the Tweneboa, Enyenra and Ntomme ("TEN") development costs. The block partners will be reimbursed for such costs plus interest out of a portion of GNPC's TEN production revenues under the terms of the Deepwater Tano ("DT") petroleum contract. As of September 30, 2017 and December 31, 2016, the joint interest billing receivables due from GNPC for the TEN development costs were \$1.6 million and zero, respectively, which are classified as current and \$47.5 million and \$44.0 million, respectively, which are classified as long-term on the consolidated balance sheets.

5. Property and Equipment

Property and equipment is stated at cost and consisted of the following:

	September 30, 2017	December 31, 2016
(In thousands)		
Oil and gas properties:		
Proved properties	\$ 1,371,641	\$ 1,385,331
Unproved properties	651,921	919,056
Support equipment and facilities	1,391,613	1,386,448
Total oil and gas properties	3,415,175	3,690,835
Accumulated depletion	(1,163,198)	(989,946)
Oil and gas properties, net	2,251,977	2,700,889
Other property	38,124	37,186
Accumulated depreciation	(31,700)	(29,183)
Other property, net	6,424	8,003
Property and equipment, net	<u>\$ 2,258,401</u>	<u>\$ 2,708,892</u>

We recorded depletion expense of \$70.9 million and \$15.6 million for the three months ended September 30, 2017 and 2016, respectively, and \$173.3 million and \$59.6 million for the nine months ended September 30, 2017 and 2016, respectively.

6. Suspended Well Costs

The following table reflects the Company's capitalized exploratory well costs on completed wells as of and during the nine months ended September 30, 2017. The table excludes \$24.5 million in costs that were capitalized and subsequently expensed during the same period.

	September 30, 2017
	(In thousands)
Beginning balance	\$ 734,463
Additions to capitalized exploratory well costs pending the determination of proved reserves	67,543
Reclassification due to determination of proved reserves	—
Divestitures(1)	(206,400)
Contribution of oil and gas property to equity method investment	(131,764)
Capitalized exploratory well costs charged to expense	—
Ending balance	\$ 463,842

(1) Represents the reduction in basis of suspended well costs associated with the Mauritania and Senegal transactions with BP.

The following table provides an aging of capitalized exploratory well costs based on the date drilling was completed and the number of projects for which exploratory well costs have been capitalized for more than one year since the completion of drilling:

	September 30, 2017	December 31, 2016
	(In thousands, except well counts)	
Exploratory well costs capitalized for a period of one year or less	\$ 65,606	\$ 279,809
Exploratory well costs capitalized for a period of one to two years	184,486	244,804
Exploratory well costs capitalized for a period of three to eight years	213,750	209,850
Ending balance	\$ 463,842	\$ 734,463
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	6	5

As of September 30, 2017, the projects with exploratory well costs capitalized for more than one year since the completion of drilling are related to the Mahogany, Teak (formerly Teak-1 and Teak-2) and Akasa discoveries in the West Cape Three Points ("WCTP") Block and the Wawa discovery in the DT Block, which are all located offshore Ghana, the Greater Tortue discovery which crosses the Mauritania and Senegal maritime border, the BirAllah discovery (formerly known as the Marsouin discovery) in Block C8 offshore Mauritania and the Teranga discovery in the Cayar Offshore Profond block offshore Senegal.

Mahogany and Teak Discoveries — In October 2017, the Jubilee Unit was expanded to include the Mahogany and Teak discoveries. As part of the expansion of the Jubilee Unit, the capitalized exploratory well costs will be moved to proved property in the fourth quarter of 2017.

Akasa Discovery — We are currently in discussions with the government of Ghana regarding additional technical studies and evaluation that we want to conduct before we are able to make a determination regarding commerciality of the discovery. If we determine the discovery to be commercial, a declaration of commerciality would be provided and a PoD would be prepared and submitted to Ghana's Ministry of Energy, as required under the WCTP petroleum contract. The WCTP Block partners have agreed they will take the steps necessary to transfer operatorship of the remaining portions of the WCTP Block, including the Akasa Discovery, to Tullow after approval of the GJFFDP by Ghana's Ministry of Energy.

Wawa Discovery — In February 2016, we requested the Ghana Ministry of Energy to approve the enlargement of the areal extent of the TEN fields and production area to capture the resource accumulation located in the Wawa Discovery Area for a potential future integrated development with the TEN fields. In April 2016, the Ghana Ministry of Energy approved our request to enlarge the TEN development and production area subject to continued subsurface and development concept evaluation, along

with the requirement to integrate the Wawa Discovery into the TEN PoD. We are currently in discussions with the Ministry of Energy with respect to conducting further subsurface and development concept evaluation.

Greater Tortue Discovery — In May 2015, we completed the Tortue-1 exploration well in Block C8 offshore Mauritania which encountered hydrocarbon pay. Two additional wells have been drilled in the Greater Tortue Discovery area, Ahmeyim-2 in Mauritania and Guembeul-1 in Senegal. We completed a drill stem test on the Tortue-1 well in August 2017, which confirmed the production capabilities of the Greater Tortue Discovery. Data acquired from the drill stem test will be used to further optimize field development and to refine process design parameters critical to the Front End Engineering Design (FEED) process. Following additional technical and commercial evaluation, a decision regarding commerciality will be made.

BirAllah Discovery — In November 2015, we completed the Marsouin-1 exploration well (renamed BirAllah) in the northern part of Block C8 offshore Mauritania which encountered hydrocarbon pay. Following additional evaluation, a decision regarding commerciality will be made.

Teranga Discovery — In May 2016, we completed the Teranga-1 exploration well in the Cayar Offshore Profond block offshore Senegal which encountered hydrocarbon pay. Following additional evaluation, a decision regarding commerciality will be made.

7. Debt

	September 30, 2017	December 31, 2016
	(In thousands)	
Outstanding debt principal balances:		
Facility	\$ 600,000	\$ 850,000
Senior Notes	525,000	525,000
Total	1,125,000	1,375,000
Unamortized deferred financing costs and discounts(1)	(44,648)	(53,126)
Long-term debt, net	\$ 1,080,352	\$ 1,321,874

(1) Includes \$25.0 million and \$30.3 million of unamortized deferred financing costs related to the Facility and \$19.6 million and \$22.8 million of unamortized deferred financing costs and discounts related to the Senior Notes as of September 30, 2017 and December 31, 2016, respectively.

Facility

In March 2014, the Company amended and restated the Facility with a total commitment of \$1.5 billion from a number of financial institutions. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities.

In August 2017, following the lender's waiver of the September 30, 2017 semi-annual redetermination, the borrowing base under our Facility will remain at \$1.3 billion. The borrowing base calculation includes value related to the Jubilee and TEN fields. As of September 30, 2017, borrowings under the Facility totaled \$600.0 million and the undrawn availability under the Facility was \$700.8 million.

The Facility provides a revolving-credit and letter of credit facility. The availability period for the revolving-credit facility, as amended in March 2014, expires on March 31, 2018, however, the Facility has a revolving-credit sublimit, which will be the lesser of \$500.0 million and the total available facility at that time, that will be available for drawing until the date falling one month prior to the final maturity date. The letter of credit facility expires on the final maturity date. The available facility amount is subject to borrowing base constraints and, beginning on March 31, 2018, outstanding borrowings will be constrained by an amortization schedule. The Facility has a final maturity date of March 31, 2021. As of September 30, 2017, we had no letters of credit issued under the Facility.

We were in compliance with the financial covenants contained in the Facility as of September 30, 2017 (the most recent assessment date). The Facility contains customary cross default provisions.

Corporate Revolver

In June 2015, we amended and restated the Corporate Revolver from a number of financial institutions, increasing the borrowing capacity to \$400.0 million, extending the maturity date to November 2018 and lowering the commitment fees on the undrawn portion of the total commitments to 30% per annum of the respective margin. The Corporate Revolver is available for all subsidiaries for general corporate purposes and for oil and gas exploration, appraisal and development programs. As of September 30, 2017, we have \$3.2 million of net deferred financing costs related to the Corporate Revolver, which will be amortized over the remaining term. These deferred financing costs are included in the Other assets section of the consolidated balance sheets.

As of September 30, 2017, there were no borrowings outstanding under the Corporate Revolver and the undrawn availability under the Corporate Revolver was \$400.0 million. We were in compliance with the financial covenants contained in the Corporate Revolver as of September 30, 2017 (the most recent assessment date). The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

In July 2016, we amended and restated the revolving letter of credit facility agreement (“LC Facility”), extending the maturity date to July 2019. During the first quarter of 2017, the LC Facility size was increased to \$115.0 million. In April 2017, we reduced the size of our LC Facility to \$70 million. As of September 30, 2017, there were eight outstanding letters of credit totaling \$60.3 million under the LC Facility. The LC Facility contains customary cross default provisions.

7.875% Senior Secured Notes due 2021

During August 2014, the Company issued \$300.0 million of Senior Notes and received net proceeds of approximately \$292.5 million after deducting discounts, commissions and deferred financing costs. The Company used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes.

During April 2015, we issued an additional \$225.0 million of Senior Notes and received net proceeds of \$206.8 million after deducting discounts, commissions and other expenses. We used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes. The additional \$225.0 million of Senior Notes have identical terms to the initial \$300.0 million of Senior Notes, other than the date of issue, the initial price, the first interest payment date and the first date from which interest accrued.

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the initial \$300.0 million Senior Notes and August 1, 2015 for the additional \$225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries.

At September 30, 2017, the estimated repayments of debt during the five fiscal year periods and thereafter are as follows:

	Payments Due by Year						Thereafter
	Total	2017(2)	2018	2019	2020	2021	
	(In thousands)						
Principal debt repayments(1)	\$ 1,125,000	\$ —	\$ —	\$ 377	\$ 404,971	\$ 719,652	\$ —

(1) Includes the scheduled principal maturities for the \$525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on, as of September 30, 2017, our level of borrowings and our estimated future available borrowing base commitment levels in future periods. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of September 30, 2017, there were no borrowings under the Corporate Revolver.

(2) Represents payments for the period October 1, 2017 through December 31, 2017.

Interest and other financing costs, net

Interest and other financing costs, net incurred during the periods is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Interest expense	\$ 22,961	\$ 23,057	\$ 68,934	\$ 65,829
Amortization—deferred financing costs	2,551	2,551	7,653	7,653
Capitalized interest	(8,563)	(15,545)	(25,498)	(49,575)
Deferred interest	662	663	1,610	406
Interest income	(745)	(485)	(2,485)	(1,319)
Other, net	1,612	825	4,515	7,274
Interest and other financing costs, net	<u>\$ 18,478</u>	<u>\$ 11,066</u>	<u>\$ 54,729</u>	<u>\$ 30,268</u>

8. Derivative Financial Instruments

We use financial derivative contracts to manage exposures to commodity price and interest rate fluctuations. We do not hold or issue derivative financial instruments for trading purposes.

We manage market and counterparty credit risk in accordance with our policies and guidelines. In accordance with these policies and guidelines, our management determines the appropriate timing and extent of derivative transactions. We have included an estimate of non-performance risk in the fair value measurement of our derivative contracts as required by ASC 820 — Fair Value Measurements and Disclosures.

Oil Derivative Contracts

The following table sets forth the volumes in barrels underlying the Company's outstanding oil derivative contracts and the weighted average Dated Brent prices per Bbl for those contracts as of September 30, 2017. Volumes and weighted average prices are net of any offsetting derivative contracts entered into.

Term	Type of Contract	MBbl	Weighted Average Dated Brent Price per Bbl						
			Deferred Premium Payable, Net	Swap	Sold Put	Floor	Ceiling	Call	
2017:									
October — December	Swap with puts/calls	503	\$ 2.13	\$ 72.50	\$ 55.00	\$ —	\$ —	\$ —	\$ 90.00
October — December	Swap with puts	503	—	64.95	50.00	—	—	—	—
October — December	Three-way collars	1,006	1.72	—	30.00	45.00	60.00	—	—
October — December	Sold calls(1)	500	—	—	—	—	85.00	—	—
2018:									
January — December	Swap with puts	2,000	\$ —	\$ 54.32	\$ 40.00	\$ —	\$ —	\$ —	\$ —
January — December	Three-way collars	2,913	0.74	—	41.57	56.57	65.90	—	—
January — December	Four-way collars	3,000	1.06	—	40.00	50.00	61.33	70.00	—
January — December	Sold calls(1)	2,000	—	—	—	—	65.00	—	—
2019:									
January — December	Three-way collars	4,500	\$ 0.26	\$ —	\$ 40.00	\$ 50.00	\$ 62.78	\$ —	\$ —
January — December	Sold calls(1)	913	—	—	—	—	80.00	—	—

(1) Represents call option contracts sold to counterparties to enhance other derivative positions.

In October 2017, we entered into costless swap contracts for 1.0 MMBbl from January 2018 through June 2018 with a fixed price of \$57.25 per barrel, and costless swaps and sold put contracts for 2.0 MMBbl from July 2018 through December 2

018 with a weighted average fixed price of \$57.96 per barrel and a weighted average sold put price of \$45.00 per barrel. The contracts are indexed to Dated Brent prices.

Interest Rate Derivative Contracts

The following table summarizes our capped interest rate swaps whereby we pay a fixed rate of interest if LIBOR is below the cap, and pay the market rate less the spread between the cap (sold call) and the fixed rate of interest if LIBOR is above the cap as of September 30, 2017:

Term	Type of Contract	Floating Rate	Weighted Average		
			Notional	Swap	Sold Call
(In thousands)					
October 2017 — December 2018	Capped swap	1-month LIBOR	\$ 200,000	1.23%	3.00%

The following tables disclose the Company's derivative instruments as of September 30, 2017 and December 31, 2016 and gain/(loss) from derivatives during the three and nine months ended September 30, 2017 and 2016, respectively:

Type of Contract	Balance Sheet Location	Estimated Fair Value	
		September 30, 2017	December 31, 2016
(In thousands)			
Derivatives not designated as hedging instruments:			
Derivative assets:			
Commodity(1)	Derivatives assets—current	\$ 15,811	\$ 31,698
Interest rate	Derivatives assets—current	389	—
Commodity(2)	Derivatives assets—long-term	2,107	3,226
Interest rate	Derivatives assets—long-term	305	582
Derivative liabilities:			
Commodity(3)	Derivatives liabilities—current	(9,016)	(19,163)
Interest rate	Derivatives liabilities—current	—	(529)
Commodity(4)	Derivatives liabilities—long-term	(7,256)	(14,123)
Total derivatives not designated as hedging instruments		\$ 2,340	\$ 1,691

- (1) Includes net deferred premiums payable of \$2.0 million and \$3.9 million related to commodity derivative contracts as of September 30, 2017 and December 31, 2016, respectively.
- (2) Includes net deferred premiums payable of \$0.7 million and \$2.5 million related to commodity derivative contracts as of September 30, 2017 and December 31, 2016, respectively.
- (3) Includes zero and \$30.9 thousand as of September 30, 2017 and December 31, 2016, respectively, which represents our provisional oil sales contract. Also includes net deferred premiums payable of \$4.4 million and \$6.2 million related to commodity derivative contracts as of September 30, 2017 and December 31, 2016, respectively.
- (4) Includes net deferred premiums payable of \$2.1 million and \$0.6 million related to commodity derivative contracts as of September 30, 2017 and December 31, 2016, respectively.

Type of Contract	Location of Gain/(Loss)	Amount of Gain/(Loss)		Amount of Gain/(Loss)	
		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2017	2016	2017	2016
(In thousands)					
Derivatives not designated as hedging instruments:					
Commodity(1)	Oil and gas revenue	\$ (6,221)	\$ 344	\$ (10,781)	\$ (712)
Commodity	Derivatives, net	(26,864)	16,891	36,404	(33,752)
Interest rate	Interest expense	64	760	301	(2,715)
Total derivatives not designated as hedging instruments		\$ (33,021)	\$ 17,995	\$ 25,924	\$ (37,179)

(1) Amounts represent the change in fair value of our provisional oil sales contracts.

Offsetting of Derivative Assets and Derivative Liabilities

Our derivative instruments which are subject to master netting arrangements with our counterparties only have the right of offset when there is an event of default. As of September 30, 2017 and December 31, 2016, there was not an event of default and, therefore, the associated gross asset or gross liability amounts related to these arrangements are presented on the consolidated balance sheets.

9. Fair Value Measurements

In accordance with ASC Topic 820 — Fair Value Measurements and Disclosures, fair value measurements are based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources, whereas unobservable inputs reflect a company's own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. We prioritize the inputs used in measuring fair value into the following fair value hierarchy:

- Level 1 — quoted prices for identical assets or liabilities in active markets.
- Level 2 — quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 — unobservable inputs for the asset or liability. The fair value input hierarchy level to which an asset or liability measurement in its entirety falls is determined based on the lowest level input that is significant to the measurement in its entirety.

The following tables present the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016, for each fair value hierarchy level:

	Fair Value Measurements Using:				Total	
	Quoted Prices in	Significant Other		Significant		
	Active Markets for	Observable Inputs		Unobservable Inputs		
	Identical Assets	(Level 2)		(Level 3)		
	(Level 1)					
(In thousands)						
September 30, 2017						
Assets:						
Commodity derivatives	\$	—	\$	17,918	\$	17,918
Interest rate derivatives		—		694		694
Liabilities:						
Commodity derivatives		—		(16,272)		(16,272)
Interest rate derivatives		—		—		—
Total	\$	—	\$	2,340	\$	2,340
December 31, 2016						
Assets:						
Commodity derivatives	\$	—	\$	34,924	\$	34,924
Interest rate derivatives		—		582		582
Liabilities:						
Commodity derivatives		—		(33,286)		(33,286)
Interest rate derivatives		—		(529)		(529)
Total	\$	—	\$	1,691	\$	1,691

The book values of cash and cash equivalents and restricted cash approximate fair value based on Level 1 inputs. Joint interest billings, oil sales and other receivables, and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. Our long-term receivables, after any allowances for doubtful accounts, and other long-term assets approximate fair value. The estimates of fair value of these items are based on Level 2 inputs.

Commodity Derivatives

Our commodity derivatives represent crude oil four-way collars, three-way collars, put options, call options and swaps for notional barrels of oil at fixed Dated Brent oil prices. The values attributable to our oil derivatives are based on (i) the contracted notional volumes, (ii) independent active futures price quotes for Dated Brent, (iii) a credit-adjusted yield curve applicable to each counterparty by reference to the credit default swap ("CDS") market and (iv) an independently sourced estimate of volatility for Dated Brent. The volatility estimate was provided by certain independent brokers who are active in buying and selling oil options and was corroborated by market-quoted volatility factors. The deferred premium is included in the fair market value of the commodity derivatives. See Note 8 — Derivative Financial Instruments for additional information regarding the Company's derivative instruments.

Provisional Oil Sales

The value attributable to the provisional oil sales derivative is based on (i) the sales volumes and (ii) the difference in the independent active futures price quotes for Dated Brent over the term of the pricing period designated in the sales contract and the spot price on the lifting date.

Interest Rate Derivatives

We enter into interest rate swaps, whereby the Company pays a fixed rate of interest and the counterparty pays a variable LIBOR-based rate. We also enter into capped interest rate swaps, whereby the Company pays a fixed rate of interest if LIBOR is

below the cap, and pays the market rate less the spread between the cap and the fixed rate of interest if LIBOR is above the cap. The values attributable to the Company's interest rate derivative contracts are based on (i) the contracted notional amounts, (ii) LIBOR yield curves provided by independent third parties and corroborated with forward active market-quoted LIBOR yield curves and (iii) a credit-adjusted yield curve as applicable to each counterparty by reference to the CDS market.

Debt

The following table presents the carrying values and fair values at September 30, 2017 and December 31, 2016:

	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In thousands)				
Senior Notes	\$ 506,594	\$ 545,874	\$ 503,716	\$ 528,938
Facility	600,000	600,000	850,000	850,000
Total	\$ 1,106,594	\$ 1,145,874	\$ 1,353,716	\$ 1,378,938

The carrying value of our Senior Notes represents the principal amounts outstanding less unamortized discounts. The fair value of our Senior Notes is based on quoted market prices, which results in a Level 1 fair value measurement. The carrying value of the Facility approximates fair value since it is subject to short-term floating interest rates that approximate the rates available to us for those periods.

10. Equity-based Compensation

Restricted Stock Awards and Restricted Stock Units

We record equity-based compensation expense equal to the fair value of share-based payments over the vesting periods of the Long-Term Incentive Plan ("LTIP") awards. We recorded compensation expense from awards granted under our LTIP of \$9.6 million and \$9.2 million during the three months ended September 30, 2017 and 2016, respectively, and \$29.9 million and \$30.4 million during the nine months ended September 30, 2017 and 2016, respectively. The total tax benefit for the three months ended September 30, 2017 and 2016 was \$3.2 million and \$3.0 million, respectively, and \$9.9 million and \$9.9 million during the nine months ended September 30, 2017 and 2016, respectively. Additionally, we recorded a net tax shortfall related to equity-based compensation of \$0.2 million and \$1.0 million for the three months ended September 30, 2017 and 2016, respectively, and \$3.1 million and \$5.3 million during the nine months ended September 30, 2017 and 2016, respectively. The fair value of awards vested during the three months ended September 30, 2017 and 2016 was approximately \$1.4 million and \$2.4 million, respectively, and \$20.7 million and \$13.4 million during the nine months ended September 30, 2017 and 2016, respectively. The Company granted both restricted stock awards and restricted stock units with service vesting criteria and granted both restricted stock awards and restricted stock units with a combination of market and service vesting criteria under the LTIP. Substantially all these awards vest over three or four year periods. Restricted stock awards are issued and included in the number of outstanding shares upon the date of grant and, if such awards are forfeited, they become treasury stock. Upon vesting, restricted stock units become issued and outstanding stock.

The following table reflects the outstanding restricted stock awards as of September 30, 2017:

	Service Vesting Restricted Stock Awards	Weighted- Average Grant-Date Fair Value
(In thousands)		
Outstanding at December 31, 2016	488	\$ 8.83
Granted	—	—
Forfeited	—	—
Vested	(268)	8.97
Outstanding at September 30, 2017	220	8.64

The following table reflects the outstanding restricted stock units as of September 30, 2017:

	Service Vesting Restricted Stock Units (In thousands)	Weighted- Average Grant-Date Fair Value	Market / Service Vesting Restricted Stock Units (In thousands)	Weighted- Average Grant-Date Fair Value
Outstanding at December 31, 2016	4,160	\$ 6.91	7,194	\$ 12.29
Granted	2,063	6.41	2,170	9.50
Forfeited	(123)	7.03	(27)	7.76
Vested	(1,864)	7.50	(894)	15.44
Outstanding at September 30, 2017	<u>4,236</u>	<u>6.40</u>	<u>8,443</u>	<u>11.26</u>

As of September 30, 2017, total equity-based compensation to be recognized on unvested restricted stock awards and restricted stock units is \$33.5 million over a weighted average period of 1.48 years. At September 30, 2017, the Company had approximately 3.4 million shares that remain available for issuance under the LTIP.

For restricted stock awards and restricted stock units with a combination of market and service vesting criteria, the number of common shares to be issued is determined by comparing the Company's total shareholder return with the total shareholder return of a predetermined group of peer companies over the performance period and can vest in up to 100% of the awards granted for restricted stock awards and up to 200% of the awards granted for restricted stock units. The grant date fair value was \$9.45 per award for restricted stock awards and ranged from \$4.83 to \$15.81 per award for restricted stock units. The Monte Carlo simulation model utilizes multiple input variables that determine the probability of satisfying the market condition stipulated in the award grant and calculates the fair value of the award. The expected volatility utilized in the model was estimated using our historical volatility and the historical volatilities of our peer companies and was 55.0% for the restricted stock awards and ranged from 44.0% to 54.0% for restricted stock units. The risk-free interest rate was based on the U.S. treasury rate for a term commensurate with the expected life of the grant and was 0.5% for restricted stock awards and ranged from 0.5% to 1.4% for restricted stock units.

11. Income Taxes

We evaluate our estimated annual effective income tax rate based on current and forecasted business results and enacted tax laws on a quarterly basis and apply this tax rate to our ordinary income or loss to calculate our estimated tax expense or benefit. The Company excludes zero tax rate and tax exempt jurisdictions from our evaluation of the estimated annual effective income tax rate. The tax effect of discrete items are recognized in the period in which they occur at the applicable statutory tax rate.

The income tax provision consists of United States and Ghanaian income and Texas margin taxes. Our operations in other foreign jurisdictions have a 0% effective tax rate because they reside in countries with a 0% statutory rate or we have incurred losses in those countries and have full valuation allowances against the corresponding net deferred tax assets.

Income (loss) before income taxes is composed of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Bermuda	\$ (17,740)	\$ (15,989)	\$ (50,680)	\$ (47,212)
United States	1,437	1,132	4,231	5,447
Foreign—other	(48,617)	(37,404)	(9,863)	(195,379)
Income (loss) before income taxes	<u>\$ (64,920)</u>	<u>\$ (52,261)</u>	<u>\$ (56,312)</u>	<u>\$ (237,144)</u>

Our effective tax rate for the three months ended September 30, 2017 and 2016 is 2% and 14%, respectively. For the nine months ended, September 30, 2017 and 2016, our effective tax rate was 79% and 4%, respectively. The effective tax rate is impacted by the effect of equity-based compensation tax shortfalls and windfalls equal to the difference between the income tax benefit recognized for financial statement purposes and the income tax benefit realized for tax return purposes and by non-deductible

expenditures associated with the damage to the turret bearing, due to the expected recovery from insurance proceeds. Any such insurance recoveries would not be subject to income tax.

The Company files income tax returns in all jurisdictions where such requirements exist, however, our primary tax jurisdictions are Ghana and the United States. The Company is open to Ghanaian federal income tax examinations for tax years 2014 through 2016 and in the United States, to federal income tax examinations for tax years 2013 through 2016.

As of September 30, 2017, the Company had no material uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to income tax matters in income tax expense.

12. Net Loss Per Share

The following table is a reconciliation between net loss and the amounts used to compute basic and diluted net loss per share and the weighted average shares outstanding used to compute basic and diluted net loss per share:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Numerator:				
Net loss	\$ (63,405)	\$ (59,763)	\$ (100,713)	\$ (227,080)
Basic income allocable to participating securities(1)	—	—	—	—
Basic net loss allocable to common shareholders	(63,405)	(59,763)	(100,713)	(227,080)
Diluted adjustments to income allocable to participating securities(1)	—	—	—	—
Diluted net loss allocable to common shareholders	\$ (63,405)	\$ (59,763)	\$ (100,713)	\$ (227,080)
Denominator:				
Weighted average number of shares outstanding:				
Basic	389,058	386,026	388,114	385,130
Restricted stock awards and units(1)(2)	—	—	—	—
Diluted	389,058	386,026	388,114	385,130
Net loss per share:				
Basic	\$ (0.16)	\$ (0.15)	\$ (0.26)	\$ (0.59)
Diluted	\$ (0.16)	\$ (0.15)	\$ (0.26)	\$ (0.59)

(1) Our service vesting restricted stock awards represent participating securities because they participate in non-forfeitable dividends with common equity owners. Income allocable to participating securities represents the distributed and undistributed earnings attributable to the participating securities. Our restricted stock awards with market and service vesting criteria and all restricted stock units are not considered to be participating securities and, therefore, are excluded from the basic net loss per common share calculation. Our service vesting restricted stock awards do not participate in undistributed net losses because they are not contractually obligated to do so and, therefore, are excluded from the basic net loss per common share calculation in periods we are in a net loss position.

(2) We excluded outstanding restricted stock awards and units of 12.9 million and 12.0 million for the three and nine months ended September 30, 2017 and 2016, respectively, from the computations of diluted net loss per share because the effect would have been anti-dilutive.

13. Commitments and Contingencies

From time to time, we are involved in litigation, regulatory examinations and administrative proceedings primarily arising in the ordinary course of our business in jurisdictions in which we do business. Although the outcome of these matters cannot be predicted with certainty, management believes none of these matters, either individually or in the aggregate, would have a material effect upon the Company's financial position; however, an unfavorable outcome could have a material adverse effect on our results from operations for a specific interim period or year.

We currently have a commitment to drill two exploration wells in Mauritania. In Mauritania, our partner is obligated to fund our share of the cost of the exploration wells, subject to their maximum \$228 million cumulative exploration and appraisal carry covering both our Mauritania and Senegal blocks. In Equatorial Guinea, Mauritania and Western Sahara, we have 3D seismic requirements of 6,000 square kilometers, 7,600 square kilometers and 5,000 square kilometers, respectively. Additionally, in Morocco certain geological studies are also required. The Equatorial Guinea block commitments are subject to ratification by the President of Equatorial Guinea.

In January 2017, Kosmos Energy Ventures (“KEV”), a subsidiary of Kosmos Energy Ltd., elected to cancel the fourth year option of the ENSCO DS-12 (formerly the Atwood Achiever) drilling rig contract and revert to the original day rate of approximately \$0.6 million per day and original agreement end date of November 2017. During the first quarter of 2017, KEV made a rate recovery payment of \$48.1 million representing the difference between the original day rate and the amended day rate multiplied by the number of days from the amendment effective date to the date the election was exercised plus certain administrative costs which was recorded as exploration expense.

Future minimum rental commitments under our leases at September 30, 2017, are as follows:

	Payments Due By Year(1)						
	Total	2017(2)	2018	2019	2020	2021	Thereafter
	(In thousands)						
Operating leases(3)	\$ 9,910	\$ 1,158	\$ 4,736	\$ 3,951	\$ 65	\$ —	\$ —
ENSCO DS-12 drilling rig contract	25,585	25,585	—	—	—	—	—

(1) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator and excludes commitments for exploration activities, including well commitments, in our petroleum contracts.

(2) Represents payments for the period from October 1, 2017 through December 31, 2017.

(3) Primarily relates to corporate office and foreign office leases.

14. Additional Financial Information

Accrued Liabilities

Accrued liabilities consisted of the following:

	September 30, 2017	December 31, 2016
	(In thousands)	
Accrued liabilities:		
Exploration, development and production	\$ 130,543	\$ 76,194
General and administrative expenses	26,823	31,243
Interest	9,180	17,247
Income taxes	3,145	2,579
Taxes other than income	3,941	1,914
Other	172	529
	<u>\$ 173,804</u>	<u>\$ 129,706</u>

Other Income, Net

Other income, net consisted of zero Loss of Production Income (“LOPI”) proceeds, net related to the turret bearing issue on the Jubilee FPSO for the three months ended September 30, 2017 and 2016, and \$58.7 million and \$20.0 million for the nine months ended September 30, 2017 and 2016, respectively. Our LOPI coverage for this incident ended in May 2017.

Oil and gas production

Oil and gas production expense included insurance recoveries related to our increased cost of working covered by our LOPI policy of zero for the three months ended September 30, 2017 and 2016, and \$17.1 million and zero, for the nine months ended September 30, 2017 and 2016, respectively.

Facilities Insurance Modifications, Net

Facilities insurance modifications, net consists of costs associated with the conversion of the Jubilee FPSO to a permanently spread moored facility, net of related insurance proceeds.

Other Expenses, Net

Other expenses, net incurred during the period is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
	(In thousands)			
Inventory write-off	\$ (500)	\$ —	\$ 47	\$ 15,177
(Gain) loss on insurance settlements	—	(3,047)	(461)	(4,003)
Disputed charges and related costs	821	1,826	3,260	1,826
Loss on equity method investment	4,804	—	11,230	—
Other, net	(88)	426	157	768
Other expenses, net	\$ 5,037	\$ (795)	\$ 14,233	\$ 13,768

The disputed charges and related costs are expenditures arising from Tullow Ghana Limited's contract with Seadrill for use of the West Leo drilling rig once partner-approved 2016 work program objectives were concluded. Tullow has charged such expenditures to the Deepwater Tano ("DT") joint account. Kosmos disputes that these expenditures are properly chargeable to the DT joint account on the basis that the Seadrill West Leo drilling rig contract was not approved by the DT operating committee pursuant to the DT Joint Operating Agreement.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto contained herein and our annual financial statements for the year ended December 31, 2016, included in our annual report on Form 10-K along with the section Management's Discussion and Analysis of financial condition and Results of Operations contained in such annual report. Any terms used but not defined in the following discussion have the same meaning given to them in the annual report. Our discussion and analysis includes forward-looking statements that involve risks and uncertainties and should be read in conjunction with "Risk Factors" under Item 1A of this report and in the annual report, along with "Forward-Looking Information" at the end of this section for information about the risks and uncertainties that could cause our actual results to be materially different than our forward-looking statements.

Overview

We are a leading independent oil and gas exploration and production company focused on frontier and emerging areas along the Atlantic Margins. Our assets include existing production and development projects offshore Ghana, large discoveries and significant further hydrocarbon exploration potential offshore Mauritania and Senegal, as well as exploration licenses with significant hydrocarbon potential offshore Sao Tome and Principe, Suriname, Morocco and Western Sahara.

Recent Developments

Corporate

In August 2017, we announced that our entire issued and outstanding share capital has been admitted to the standard listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's main market for listed securities under the ticker "KOS". The listing is expected to broaden Kosmos' international investor base and provide access to an additional pool of capital.

The availability period for the Facility, as amended in March 2014, expires on March 31, 2018 and the letter of credit sublimit expires on the final maturity date of March 31, 2021. The first required payment could be as early as September 30, 2019, subject to the level of outstanding borrowings and the borrowing base constraints. We are currently in discussions with our lenders to refinance the Facility during the first quarter of 2018 to extend the availability period as well as include reserves for Equatorial Guinea.

Ghana

Jubilee

Kosmos and its partners have determined the preferred long-term solution to the turret bearing issue is to convert the FPSO to a permanently spread moored facility, with offloading through a new deepwater Catenary Anchor Leg Mooring ("CALM") buoy. The Jubilee turret remediation work is progressing as planned and the FPSO spread-mooring at its current heading was completed in February 2017. This allowed the tug boats previously required to hold the vessel on a fixed heading to be removed, significantly reducing the cost and complexity of the current operation. The next phase of the remediation work involves lifting and locking the main bearing. The partners and the government of Ghana have agreed on the need to lift and lock the turret bearing and a shutdown is being planned in early 2018 to execute this workscope. Planning for the rotation of the vessel and the installation of a deepwater CALM buoy is ongoing, subject to final decisions and government approval. Total shutdown duration, for lifting and locking, rotation and offloading system installation, is not expected to exceed 12 weeks as previously forecast by the Operator.

The financial impact of lower Jubilee production as well as the additional expenditures associated with the damage to the turret bearing is being mitigated through a combination of the comprehensive Hull and Machinery insurance ("H&M"), procured by the operator, Tullow, on behalf of the Jubilee Unit partners, and the corporate Loss of Production Income ("LOPI") insurance procured by Kosmos. Our LOPI coverage for this incident ended in May 2017 and final claim amounts have been approved with remaining cash proceeds received in August 2017.

The Greater Jubilee Full Field Development Plan ("GJFFDP") was resubmitted to the government of Ghana in September 2017 and subsequently approved in October 2017. This plan, which is expected to increase proved reserves and extend the field production profile, has been optimized to reduce overall capital expenditures to reflect the current oil price market. In November 2015, we signed the Jubilee Field Unit Expansion Agreement with our partners, which became effective upon approval of the GJFFDP, to allow for the development of the Mahogany and Teak discoveries through the Jubilee FPSO and infrastructure, thus reducing their development cost. Upon approval of the GJFFDP by the Ministry of Energy in October 2017, operatorship for

the Mahogany and Teak discoveries transferred to Tullow. The WCTP Block partners are in the process of taking the steps necessary to transfer operatorship of the remaining portions of the WCTP Block to Tullow.

Tweneboa, Enyenra and Ntomme ("TEN")

In September 2017, the Special Chamber of the International Tribunal of the Sea (ITLOS) issued its final decision in the maritime boundary dispute between the Governments of Ghana and Cote d'Ivoire. The maritime boundary delimited by the Special Chamber's decision has no impact on TEN production or reserves or otherwise on the company's interests in Ghana. Production from TEN in the nine months ended September 30, 2017 averaged approximately 52,000 bopd and is on track to achieve or exceed the operator's 2017 guidance of 50,000 bopd. After resuming drilling, the TEN fields are expected to increase production towards FPSO capacity of 80,000 bopd as development progresses.

Greater Tortue Discovery

In August 2017, we announced the successful completion of the drill stem test ("DST") of the Tortue-1 well, demonstrating that the Tortue field is a world-class resource and confirming key development parameters including well deliverability, reservoir connectivity, and fluid composition. The Tortue-1 well flowed at a sustained, equipment-constrained rate of approximately 60 million cubic feet per day (MMcfd) during the main extended flow period, with minimal pressure drawdown, providing confidence in well designs that are each capable of producing approximately 200 MMcfd. The DST results confirmed a connected volume per well consistent with the current development scheme, which together with the high well rate is expected to result in a low number of development wells compared to equivalent schemes. Initial analysis of fluid samples collected during the test indicate Tortue gas is well suited for liquefaction given low levels of liquids and minimal impurities. Data acquired from the DST will be used to further optimize field development and to refine process design parameters critical to the front end engineering and design ("FEED") process.

Senegal (Kosmos BP Senegal Limited ("KBSL") – equity method investment)

In October 2017, KBSL transferred a 30% working interest in the Cayar offshore Profond and Saint Louis Offshore Profond blocks offshore Senegal to BP Senegal Investments Limited in exchange for their outstanding shares of KBSL which was approved, resulting in KBSL becoming a wholly-owned subsidiary of Kosmos. After the transfer, KBSL has a 30% working interest in the Cayar Offshore Profond and Saint Louis Offshore Profond blocks (the "Senegal Blocks") offshore Senegal and therefore, KBSL will no longer be accounted for under the equity method of accounting.

Mauritania

In September 2017, we closed a farm-in agreement with Tullow Mauritania Limited, a subsidiary of Tullow Oil plc ("Tullow"), to acquire a 15% non-operated participating interest in Block C18 offshore Mauritania. Based on the terms of the agreement, we will reimburse a portion of past and interim period costs and partially carry future costs.

Drilling of the Hippocampe-1 exploration well on the C8 block was completed in October 2017. Designed to test Lower Cenomanian and Albian reservoirs, the well was drilled to a total depth of approximately 5,500 meters. Well-developed reservoirs were encountered in both exploration targets, but these proved to be water bearing. The well has been plugged and abandoned. Total well and other related costs of \$21.0 million incurred from inception through September 30, 2017 are included in exploration expenses in the accompanying consolidated statement of operations. We estimate an additional \$10.6 million of related well costs will be incurred in the fourth quarter, and will be expensed when incurred.

Sao Tome and Principe

In August 2017, we completed a 3D seismic survey of approximately 15,800 square kilometers over Blocks 5, 6, 11 and 12 offshore Sao Tome and Principe.

Equatorial Guinea

In October 2017, we entered into an agreement to acquire all of the equity interest of Hess International Petroleum Inc., a subsidiary of Hess Corporation ("Hess"), which holds an 85% paying interest (80.75% revenue interest) in the Ceiba Field and Okume Complex assets, through a joint venture with an affiliate of Trident Energy ("Trident"). Under the terms of the agreement, Kosmos and Trident will each own 50% of Hess International Petroleum Inc. Kosmos will be primarily responsible for exploration and subsurface evaluation while Trident will primarily be responsible for production operations and optimization. The transaction expands our position in the Gulf of Guinea and provides immediate cash flow through existing production with potential to increase existing production and also provides step-out exploration opportunities with potential tie-back through existing infrastructure. The gross acquisition price is \$650 million effective as of January 1, 2017. Kosmos is expected to pay net cash consideration of approximately \$240 million at close, subject to post-closing adjustments, with a combination of cash on hand and availability under the Facility. The transaction is expected to close by year end, subject to customary closing conditions, and will be accounted for as an equity method investment.

In October 2017, we also entered into petroleum contracts covering Blocks EG-21, S, and W with the Republic of Equatorial Guinea. Ratification of the petroleum contracts by the President of Equatorial Guinea is expected by the end of the year. We presently have an 80% interest and are the operator in all three blocks, but pursuant to an agreement with Trident we expect to assign a 40% interest in the blocks to an affiliate of Trident after completion of the Hess transaction. The Equatorial Guinean national oil company, Guinea Equatorial De Petroleos ("GEPetrol"), currently has a 20% carried participating interest during the exploration period. Should a commercial discovery be made, GEPetrol's 20% carried interest will convert to a 20% participating interest. The petroleum contracts cover approximately 6,000 square kilometers, with a first exploration period of five years from the date of notification of ratification by the President of Equatorial Guinea. The first exploration period consists of two sub-periods of three and two years, respectively. The first exploration sub-period work program includes a 6,000 square kilometer 3D seismic acquisition requirement across the blocks. Upon closing of the Hess transaction and the assignment of a 40% interest to the Trident affiliate noted above, interests in these three blocks will be 40% Kosmos, 40% Trident and 20% GEPetrol.

Results of Operations

All of our results, as presented in the table below, represent operations in Ghana. Certain operating results and statistics for the three and nine months ended September 30, 2017 and 2016 are included in the following table:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
(In thousands, except per barrel data)				
Sales volumes (MBbl):				
Jubilee	1,943	947	5,838	3,791
TEN	996	—	1,992	—
Total sales volumes	2,939	947	7,830	3,791
Revenues:				
Oil and gas sales	\$ 151,240	\$ 46,628	\$ 391,035	\$ 154,259
Average sales price per Boe	51.46	49.24	49.94	40.69
Costs:				
Oil and gas production, excluding workovers	\$ 38,118	\$ 13,525	\$ 79,110	\$ 75,587
Oil and gas production, workovers	1,069	49	1,567	60
Total oil and gas production costs	\$ 39,187	\$ 13,574	\$ 80,677	\$ 75,647
Depletion and depreciation	\$ 73,490	\$ 17,838	\$ 180,909	\$ 66,031
Average cost per Boe:				
Oil and gas production, excluding workovers	\$ 12.97	\$ 14.28	\$ 10.10	\$ 19.94
Oil and gas production, workovers	0.36	0.05	0.20	0.02
Total oil production costs	13.33	14.33	10.30	19.96
Depletion and depreciation	25.01	18.84	23.10	17.42
Oil and gas production cost and depletion costs	\$ 38.34	\$ 33.17	\$ 33.40	\$ 37.38

The following table shows the number of wells in the process of being drilled or in active completion stages, and the number of wells suspended or waiting on completion as of September 30, 2017:

	Actively Drilling or Completing				Wells Suspended or Waiting on Completion			
	Exploration		Development		Exploration		Development	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Ghana								
Jubilee Unit	—	—	—	—	—	—	2	0.48
West Cape Three Points	—	—	—	—	9	2.78	—	—
TEN	—	—	—	—	—	—	5	0.85
Deepwater Tano	—	—	—	—	1	0.18	—	—
Mauritania								
C8	1	0.28	—	—	3	0.84	—	—
Senegal (KBSL - equity method investment)								
Saint Louis Offshore Profond	—	—	—	—	1	0.30	—	—
Cayar Profond	—	—	—	—	2	0.60	—	—
Total	1	0.28	—	—	16	4.70	7	1.33

The discussion of the results of operations and the period-to-period comparisons presented below analyze our historical results. The following discussion may not be indicative of future results.

Three months ended September 30, 2017 compared to three months ended September 30, 2016

	Three Months Ended		Increase (Decrease)
	September 30,		
	2017	2016	
(In thousands)			
Revenues and other income:			
Oil and gas revenue	\$ 151,240	\$ 46,628	\$ 104,612
Other income, net	2	20,001	(19,999)
Total revenues and other income	151,242	66,629	84,613
Costs and expenses:			
Oil and gas production	39,187	13,574	25,613
Facilities insurance modifications, net	(3,906)	5,946	(9,852)
Exploration expenses	36,983	66,238	(29,255)
General and administrative	20,029	21,914	(1,885)
Depletion and depreciation	73,490	17,838	55,652
Interest and other financing costs, net	18,478	11,066	7,412
Derivatives, net	26,864	(16,891)	43,755
Other expenses, net	5,037	(795)	5,832
Total costs and expenses	216,162	118,890	97,272
Loss before income taxes	(64,920)	(52,261)	(12,659)
Income tax expense (benefit)	(1,515)	7,502	(9,017)
Net loss	\$ (63,405)	\$ (59,763)	\$ (3,642)

Oil and gas revenue. Oil and gas revenue increased by \$104.6 million as a result of three cargos sold during the three months ended September 30, 2017, compared to one cargo sold during the three months ended September 30, 2016. We lifted and

sold 2,939 MBbl at an average realized price per barrel of \$51.46 during the three months ended September 30, 2017 and 947 MBbl at an average realized price per barrel of \$49.24 during the three months ended September 30, 2016.

Other income, net. Other income, net decreased by \$20.0 million as we recognized \$20.0 million of LOPI proceeds, net during the three months ended September 30, 2016 related to the turret bearing issue on the Jubilee FPSO. The LOPI claim was finalized in June 2017.

Oil and gas production. Oil and gas production costs increased by \$25.6 million during the three months ended September 30, 2017, as compared to the three months ended September 30, 2016 as a result of costs related to the sale of three cargos of oil, including one TEN cargo, as compared to one Jubilee cargo for the respective periods.

Facilities insurance modifications, net. During the three months ended September 30, 2017, we incurred \$3.3 million of facilities insurance modifications costs associated with the long-term solution to the turret bearing issue. These costs were offset by \$7.2 million of hull and machinery insurance proceeds received during the three months ended September 30, 2017 resulting in a credit of \$3.9 million. During the three months ended September 30, 2016, we incurred \$5.9 million of facilities insurance modifications costs associated with the long-term solution to the turret bearing issue with no insurance recoveries.

Exploration expenses. Exploration expenses decreased by \$29.3 million during the three months ended September 30, 2017, as compared to the three months ended September 30, 2016. The change is primarily a result of \$46.8 million of stacked rig costs associated with the ENSCO DS-12 (formerly the Atwood Achiever) incurred during the three months ended September 30, 2016, which is partially offset by an increase in unsuccessful well costs for the Mauritania Hippocampe-1 exploration well incurred during the three months ended September 30, 2017.

General and administrative. General and administrative costs decreased by \$1.9 million during the three months ended September 30, 2017, as compared with the three months ended September 30, 2016. The decrease is primarily a result of carried costs associated with the BP transactions.

Depletion and depreciation. Depletion and depreciation increased \$55.7 million during the three months ended September 30, 2017, as compared with the three months ended September 30, 2016. The increase is primarily a result of depletion recognized related to the sale of three cargos of oil, including one TEN cargo, during the three months ended September 30, 2017, as compared to one Jubilee cargo during the three months ended September 30, 2016. In addition, the 2017 depletion rate is higher as a result of a decrease in recognized proved reserves associated with the Jubilee Field in the fourth quarter of 2016 and a higher depletion rate for the TEN fields.

Interest and other financing costs, net. Interest and other financing costs, net increased \$7.4 million primarily a result of the TEN fields coming online in August 2016, which resulted in a \$7.0 million decrease in capitalized interest.

Derivatives, net. During the three months ended September 30, 2017 and 2016, we recorded a loss of \$26.9 million and a gain of \$16.9 million, respectively, on our outstanding hedge positions. The gain and loss recorded were a result of changes in the forward curve of oil prices during the respective periods.

Other expenses, net. Other expenses, net increased \$5.8 million primarily related to a \$4.8 million loss on equity method investment in KBSL during the three months ended September 30, 2017. During the three months ended September 30, 2016, we recorded a \$3.0 million gain on insurance settlement offset by \$1.8 million of arbitration related legal fees.

Income tax expense (benefit). The Company's effective tax rates for the three months ended September 30, 2017 and 2016 were 2% and 14%, respectively. The effective tax rates for the periods presented were impacted by losses, primarily related to exploration expenses, incurred in jurisdictions in which we are not subject to taxes and losses incurred in jurisdictions in which we have valuation allowances against our deferred tax assets and therefore we do not realize any tax benefit on such expenses or losses. The effective tax rate in Ghana is impacted by the timing of non-deductible expenditures incurred associated with the damage to the turret bearing, due to the expected recovery from insurance proceeds. Any such insurance recoveries would not be subject to income tax. Income tax expense decreased \$9.0 million during the three months ended September 30, 2017, as compared with September 30, 2016, primarily as a result of mark to market losses on our oil derivatives during the current period compared to gains in the prior year period, higher operating expenses, and higher depletion and depreciation expense associated with TEN production, partially offset by higher oil revenue in Ghana,

Nine months ended September 30, 2017 compared to nine months ended September 30, 2016

	Nine Months Ended		Increase (Decrease)
	September 30,		
	2017	2016	
	(In thousands)		
Revenues and other income:			
Oil and gas revenue	\$ 391,035	\$ 154,259	\$ 236,776
Other income, net	58,697	20,179	38,518
Total revenues and other income	449,732	174,438	275,294
Costs and expenses:			
Oil and gas production	80,677	75,647	5,030
Facilities insurance modifications, net	(1,334)	5,946	(7,280)
Exploration expenses	162,679	126,498	36,181
General and administrative	50,555	59,672	(9,117)
Depletion and depreciation	180,909	66,031	114,878
Interest and other financing costs, net	54,729	30,268	24,461
Derivatives, net	(36,404)	33,752	(70,156)
Other expenses, net	14,233	13,768	465
Total costs and expenses	506,044	411,582	94,462
Loss before income taxes	(56,312)	(237,144)	180,832
Income tax expense (benefit)	44,401	(10,064)	54,465
Net loss	\$ (100,713)	\$ (227,080)	\$ 126,367

Oil and gas revenue. Oil and gas revenue increased by \$236.8 million as a result of eight cargos sold during the nine months ended September 30, 2017, compared to four cargos sold during the nine months ended September 30, 2016 at a higher average realized price. We lifted and sold 7,830 MBbl at an average realized price per barrel of \$49.94 during the nine months ended September 30, 2017 and 3,791 MBbl at an average realized price per barrel of \$40.69 during the nine months ended September 30, 2016.

Other income, net. Other income, net increased by \$38.5 million as we recognized \$58.7 million of LOPI proceeds, net during the nine months ended September 30, 2017 related to the turret bearing issue on the Jubilee FPSO compared to \$20.0 million of LOPI proceeds in the previous period. The LOPI claim was finalized in June 2017.

Oil and gas production. Oil and gas production costs increased by \$5.0 million during the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016 as a result of lower LOPI claim insurance proceeds recognized during the nine months ended September 30, 2017 offset by accrual adjustments from the Jubilee and TEN fields operator. The LOPI claim was finalized in June 2017.

Facilities insurance modifications, net. During the nine months ended September 30, 2017, we incurred \$13.6 million of facilities insurance modifications costs associated with the long-term solution to the turret bearing issue. These costs were offset by \$14.9 million of hull and machinery insurance proceeds received during the nine months ended September 30, 2017 resulting in a credit of \$1.3 million. During the nine months ended September 30, 2016, we incurred \$5.9 million of facilities insurance modifications costs associated with the long-term solution to the turret bearing issue with no insurance recoveries.

Exploration expenses. Exploration expenses increased by \$36.2 million during the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016. The increase is primarily a result of a \$48.1 million cancellation payment related to the exercise of our election to cancel the fourth year option of the ENSCO DS-12 drilling rig contract which is partially mitigated by a decrease of \$21.1 million of stacked rig costs associated with the ENSCO DS-12 incurred during the nine months ended September 30, 2017 as compared with the nine months ended September 30, 2016. Additionally, there were increases of \$21.0 million of unsuccessful well costs for the Mauritania Hippocampe-1 exploration well and \$5.6 million in new ventures costs partially offset by a decrease of \$17.9 million in geological and geophysical costs incurred during the nine months ended September 30, 2017 as compared with the nine months ended September 30, 2016.

General and administrative. General and administrative costs decreased by \$9.1 million during the nine months ended September 30, 2017, as compared with the nine months ended September 30, 2016. The decrease is primarily a result of carried costs associated with the BP transactions, accrual adjustments from the Jubilee and TEN fields operator, and to a lesser extent a decrease in non-cash stock-based compensation.

Depletion and depreciation. Depletion and depreciation increased \$114.9 million during the nine months ended September 30, 2017, as compared with the nine months ended September 30, 2016. The increase is primarily a result of depletion recognized related to the sale of eight cargos of oil during the nine months ended September 30, 2017, as compared to four cargos during the nine months ended September 30, 2016. In addition, the 2017 depletion rate is higher as a result of a decrease in recognized proved reserves associated with the Jubilee Field in the fourth quarter of 2016 and a higher depletion rate for the TEN fields.

Interest and other financing costs, net. Interest and other financing costs, net increased \$24.5 million primarily a result of the TEN fields coming online in August 2016, which resulted in a \$24.1 million decrease in capitalized interest during 2017.

Derivatives, net. During the nine months ended September 30, 2017 and 2016, we recorded gain of \$36.4 million and a loss of \$33.8 million, respectively, on our outstanding hedge positions. The gain and loss recorded were a result of changes in the forward curve of oil prices during the respective periods.

Other expenses, net. Other expenses, net increased \$0.5 million primarily due to a \$15.2 million impairment of inventory recorded during the nine months ended September 30, 2016, compared to a \$11.2 million loss recognized on our equity method investment in KBSL and arbitration related legal fees recorded during the nine months ended, September 30, 2017.

Income tax expense (benefit). The Company's effective tax rates for the nine months ended September 30, 2017 and 2016 were 79% and 4%, respectively. The effective tax rates for the periods presented were impacted by losses, primarily related to exploration expenses, incurred in jurisdictions in which we are not subject to taxes and losses incurred in jurisdictions in which we have valuation allowances against our deferred tax assets and therefore we do not realize any tax benefit on such expenses or losses. The effective tax rate in Ghana is impacted by the timing of non-deductible expenditures incurred associated with the damage to the turret bearing, due to the expected recovery from insurance proceeds. Any such insurance recoveries would not be subject to income tax. Income tax expense increased \$54.5 million during the nine months ended September 30, 2017, as compared with September 30, 2016, primarily as a result of higher oil revenue in Ghana and mark to market gains on our oil derivatives, partially offset by higher depletion and depreciation expense associated with TEN production.

Liquidity and Capital Resources

We are actively engaged in an ongoing process of anticipating and meeting our funding requirements related to exploring for and developing oil and natural gas resources along the Atlantic Margins. We have historically met our funding requirements through cash flows generated from our operating activities and obtained additional funding from issuances of equity and debt as well as partner carries. In relation to cash flow generated from our operating activities, if we are unable to continuously export associated natural gas in large quantities, which causes potential production restraints, then the Company's cash flows from operations will be adversely affected. In the past we have experienced equipment failures on the FPSOs, and we are currently working to remediate the turret bearing issue on the Jubilee FPSO. This equipment downtime negatively impacted oil production, and we are in the process of repairing the current mechanical issues and implementing a long-term solution for the turret bearing issue.

While we are presently in a strong financial position, a future decline in oil prices, if prolonged, could negatively impact our ability to generate sufficient operating cash flows to meet our funding requirements. It could also impact the borrowing base available under the Facility or the related debt covenants. Commodity prices are volatile and future prices cannot be accurately predicted. We maintain a hedging program to partially mitigate the price volatility. Our investment decisions are based on longer-term commodity prices based on the long-term nature of our projects and development plans. Also, BP has agreed to partially carry our exploration, appraisal and development program in Mauritania and Senegal over the next several years. Current commodity prices, our hedging program, partner carries and our current liquidity position support our capital program for 2017, which is based on our development plans for Ghana and our exploration and appraisal program.

Our future financial condition and liquidity will be impacted by, among other factors, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, the reliability of our oil and gas production facilities, our ability to continuously export oil and gas, our ability to secure and maintain partners and their alignment with respect

to capital plans, the actual cost of exploration, appraisal and development of our oil and natural gas assets, and coverage of any claims under our insurance policies.

Sources and Uses of Cash

The following table presents the sources and uses of our cash and cash equivalents for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,	
	2017	2016
(In thousands)		
Sources of cash, cash equivalents and restricted cash:		
Net cash provided by (used in) operating activities	\$ 94,412	\$ (65,623)
Borrowings under long-term debt	—	450,000
Proceeds on sale of assets	222,068	210
	<u>316,480</u>	<u>384,587</u>
Uses of cash, cash equivalents and restricted cash:		
Oil and gas assets	100,712	506,256
Other property	1,639	1,003
Payments on long-term debt	250,000	—
Purchase of treasury stock	2,116	1,930
	<u>354,467</u>	<u>509,189</u>
Decrease in cash, cash equivalents and restricted cash	<u>\$ (37,987)</u>	<u>\$ (124,602)</u>

Net cash provided by (used in) operating activities. Net cash provided by operating activities for the nine months ended September 30, 2017 was \$94.4 million compared with net cash used in operating activities for the nine months ended September 30, 2016 of \$65.6 million. The increase in cash provided by operating activities in the nine months ended September 30, 2017 when compared to the same period in 2016 is primarily a result of an increase in oil and gas revenue and LOPI proceeds, net partially offset by an increase in exploration expense related to the stacked rig costs and rig option cancellation payment as well as a decrease in derivative cash settlements.

The following table presents our net debt and liquidity as of September 30, 2017:

	September 30, 2017 (In thousands)
Cash and cash equivalents	\$ 164,162
Restricted cash	71,046
Senior Notes at par	525,000
Drawings under the Facility	600,000
Net debt	<u>\$ 889,792</u>
Availability under the Facility	\$ 700,811
Availability under the Corporate Revolver	\$ 400,000
Available borrowings plus cash and cash equivalents	<u>\$ 1,264,973</u>

Capital Expenditures and Investments

We expect to incur capital costs as we:

- fund asset integrity projects at Jubilee;
- execute exploration and appraisal activities in our Senegal and Mauritania license areas; and
- acquire and analyze seismic, perform new ventures and manage our rig activities.

We have relied on a number of assumptions in budgeting for our future activities. These include the number of wells we plan to drill, our participating and carried interests in our prospects including disproportionate payment amounts, the costs involved in developing or participating in the development of a prospect, the timing of third-party projects, our ability to utilize our available drilling rig capacity, the availability of suitable equipment and qualified personnel and our cash flows from operations. We also evaluate potential corporate and asset acquisition opportunities to support and expand our asset portfolio which may impact our budget assumptions. These assumptions are inherently subject to significant business, political, economic, regulatory, environmental and competitive uncertainties, contingencies and risks, all of which are difficult to predict and many of which are beyond our control. We may need to raise additional funds more quickly if market conditions deteriorate; or one or more of our assumptions proves to be incorrect or if we choose to expand our acquisition, exploration, appraisal, development efforts or any other activity more rapidly than we presently anticipate. We may decide to raise additional funds before we need them if the conditions for raising capital are favorable. We may seek to sell equity or debt securities or obtain additional bank credit facilities. The sale of equity securities could result in dilution to our shareholders. The incurrence of additional indebtedness could result in increased fixed obligations and additional covenants that could restrict our operations.

2017 Capital Program

We estimate we will spend approximately \$100 million of capital, net of carry amounts related to the Mauritania and Senegal transactions with BP, for the year ending December 31, 2017. Additionally, we expect to incur approximately \$240 million, subject to post-closing adjustments, associated with the acquisition of the Ceiba Field and Okume Complex assets offshore Equatorial Guinea. Through September 30, 2017, we have spent approximately \$217 million which was offset by the initial proceeds from the BP transaction of \$222 million resulting in a credit to our capital budget of \$5 million.

The ultimate amount of capital we will spend may fluctuate materially based on market conditions and the success of our drilling results among other factors. We resumed our previously suspended drilling program during the first quarter of 2017. Our future financial condition and liquidity will be impacted by, among other factors, our level of production of oil and the prices we receive from the sale of oil, our ability to effectively hedge future production volumes, the success of our exploration and appraisal drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, our partners' alignment with respect to capital plans, and the actual cost of exploration, appraisal and development of our oil and natural gas assets, and coverage of any claims under our insurance policies.

Significant Sources of Capital

Facility

In March 2014, we amended and restated the commercial debt facility (the "Facility") with a total commitment of \$1.5 billion from a number of financial institutions. The Facility supports our oil and gas exploration, appraisal and development programs and corporate activities.

In August 2017, following the lender's waiver of the September 30, 2017 semi-annual redetermination, the borrowing base under our Facility will remain at \$1.3 billion. The borrowing base calculation includes value related to the Jubilee and TEN fields.

We were in compliance with the financial covenants contained in the Facility as of September 30, 2017 (the most recent assessment date). The Facility contains customary cross default provisions.

The availability period for the Facility, as amended in March 2014, expires on March 31, 2018 and the letter of credit sublimit expires on the final maturity date of March 31, 2021. The first required payment could be as early as September 30, 2019, subject to the level of outstanding borrowings and the borrowing base constraints. We are currently in discussions with our lenders

to refinance the Facility during the first quarter of 2018 to extend the availability period as well as include reserves for Equatorial Guinea.

Corporate Revolver

In June 2015, we amended and restated the Corporate Revolver from a number of financial institutions, increasing the borrowing capacity to \$400.0 million. The Corporate Revolver is available for all subsidiaries for general corporate purposes and for oil and gas exploration, appraisal and development programs.

As of September 30, 2017, there were no borrowings outstanding under the Corporate Revolver and the undrawn availability under the Corporate Revolver was \$400.0 million.

We were in compliance with the financial covenants contained in the Corporate Revolver as of September 30, 2017 (the most recent assessment date). The Corporate Revolver contains customary cross default provisions.

Revolving Letter of Credit Facility

In July 2016, we amended and restated the revolving letter of credit facility agreement (“LC Facility”), extending the maturity date to July 2019. During the first quarter of 2017, the LC Facility size was \$115.0 million. In April 2017, we reduced the size of our LC Facility to \$70 million. As of September 30, 2017, there were eight outstanding letters of credit totaling \$60.3 million under the LC Facility. The LC Facility contains customary cross default provisions.

7.875% Senior Secured Notes due 2021

During August 2014, we issued \$300.0 million of Senior Notes and received net proceeds of approximately \$292.5 million after deducting discounts, commissions and deferred financing costs. The Company used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes.

During April 2015, we issued an additional \$225.0 million Senior Notes and received net proceeds of \$206.8 million after deducting discounts, commissions and other expenses. We used the net proceeds to repay a portion of the outstanding indebtedness under the Facility and for general corporate purposes. The additional \$225.0 million of Senior Notes have identical terms to the initial \$300.0 million Senior Notes, other than the date of issue, the initial price, the first interest payment date and the first date from which interest accrued.

The Senior Notes mature on August 1, 2021. Interest is payable semi-annually in arrears each February 1 and August 1 commencing on February 1, 2015 for the initial \$300.0 million Senior Notes and August 1, 2015 for the additional \$225.0 million Senior Notes. The Senior Notes are secured (subject to certain exceptions and permitted liens) by a first ranking fixed equitable charge on all shares held by us in our direct subsidiary, Kosmos Energy Holdings. The Senior Notes are currently guaranteed on a subordinated, unsecured basis by our existing restricted subsidiaries that guarantee the Facility and the Corporate Revolver, and, in certain circumstances, the Senior Notes will become guaranteed by certain of our other existing or future restricted subsidiaries. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” section of our annual report on Form 10-K for the terms of the Senior Notes.

Contractual Obligations

The following table summarizes by period the payments due for our estimated contractual obligations as of September 30, 2017:

	Payments Due By Year(5)						
	Total	2017(6)	2018	2019	2020	2021	Thereafter
	(In thousands)						
Principal debt repayments(1)	\$ 1,125,000	\$ —	\$ —	\$ 377	\$ 404,971	\$ 719,652	\$ —
Interest payments on long-term debt(2)	281,477	11,406	82,056	75,351	67,448	45,216	—
Operating leases(3)	9,910	1,158	4,736	3,951	65	—	—
ENSCO DS-12 drilling rig contract(4)	25,585	25,585	—	—	—	—	—

- (1) Includes the scheduled principal maturities for the \$525.0 million aggregate principal amount of Senior Notes issued in August 2014 and April 2015 and the Facility. The scheduled maturities of debt related to the Facility are based on, as of September 30, 2017, our level of borrowings and our estimated future available borrowing base commitment levels in future periods. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of September 30, 2017, there were no borrowings under the Corporate Revolver.
- (2) Based on outstanding borrowings as noted in (1) above and the LIBOR yield curves plus applicable margin at the reporting date and commitment fees related to the Facility and Corporate Revolver and the interest on the Senior Notes.
- (3) Primarily relates to corporate office and foreign office leases.
- (4) In January 2017, Kosmos Energy Ventures (“KEV”) exercised its option to cancel the fourth year and revert to the original day rate of approximately \$0.6 million per day and original agreement end date in November 2017. Commitments were calculated using the original day rate of \$0.6 million, excluding applicable taxes.
- (5) Does not include purchase commitments for jointly owned fields and facilities where we are not the operator and excludes commitments for exploration activities, including well commitments and seismic obligations, in our petroleum contracts.
- (6) Represents the period from October 1, 2017 through December 31, 2017.

We currently have a commitment to drill two exploration wells in Mauritania. In Mauritania, our partner is obligated to fund our share of the cost of the exploration wells, subject to their maximum \$228 million cumulative exploration and appraisal carry covering both our Mauritania and Senegal blocks. In Equatorial Guinea, Mauritania and Western Sahara, we have 3D seismic requirements of 6,000 square kilometers, 7,600 square kilometers and 5,000 square kilometers, respectively. Additionally, in Morocco certain geological studies are also required. The Equatorial Guinea block commitments are subject to ratification by the President of Equatorial Guinea.

The following table presents maturities by expected debt maturity dates, the weighted average interest rates expected to be paid on the Facility given current contractual terms and market conditions, and the debt’s estimated fair value. Weighted-average interest rates are based on implied forward rates in the yield curve at the reporting date. This table does not take into account amortization of deferred financing costs.

	Years Ending December 31,							Asset
	2017(5)	2018	2019	2020	2021	Thereafter	(Liability)	
							Fair Value at	
							September 30,	
	(In thousands, except percentages)							2017
Fixed rate debt:								
Senior Notes	\$ —	\$ —	\$ —	\$ —	\$ 525,000	\$ —	\$ (545,874)	
Fixed interest rate	7.88%	7.88%	7.88%	7.88%	7.88%	—		
Variable rate debt:								
Facility(1)	\$ —	\$ —	\$ 377	\$ 404,971	\$ 194,652	\$ —	\$ (600,000)	
Weighted average interest rate(2)	4.50%	5.19%	5.59%	6.18%	6.55%	—		
Capped interest rate swaps:								
Notional debt amount	\$ 200,000	\$ 200,000	\$ —	\$ —	\$ —	\$ —	\$ 694	
Cap	3.00%	3.00%	—	—	—	—		
Average fixed rate payable(3)	1.23%	1.23%	—	—	—	—		
Variable rate receivable(4)	1.26%	1.57%	—	—	—	—		

- (1) The amounts included in the table represent principal maturities only. The scheduled maturities of debt are based on the level of borrowings and the available borrowing base as of September 30, 2017. Any increases or decreases in the level of borrowings or increases or decreases in the available borrowing base would impact the scheduled maturities of debt during the next five years and thereafter. As of September 30, 2017, there were no borrowings under the Corporate Revolver.
- (2) Based on outstanding borrowings as noted in (1) above and the LIBOR yield curves plus applicable margin at the reporting date. Excludes commitment fees related to the Facility and Corporate Revolver.

- (3) We expect to pay the fixed rate if 1-month LIBOR is below the cap, and pay the market rate less the spread between the cap and the fixed rate if LIBOR is above the cap, net of the capped interest rate swaps.
- (4) Based on implied forward rates in the yield curve at the reporting date.
- (5) Represents the period October 1, 2017 through December 31, 2017.

Off-Balance Sheet Arrangements

As of September 30, 2017, our material off-balance sheet arrangements and transactions include operating leases and undrawn letters of credit. There are no other transactions, arrangements, or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect Kosmos' liquidity or availability of or requirements for capital resources.

Critical Accounting Policies

We consider accounting policies related to our revenue recognition, exploration and development costs, receivables, income taxes, derivative instruments and hedging activities, estimates of proved oil and natural gas reserves, asset retirement obligations and impairment of long-lived assets as critical accounting policies. The policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used. There have been no changes to our critical accounting policies which are summarized in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" section in our annual report on Form 10-K, for the year ended December 31, 2016, other than as follows:

Consolidations / Equity Method of Accounting

The Consolidated Financial Statements include the accounts of our wholly-owned subsidiaries. They also include Kosmos' share of the undivided interest in certain assets, liabilities, revenues and expenses. Investments in corporate joint ventures, which we exercise significant influence over, are accounted for using the equity method of accounting.

Equity method investments are integral to our operations. The other parties, who also have an equity interest in these companies, are independent third parties. Kosmos does not invest in these companies in order to remove liabilities from its balance sheet.

Cautionary Note Regarding Forward-looking Statements

This quarterly report on Form 10-Q contains estimates and forward-looking statements, principally in "Management's Discussion and Analysis of Financial Condition and Results of Operations." Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Many important factors, in addition to the factors described in our quarterly report on Form 10-Q and our annual report on Form 10-K, may adversely affect our results as indicated in forward-looking statements. You should read this quarterly report on Form 10-Q, the annual report on Form 10-K and the documents that we have filed with the Securities and Exchange Commission completely and with the understanding that our actual future results may be materially different from what we expect. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- our ability to find, acquire or gain access to other discoveries and prospects and to successfully develop and produce from our current discoveries and prospects;
- uncertainties inherent in making estimates of our oil and natural gas data;
- the successful implementation of our and our block partners' prospect discovery and development and drilling plans;
- projected and targeted capital expenditures and other costs, commitments and revenues;
- termination of or intervention in concessions, rights or authorizations granted by the governments of Ghana, Mauritania, Morocco, Sao Tome and Principe, Senegal or Suriname (or their respective national oil companies) or any other federal, state or local governments or authorities, to us;
- our dependence on our key management personnel and our ability to attract and retain qualified technical personnel;
- the ability to obtain financing and to comply with the terms under which such financing may be available;
- the volatility of oil and natural gas prices;
- the availability, cost, function and reliability of developing appropriate infrastructure around and transportation to our discoveries and prospects;

- the availability and cost of drilling rigs, production equipment, supplies, personnel and oilfield services;
- other competitive pressures;
- potential liabilities inherent in oil and natural gas operations, including drilling and production risks and other operational and environmental risks and hazards;
- current and future government regulation of the oil and gas industry or regulation of the investment in or ability to do business with certain countries or regimes;
- cost of compliance with laws and regulations;
- changes in environmental, health and safety or climate change or greenhouse gas (“GHG”) laws and regulations or the implementation, or interpretation, of those laws and regulations;
- adverse effects of sovereign boundary disputes in the jurisdictions in which we operate;
- environmental liabilities;
- geological, geophysical and other technical and operations, including drilling and oil and gas production and processing;
- military operations, civil unrest, outbreaks of disease, terrorist acts, wars or embargoes;
- the cost and availability of adequate insurance coverage and whether such coverage is enough to sufficiently mitigate potential losses and whether our insurers comply with their obligations under our coverage agreements;
- our vulnerability to severe weather events;
- our ability to meet our obligations under the agreements governing our indebtedness;
- the availability and cost of financing and refinancing our indebtedness;
- the amount of collateral required to be posted from time to time in our hedging transactions, letters of credit and other secured debt;
- the result of any legal proceedings, arbitrations, or investigations we may be subject to or involved in;
- our success in risk management activities, including the use of derivative financial instruments to hedge commodity and interest rate risks; and
- other risk factors discussed in the “Item 1A. Risk Factors” section of this quarterly report on Form 10-Q and our annual report on Form 10-K.

The words “believe,” “may,” “will,” “aim,” “estimate,” “continue,” “anticipate,” “intend,” “expect,” “plan” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. As a result of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this quarterly report on Form 10-Q might not occur, and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, including, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these forward-looking statements.

Item 3. Qualitative and Quantitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term “market risks” as it relates to our currently anticipated transactions refers to the risk of loss arising from changes in commodity prices and interest rates. These disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage ongoing market risk exposures. We enter into market-risk sensitive instruments for purposes other than to speculate.

We manage market and counterparty credit risk in accordance with our policies. In accordance with these policies and guidelines, our management determines the appropriate timing and extent of derivative transactions. See “Item 8. Financial Statements and Supplementary Data — Note 2 — Accounting Policies, Note 8 — Derivative Financial Instruments and Note 9 — Fair Value Measurements” section of our annual report on Form 10-K for a description of the accounting procedures we follow relative to our derivative financial instruments.

The following table reconciles the changes that occurred in fair values of our open derivative contracts during the nine months ended September 30, 2017:

	Derivative Contracts Assets (Liabilities)		
	Commodities	Interest Rates	Total
	(In thousands)		
Fair value of contracts outstanding as of December 31, 2016	\$ 1,638	\$ 53	\$ 1,691
Changes in contract fair value	25,623	301	25,924
Contract maturities	(25,615)	340	(25,275)
Fair value of contracts outstanding as of September 30, 2017	\$ 1,646	\$ 694	\$ 2,340

Commodity Price Risk

The Company's revenues, earnings, cash flows, capital investments and, ultimately, future rate of growth are highly dependent on the prices we receive for our crude oil, which have historically been very volatile. Our oil sales are indexed against Dated Brent crude, prices during the nine months ended September 30, 2017 ranged between \$44.28 and \$59.27.

Commodity Derivative Instruments

We enter into various oil derivative contracts to mitigate our exposure to commodity price risk associated with anticipated future oil production. These contracts currently consist of four-way collars, three-way collars, put options, call options and swaps. In regards to our obligations under our various commodity derivative instruments, if our production does not exceed our existing hedged positions, our exposure to our commodity derivative instruments would increase.

Commodity Price Sensitivity

The following table provides information about our oil derivative financial instruments that were sensitive to changes in oil prices as of September 30, 2017. Volumes and weighted average prices are net of any offsetting derivatives entered into.

Term	Type of Contract	MBbl	Weighted Average Dated Brent Price per Bbl						Asset (Liability) Fair Value at September 30, 2017(2)
			Deferred Premium Payable, Net	Swap	Sold Put	Floor	Ceiling	Call	
(In thousands)									
2017:									
October — December	Swap with puts/calls	503	\$ 2.13	\$ 72.50	\$ 55.00	\$ —	\$ —	\$ 90.00	\$ 6,348
October — December	Swap with puts	503	—	64.95	50.00	—	—	—	4,073
October — December	Three-way collars	1,006	1.72	—	30.00	45.00	60.00	—	(2,171)
October — December	Sold calls(1)	500	—	—	—	—	85.00	—	—
2018:									
January — December	Swap with puts	2,000	\$ —	\$ 54.32	\$ 40.00	\$ —	\$ —	\$ —	\$ (3,611)
January — December	Three-way collars	2,913	0.74	—	41.57	56.57	65.90	—	6,202
January — December	Four-way collars	3,000	1.06	—	40.00	50.00	61.33	70.00	(2,589)
January — December	Sold calls(1)	2,000	—	—	—	—	65.00	—	(2,624)
2019:									
January — December	Three-way collars	4,500	\$ 0.26	\$ —	\$ 40.00	\$ 50.00	\$ 62.78	\$ —	\$ (3,609)
January — December	Sold calls(1)	913	—	—	—	—	80.00	—	(373)

(1) Represents call option contracts sold to counterparties to enhance other derivative positions.

(2) Fair values are based on the average forward Dated Brent oil prices on September 30, 2017 which by year are: 2017 — \$56.38, 2018 — \$55.51 and 2019 — \$54.77. These fair values are subject to changes in the underlying commodity price. The average forward Dated Brent oil prices based on November 1, 2017 market quotes by year are: 2017 — \$60.57, 2018 — \$58.72 and 2019 — \$56.53.

In October 2017, we entered into costless swap contracts for 1.0 MMBbl from January 2018 through June 2018 with a fixed price of \$57.25 per barrel; and costless swap and sold put contracts for 2.0 MMBbl from July 2018 through December 2018 with a weighted average fixed price of \$57.96 per barrel and a weighted average sold put price of \$45.00 per barrel. The contracts are indexed to Dated Brent prices.

At September 30, 2017, our open commodity derivative instruments were in a net asset position of \$1.6 million. As of September 30, 2017, a hypothetical 10% price increase in the commodity futures price curves would decrease future pre-tax earnings by approximately \$54.7 million. Similarly, a hypothetical 10% price decrease would increase future pre-tax earnings by approximately \$47.3 million.

Interest Rate Derivative Instruments

See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations” section of our annual report on Form 10-K for specific information regarding the terms of our interest rate derivative instruments that are sensitive to changes in interest rates.

Interest Rate Sensitivity

At September 30, 2017, we had indebtedness outstanding under the Facility of \$600.0 million, of which \$400.0 million bore interest at floating rates after consideration of our fixed rate interest rate hedges. The interest rate on this indebtedness as of September 30, 2017 was approximately 4.5%. If LIBOR increased by 10% at this level of floating rate debt, we would pay an additional \$0.5 million in interest expense per year on the Facility. We pay commitment fees on the undrawn availability and unavailable commitments under the Facility and on the undrawn availability under the Corporate Revolver, which are not subject to changes in interest rates.

As of September 30, 2017, the fair market value of our interest rate swaps was a net asset of approximately \$0.7 million. If LIBOR changed by 10%, it would have a negligible impact on the fair market value of our interest rate swaps.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) was performed under the supervision and with the participation of the Company’s management, including our Chief Executive Officer and Chief Financial Officer. This evaluation considered the various processes carried out under the direction of our disclosure committee in an effort to ensure that information required to be disclosed in the SEC reports we file or submit under the Exchange Act is accurate, complete and timely. However, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be considered relative to their costs. Consequently, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Based upon this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of September 30, 2017, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, including that such information is accumulated and communicated to the Company’s management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

There have been no material changes from the information concerning legal proceedings discussed in the “Item 3. Legal Proceedings” section of our annual report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes from the risks discussed in the “Item 1A. Risk Factors” section of our annual report on Form 10-K for the year ended December 31, 2016 and in the “Item 1A. Risk Factors” section of our quarterly report on Form 10-Q for the quarter ended June 30, 2017.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds*Issuer Purchases of Equity Securities*

Under the terms of our Long Term Incentive Plan (“LTIP”), we have issued restricted shares to our employees. On the date that these restricted shares vest, we provide such employees the option to sell shares to cover their tax liability, via a net exercise provision pursuant to our applicable restricted share award agreements and the LTIP, either the number of vested shares (based on the closing price of our common shares on such vesting date) equal to the minimum statutorily tax liability owed by such grantee or up to the maximum statutory tax liability for such grantee. The Company may repurchase the restricted shares sold by the grantees to settle their tax liability. The repurchased shares are reallocated to the number of shares available for issuance under the LTIP. The following table outlines the total number of restricted shares purchased during the nine months ended September 30, 2017 and the average price paid per share.

	Total Number of Shares Purchased	Average Price Paid per Share
	(In thousands)	
January 1, 2017—January 31, 2017	74	\$ 7.01
February 1, 2017—February 28, 2017	—	—
March 1, 2017—March 31, 2017	—	—
April 1, 2017—April 30, 2017	—	—
May 1, 2017—May 31, 2017	—	—
June 1, 2017—June 30, 2017	13	6.12
July 1, 2017—July 31, 2017	—	—
August 1, 2017—August 31, 2017	—	—
September 1, 2017—September 30, 2017	—	—
Total	<u>87</u>	6.87

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information.

There have been no material changes required to be reported under this Item that have not previously been disclosed in the annual report on Form 10-K, other than as follows:

Disclosures Required Pursuant to Section 13(r) of the Securities Exchange Act of 1934

Under the Iran Threat Reduction and Syria Human Rights Act of 2012, which added Section 13(r) of the Exchange Act, we are required to include certain disclosures in our periodic reports if we or any of our “affiliates” (as defined in Rule 12b-2 under the Exchange Act) knowingly engaged in certain specified activities during the period covered by the report. Because the Securities and Exchange Commission (“SEC”) defines the term “affiliate” broadly, it includes any entity controlled by us as well as any person or entity that controls us or is under common control with us (“control” is also construed broadly by the SEC).

We are not presently aware that we and our consolidated subsidiaries have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during the fiscal quarter ended September 30, 2017. In addition, except as described below, at the time of filing this quarterly report on Form 10-Q, we are not aware of any such reportable transactions or dealings by companies that may be considered our affiliates as to whether they have knowingly engaged in any such reportable transactions or dealings during such period. Upon the filing of periodic reports by such other companies for the fiscal quarter or fiscal year ended September 30, 2017, as the case may be, additional reportable transactions may be disclosed by such companies.

As of September 30, 2017, funds affiliated with Warburg Pincus (“Warburg Pincus”) held approximately 24% of our outstanding common shares. We are also a party to a shareholders agreement with Warburg Pincus pursuant to which, among other things, Warburg Pincus currently has the right to designate two members of our board of directors. Accordingly, Warburg Pincus may be deemed an “affiliate” of us, both currently and during the fiscal quarter ended September 30, 2017.

Disclosure relating to Warburg Pincus and its affiliates

Warburg Pincus informed us of the information reproduced below (the “SAMIH Disclosure”) regarding Santander Asset Management Investment Holdings Limited (“SAMIH”). SAMIH is a company that may be considered an affiliate of Warburg Pincus. Because we and SAMIH may be deemed to be controlled by Warburg Pincus, we may be considered an “affiliate” of SAMIH for the purposes of Section 13(r) of the Exchange Act.

SAMIH Disclosure:

Quarter ended September 30, 2017

Santander UK plc (“Santander UK”) holds two savings accounts and one current account for two customers resident in the United Kingdom (“UK”) who are currently designated by the United States (“US”) under the Specially Designated Global Terrorist (“SDGT”) sanctions program. Revenues and profits generated by Santander UK on these accounts in the nine month period ended September 30, 2017 were negligible relative to the overall revenues and profits of Banco Santander SA.

Santander UK holds two frozen current accounts for two UK nationals who are designated by the US under the SDGT sanctions program. The accounts held by each customer have been frozen since their designation and have remained frozen through the nine month period ended September 30, 2017. The accounts are in arrears (£1,844.73 in debit combined) and are currently being managed by Santander UK Collections & Recoveries department. No revenues or profits were generated by Santander UK on this account in the nine month period ended September 30, 2017.

Item 6. Exhibits

The information required by this Item 6 is set forth in the Index to Exhibits accompanying this quarterly report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kosmos Energy Ltd.
(Registrant)

Date November 6, 2017

/s/ THOMAS P. CHAMBERS

Thomas P. Chambers
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

INDEX OF EXHIBITS

Exhibit Number	Description of Document
10.1**	Farm-out Agreement Relating to Block C-18, Offshore Mauritania between Tullow Mauritania Limited, Kosmos Energy Mauritania and BP Mauritania Investments Limited dated June 9, 2017.
10.2**	Deed of Novation and Amendment dated September 20, 2017 between Tullow Mauritania Limited, Total E&P Mauritania Block C18 B.V., Kosmos Energy Mauritania, BP Mauritania Investments Limited and SMHPM in related to Block C-18.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith.

** Furnished herewith.

DATED JUNE 9, 2017

- (1) TULLOW MAURITANIA LIMITED
- (2) KOSMOS ENERGY MAURITANIA
- (3) BP MAURITANIA INVESTMENTS LIMITED

FARM-OUT AGREEMENT

in relation to Block C-18, offshore the Islamic Republic of Mauritania

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THIS AGREEMENT is entered into on June 9, 2017

BETWEEN

- (1) **TULLOW MAURITANIA LIMITED**, a company incorporated in and existing under the laws of the Isle of Man with registration number 010509V, and having its registered office at Falcon Cliff, Palace Road, Douglas, Isle of Man, (“**Farmor**”);
- (2) **KOSMOS ENERGY MAURITANIA**, a company incorporated in and existing under the laws of the Cayman Islands, and having its registered office at c/o Circumference (Cayman), P.O. Box 32322, 4th Floor, Century yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands (“**Kosmos**”); and
- (3) **BP MAURITANIA INVESTMENTS LIMITED**, a company incorporated in and existing under the laws of England and Wales, and having its registered office at Chertsey Road, Sunbury on Thames, Middlesex TW16 7BP, United Kingdom (“**BP**”),

(BP and Kosmos are each a “**Farminee**” and together the “**Farminees**”).

WHEREAS

- A. The Farmor wishes to transfer to Kosmos, and Kosmos wishes to acquire, the Kosmos Interest, on the terms and conditions set out herein.
- B. The Farmor wishes to transfer to BP, and BP wishes to acquire, the BP Interest, on the terms and conditions set out herein.
- C. The rights and obligations of the Farminees under this Agreement, and the Benefits and Obligations (as defined herein), shall be held by Kosmos in respect of the Kosmos Interest and BP in respect of the BP Interest on a several basis.

NOW THEREFORE IT IS HEREBY AGREED as follows:

1. **Definitions and Interpretation**

Definitions

1.1 In this Agreement the following expressions shall, except where the context otherwise requires, have the following respective meanings:

“**Accruals Basis**” means that basis of accounting under which costs and benefits are regarded as applicable to the period in which the liability for the cost is incurred or the right to the benefit arises regardless of when invoiced, paid or received;

“**Additional Carry**” has the meaning given to it in Clause 4.1.3;

“**Additional Carry Cap**” has the meaning given to it in Clause 4.1.3;

“**AFE**” has the meaning given to it in the JOA;

“**Affiliate**” means, in relation to a Party, any company or legal entity that Controls or is Controlled by, or which is Controlled by an entity which Controls, such Party;

“**Agreement**” means this farm-out agreement including the recitals and the Schedules;

“**Applicable Anti-Bribery Laws**” means any law (including common law and international law, and whether civil, criminal or administrative or otherwise), statute, statutory instrument, subordinate legislation, statutory guidance, bylaw, code, ordinance, order, permit, directive, decision, recommendation, decree, rule, regulation, treaty, convention or requirement of any Governmental Authority in each case that has or is given the force and effect of law, that is applicable;

“**Applicable Laws**” means, with respect to each Party: (i) Mauritanian Law; (ii) the laws to which such Party or such Party’s ultimate parent company are subject and/or the laws of any other country in which the Party or such Party’s ultimate parent company is listed or traded; and (iii) the Applicable Anti-Bribery Laws;

“**Benefits**” means income, revenue, receipts, rebates, credits and other benefits of whatsoever nature and howsoever arising in connection with, or arising out of, the Interest;

“**Block**” means Block C-18 offshore the Islamic Republic of Mauritania;

“**BP Interest**” means:

- (a) an undivided fifteen percent (15%) interest in the rights and obligations of the Contractor under the EPC; and
- (b) a fifteen percent (15%) Participating Interest under the JOA which, for the avoidance of doubt, equates to a sixteen decimal point six six five percent (16.665%) Paying Interest;
- (c) together with a corresponding interest in and under any other related agreement.

“**Business Day**” means a day (other than a Saturday, a Sunday or a legal bank or public holiday) on which clearing banks are or, as the context may require, were generally open for business in London, England or Dallas, Texas;

“**Completion**” means the completion of the transfer of the Interests in accordance with the provisions of this Agreement;

“**Completion Consideration**” has the meaning given to it in Clause 4.1.1;

“**Completion Date**” has the meaning given to it in Clause 6.2;

“**Completion Documents**” means the Deed of Novation and Amendment and any other documentation necessary as agreed between the Farmor and the Farminees (each acting reasonably) to give effect to the terms of this Agreement;

“**Completion Notice**” has the meaning given to it in Clause 6.1;

“**Conditions Precedent**” has the meaning given to it in Clause 3.1;

“**Confidential Information**” has the meaning given to it in Clause 12.1;

“**Continuing Provisions**” means Clauses 1 (*Definitions and Interpretation*), 12 (*Confidentiality and Announcements*), 13 (*Notices*), 14 (*Costs and Expenses*), 16 (*Variation*), 17 (*Severance*), 18 (*Transfer*), 19 (*General*), 20 (*Arbitration*), and 21 (*Governing Law*);

“**Contractor**” has the meaning given to it in the EPC;

“**Control**” means the ownership, directly or indirectly, of more than fifty percent (50%) of the voting rights in a company or other legal entity, the right to appoint the majority of the board of directors (or equivalent body) of a company or legal entity or the contractual right to exercise a controlling influence over a company or other legal entity and the terms “**Controls**” and “**Controlled**” shall be construed accordingly;

“**Cost Recovery**” means the Contractor’s right to recovery petroleum costs pursuant to Article 10 and Appendix 2 of the EPC, and as provided in Article 19 of the JOA;

“**Deed of Novation and Amendment**” means the deed of novation and amendment relating to the JOA in the form attached as Schedule 1;

“**Defaulting Party**” has the meaning given to it in Clause 6.3;

“**Default Rate**” means three (3) percentage points above LIBOR per annum, calculated on a simple and not on a compounded basis;

“**Disclosing Party**” has the meaning given to it in Clause 12.1;

“**Disclosure Letter**” means the letter of even date herewith delivered to the Farminee by the Farmor in the form of Schedule 4 which sets out certain disclosures against the Warranties;

“**Effective Date**” means 00:01 hours (London time) on 1 June 2017;

“**Encumbrances**” means all liens, charges (fixed or floating), security interests, pledges, options, net profit interests, royalty interests, carried interests, title retention, rights of pre-emption, mortgages or other third party rights and “**Encumber**” shall be construed accordingly;

“**EPC**” means the exploration-production contract applicable to the Block as identified in Schedule 5;

“**Existing Third Party Farminee**” means a third party farminee to whom Tullow has agreed to transfer of a forty-five percent (45%) Participating Interest pursuant to the terms of a Sale and Purchase Agreement dated 20 April 2017;

“**Farmor’s Account**” has the meaning given to it in Clause 6.1.2;

“**Final Completion Statement**” means a written statement prepared by the Farmor in respect of the Kosmos Interest or the BP Interest (as appropriate) and issued by the Farmor to the relevant Farminee under Clause 7.3 which sets out the Completion Consideration;

“**Government**” means the Government of the Islamic Republic of Mauritania, acting through the Ministry of Petroleum, Energy and Mines;

“**Governmental Authority**” means (i) any national, regional or local government and any ministry, national directorate, national institutes, provincial government, provincial directorates or department thereof; (ii) any person exercising public, executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government (including any independent regulator or for any public agency or public enterprise); (iii) any governmental entity, instrumentality, agency, authority, court, company; (iv) any other entity, committee or commission under the direct or indirect control of a government; or (v) any government-owned or controlled commercial enterprise;

“**ICC**” means the International Chamber of Commerce;

“**ICC Rules**” has the meaning given to it in Clause 20.1;

“**Indemnified Party**” has the meaning given to it in Clause 8.7.1;

“**Indemnifying Party**” has the meaning given to it in Clause 8.7.1;

“**Interest**” means the Kosmos Interest or the BP Interest, as the context requires, and “**Interests**” means the Kosmos Interest and BP Interest together;

“**Interest Documents**” means those documents referred to in Schedule 5;

“**Interim Period**” means the period from and including the Signing Date up to and including the Completion Date;

“**Interim Period Costs**” means the Farminees’ aggregate Paying Interest share of the Joint Account costs incurred in respect of the Block during the period between the Effective Date and the Completion Date;

“**JOA**” means the joint operating agreement applicable to the Block as identified in Schedule 5;

“**Joint Account**” means the joint account held by the Operator in accordance with the JOA;

“**Joint Operations**” has the meaning given to it in the JOA;

“**Kosmos Interest**” means:

- (a) an undivided fifteen percent (15%) interest in the rights and obligations of the Contractor under the EPC; and
- (b) a fifteen percent (15%) Participating Interest under the JOA which, for the avoidance of doubt, equates to a sixteen decimal point six six five percent (16.665%) Paying Interest;
- (c) together with a corresponding interest in and under any other related agreement.

“**LIBOR**” means the one (1) month London inter-bank offered rate for deposits in United States Dollars as published electronically by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) as the official quotation at closing (last trade) London time on the relevant day of the relevant period in respect of which interest (or an amount equivalent thereto) is to be calculated, or the next day thereafter for which a rate is so published; provided that, if such rate ceases to be so published, the rate shall be the arithmetic mean of the rates quoted by the principal London offices of HSBC, Royal Bank of Scotland and BNP Paribas to leading banks in the London interbank market;

“**Longstop Date**” has the meaning given to it in Clause 3.2;

“**Mauritanian Law**” means the laws, statutes, rules and regulations governing the EPC and activities in the Islamic Republic of Mauritania;

“**Minister**” means the Minister of Petroleum, Energy and Mines of the Islamic Republic of Mauritania and any person empowered by law to make a decision or exercise authority conferred on such minister under the applicable provisions of Mauritanian Law;

“**Non-defaulting Party**” has the meaning given to it in Clause 6.3;

“**Obligations**” means costs, charges, expenses, liabilities, Taxation and other obligations of whatsoever nature and howsoever arising in connection with, or arising out of, the Interest;

“**Operator**” has the meaning given to it in the JOA;

“**Participating Interest**” has the meaning given to it in the JOA;

“**Party**” or “**Parties**” means a party or the parties to this Agreement (as applicable);

“**Past Cost Amount**” means the amount of three million nine hundred ninety-four thousand three hundred eighty-three United States Dollars (US\$ 3,994,383), representing the

Farminees' aggregate Paying Interest share of the Joint Account costs incurred in respect of the Block prior to the Effective Date;

"Paying Interest" means, in respect of the Interest, the Kosmos Interest or the BP Interest (as appropriate), such interest together with the associated pro rata share of SMHPM's Participating Interest share of Joint Account costs in accordance with Article 3.4 of the JOA.

"Petroleum Operations" has the meaning given to it in the EPC;

"Recipient" has the meaning given to it in Clause 12.1;

"Relevant Claim" means (i) any claim by the Farminee against the Farmor for a breach or alleged breach of a Warranty by the Farmor; and (ii) any other claim whether by law, in contract, tort or otherwise against the Farmor arising out of or relating to any of the other provisions of this Agreement or the subject matter of this Agreement (including arising in connection with any Completion Document);

"Representations" has the meaning given to it in Clause 9.5;

"Seismic Carry" has the meaning given to it in Clause 4.1.2;

"Seismic Carry Cap" has the meaning given to it in Clause 4.1.2;

"Seismic Program" means the acquisition and processing of not less than seven thousand square kilometres (7000km²), and not more than eight thousand five hundred square kilometres (8500km²), of 3D seismic which the Parties shall use their respective reasonable endeavours to commence in 2017, approximately as set out in Schedule 6;

"Seismic Program Commitment" means the acquisition and processing of seven thousand square kilometres (7000km²), of 3D seismic, approximately as set out in Schedule 6;

"Signing Date" means the date of this Agreement, as first stated above;

"SMHPM" means Société Mauritanienne des Hydrocarbures et de Patrimoine Minier.

"Taxation" means all forms of taxation, duties, levies, imposts, charges and withholdings, direct or indirect, created or imposed as a form of taxation by the Government or any other Tax Authority and (without prejudice to the generality of the foregoing) includes:

- (a) corporation tax, capital gains tax, royalty, inheritance tax, any tax imposed pursuant to or referred to in the EPC, value added tax, customs and other import or export duties, excise duties, stamp duty, land tax, property transfer tax, social security or similar contributions, withholding similar to or supplementing or replacing the foregoing or any of them; and
- (b) any interest, penalty, surcharge or fine relating thereto which have been or are assessed or imposed by any governmental authority or statutory body (or someone

on behalf of any governmental authority or statutory body, if legally required to do so) (including fines, additional taxes, interest or penalties) and regardless of whether such taxes, duties, imposts, levies, charges, withholdings, penalties and interest are chargeable directly or primarily;

“**Tax Authority**” means any revenue, customs or fiscal, governmental, state, community, municipal or regional authority or person competent to impose, administer or collect any Taxation;

“**Third Party**” has the meaning given to it in Clause 8.7.1;

“**Third Party Claim**” has the meaning given to it in Clause 8.7.1;

“**Transfer**” means any sale, assignment, creation of an Encumbrance over or other disposition by a Party of its rights and obligations under this Agreement, including a direct or indirect change in Control of a Party unless that change is a result of the acquisition of securities listed on a recognised stock exchange.

“**United States Dollars**” or “**US\$**” means the lawful currency of the United States of America;

“**Warranties**” means the warranties given by the Farmor in Schedule 2, and “**Warranty**” means each or any of the Warranties;

“**Work Program and Budget**” has the meaning given to it in the JOA.

Interpretation

- 1.2 All references to Clauses and Schedules are, unless otherwise expressly stated, references to clauses of and schedules (and parts thereof) to this Agreement.
- 1.3 The Schedules form part of this Agreement and shall be construed and have the same force and effect as if expressly set out in the main body of this Agreement, and any reference to this Agreement shall, unless otherwise stated (or unless the context otherwise implies), include the Schedules. However, in the event of any ambiguity, inconsistency or conflict between the provisions of the main body of this Agreement and the Schedules, the provisions of the main body of this Agreement shall take precedence.
- 1.4 The headings in this Agreement are inserted for convenience only and shall be ignored in construing this Agreement.
- 1.5 Unless the context otherwise requires in this Agreement the singular shall include the plural and vice versa.
- 1.6 References in this Agreement to any statute, statutory provision or other legislation include a reference to that statute, statutory provision or legislation as amended, extended, re-enacted, consolidated or replaced from time to time (whether before or after the Signing Date) and include any order, regulation, instrument or other subordinate legislation made under the relevant statute, statutory provision or legislation.
- 1.7 Unless the context otherwise requires references to persons shall include natural persons, bodies corporate, unincorporated associations and partnerships and shall include such person's successors and permitted assigns.
- 1.8 The words "**indemnify**" and "**indemnifying**" in relation to any person against any circumstance or in respect of any act, omission, event or matter shall include indemnifying and keeping that person fully indemnified and held harmless on a continuing basis and (unless expressly provided otherwise in this Agreement) on demand from all actions, claims, demands and proceedings made against that person from time to time and all liabilities, losses, damages, fines and penalties and other payments, costs and expenses made or incurred by that person (including reasonable legal and other professional costs and associated value added tax) as a consequence of or which would not have arisen but for that circumstance, act, omission, event or matter.
- 1.9 Unless the context otherwise requires, references to documents and agreements shall be construed as references to those documents or agreements as may have been or are amended, supplemented and/or novated from time to time.

- 1.10 In computing any period of time under this Agreement the day of the act, event or default from which such period begins to run shall be included. Unless this Agreement provides otherwise, any payment falling due on a non-Business Day shall be deemed to be due and payable on the next following Business Day.
- 1.11 Any reference to “**writing**” or “**written**” includes faxes and any legible reproduction of words delivered in permanent and tangible form (but does not include e-mail).
- 1.12 References in this Agreement to the words “**include**”, “**including**” and “**other**” shall be construed without limitation.
- 1.13 A reference to any “**Party**” includes its successors and permitted assigns.
- 1.14 References to any gender includes a reference to other genders.
- 1.15 The “**winding-up**” of a person also includes the amalgamation, reconstruction, re-organisation (by way of voluntary arrangement, scheme of arrangement or otherwise), administration, dissolution, liquidation, merger or consolidation of that person and any equivalent or analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled or resident or carries on business or has assets.
- 1.16 A reference to a “**day**” means a calendar day.
- 1.17 References to any English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, organisation, body, official or any legal concept, state of affairs or thing shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English legal term.

2. **Transfer of the Interest**

- 2.1 Subject to the provisions of this Agreement:
- 2.1.1 the Farmor agrees to transfer to Kosmos free from all Encumbrances (but subject to the provisions of the Interest Documents), and Kosmos agrees to acquire from the Farmor, the Kosmos Interest; and
- 2.1.2 the Farmor agrees to transfer to BP free from all Encumbrances (but subject to the provisions of the Interest Documents), and BP agrees to acquire from the Farmor, the BP Interest.
- 2.2 Upon Completion, and assuming prior completion of the proposed transaction between Farmor and the Existing Third Party Farminee, the Participating Interests (and corresponding paying interests under Article 3.4(E) of the JOA) shall be:

<u>Party</u>	<u>Participating Interest</u>	<u>Paying Interest</u>
Tullow	15%	16.67%
Kosmos	15%	16.665%
BP	15%	16.665%
Existing Third Party Farminee	45%	50%
SMHPPM	10%	0%

In the event the proposed transaction between Farmor and the Existing Third Party Farminee has not completed prior to Completion, the Existing Third Party Farminee's Participating Interest and Paying Interest as indicated above shall remain with Farmor.

3. Conditions Precedent

3.1 The obligations of the Parties to complete the transfer of the Interest under this Agreement are conditional on the fulfilment or waiver, in accordance with the terms of this Agreement, of the following conditions (each a "**Condition Precedent**", and together the "**Conditions Precedent**"):

- 3.1.1 the Farminees approving in writing the Existing Third Party Farminee;
- 3.1.2 the Minister approving, or being deemed to have approved, the proposed transfer of the Interests in accordance with Article 22.1 of the EPC;
- 3.1.3 execution of the Deed of Novation and Amendment by all parties thereto, which for the avoidance of doubt shall constitute SMHPPM's and the Existing Third Party Farminee's consent to the transfer of the Interests under Article 12 of the JOA. If SMHPPM and/or the Existing Third Party Farminee propose any amendments thereto, the Parties shall use their respective reasonable endeavours to include such proposed amendments and execute the applicable number of counterparts of the amended Deed of Novation and Amendment;
- 3.1.4 the Minister and Contractor parties executing an amendment to the EPC providing for (i) the extension of the initial phase of the exploration period under Article 3.1 of the EPC to seven (7) years such that it will expire on 14 June 2019, and (ii) the inclusion of the Seismic Program Commitment as an additional work commitment under Article 4.1 of the EPC;
- 3.1.5 if prior to Completion the JOA has been amended to include pre-emptive rights, then the waiver of such pre-emptive rights by the Existing Third Party Farminee and SMHPPM;
- 3.1.6 approval by the Government (Cabinet), by way of signed decree, of the amendment to the EPC referred to in Clause 3.1.4;

- 3.1.7 each Farminee providing an unconditional and irrevocable bank guarantee in favour of the Government in respect of its Interest share of the amount required to be guaranteed pursuant to Article 4.6 of the EPC;
 - 3.1.8 the Operating Committee passing a resolution approving the Seismic Program; and
 - 3.1.9 in relation to the transfer of the Kosmos Interest Completion having occurred in respect of the BP Interest, and in relation to the transfer of the BP Interest Completion having occurred in respect of the Kosmos Interest.
- 3.2 The Parties shall use their respective reasonable endeavours to obtain fulfilment of the Conditions Precedent set out in Clauses 3.1.2, 3.1.3 and 3.1.9 as soon as practicable and in any event by no later than one hundred and twenty (120) days after the Signing Date (the “**Longstop Date**”), or such later date as the Parties may agree in writing. The Farmor shall use its reasonable endeavours to obtain fulfilment of the Condition Precedent set out in Clause 3.1.4, 3.1.5, 3.1.6 and 3.1.8 as soon as practicable and in any event by no later than the Longstop Date, or such later date as the Parties may agree in writing. Each Farminee shall use its reasonable endeavours to obtain fulfilment of the Conditions Precedent set out in Clause 3.1.1 and 3.1.7 as soon as practicable and in any event by no later than the Longstop Date, or such later date as the Parties may agree in writing.
- 3.3 The Parties may waive any of the Conditions Precedent by mutual agreement in writing.
- 3.4 If the Conditions Precedent are not all fulfilled or waived on or before the Longstop Date then, unless otherwise agreed in writing by the Parties, this Agreement (other than the Continuing Provisions) may be terminated by either Farminee or the Farmor giving written notice to the other Parties and Clause 3.5 shall apply.
- 3.5 If this Agreement terminates pursuant to Clauses 3.4, 6.3.2 or 6.4, no Party shall have any liability to another Party in respect of any such termination, other than:
- 3.5.1 any accrued rights or obligations of any Party under this Agreement; and
 - 3.5.2 the continuing obligations under any of the Continuing Provisions.
- 3.6 Each Party shall keep the other Parties regularly informed of the progress being made to fulfil each Condition Precedent, and shall, as soon as reasonably practicable, notify the other Parties if it becomes aware of any fact or matter that may prevent the satisfaction of any of the Conditions Precedent. Each Party shall promptly provide to another Party all such information and documentation concerning that Party as may be reasonably requested by the other Party to enable that other Party to prepare and submit all necessary filings required by the Government in connection with the

transaction contemplated by this Agreement and otherwise to satisfy the Conditions Precedent in respect of the Interest.

4. Consideration

- 4.1 The aggregate consideration for the transfer by the Farmor of the Interests to the Farminees shall be as set out below in this Clause 4.1. Kosmos and BP shall each be liable to Farmor, on a several basis, for fifty percent (50%) of such aggregate consideration, as full consideration for the transfer of the Kosmos Interest and the BP Interest respectively. On such basis, the Farminees shall:
- 4.1.1 pay to the Farmor at Completion an amount equal to the Past Cost Amount plus the Interim Period Costs (the “**Completion Consideration**”);
 - 4.1.2 carry the Farmor in respect of the Farmor’s Paying Interest share of the costs of the Seismic Program (“**Seismic Carry**”) up to an aggregate gross expenditure cap of twenty-five million United States Dollars (US\$25 million), being four million one hundred and sixty six thousand dollars (US\$4,166,000) net to the Farmor (the “**Seismic Carry Cap**”). The Seismic Carry is personal to the Farmor and may not be transferred or assigned by the Farmor to any party other than to an Affiliate;
 - 4.1.3 carry the Farmor in respect of the Farmor’s Participating Interest share of:
 - (a) the costs of the Seismic Program in excess of the Seismic Carry Cap; and
 - (b) any other Joint Account costs,(together, the “**Additional Carry**”) up to an aggregate expenditure cap of five million United States Dollars (US\$5,000,000) net to the Farmor (“**Additional Carry Cap**”). The Additional Carry is personal to the Farmor and may not be transferred or assigned by the Farmor to any party other than to an Affiliate.
 - 4.1.4 If at the end of the initial phase of the exploration period under Article 3.1 of the EPC the net amount for which the Farmor has been carried in relation to the Additional Carry is less than five million United States Dollars (US\$5,000,000), the Farminees shall pay to the Farmor an amount equal to five million United States Dollars (US\$5,000,000) less the net amount for which the Farmor has been carried in relation the Additional Carry.
 - 4.1.5 For the avoidance of doubt:
 - (a) in addition to the consideration payable by the Farminees pursuant to Clauses 4.1.1, 4.1.2, 4.1.3 and 4.1.4 above, each Farminee shall

also pay its Interest share of all Joint Account costs on and from the Completion Date; and

- (b) notwithstanding that it is the intent of the Parties for the Seismic Program to commence in 2017 and the Parties are to use their reasonable endeavours to give effect to that intent, if for whatever reason (except failure by the Parties to use reasonable endeavours as above) the Seismic Program commences in 2018 the Farminees shall nevertheless be obliged to perform the Seismic Carry and the Additional Carry.

4.2 The consideration due by the Farminees pursuant to Clause 4.1.1 shall be payable by the Farminees to Farmor at Completion in accordance with Clause 6.2. The consideration due by the Farminees pursuant to Clauses 4.1.2 and 4.1.3 shall be payable by the Farminees by way of discharge of the Farmor's obligations to pay cash call(s) or billing(s) issued pursuant to the JOA to which the Seismic Carry or Additional Carry relates. The Farmor shall provide each Farminee with a copy of the applicable cash call(s) or billing(s) issued pursuant to the JOA to which the Seismic Carry or Additional Carry relates and such Farminee shall pay such amount(s), for and on behalf of the Farmor, on or before the applicable due date for payment set out in such cash call or billing. The consideration due by each Farminee pursuant to Clause 4.1.4, if any, shall be payable by such Farminee to the Farmor within ten (10) Business Days of receipt by the relevant Farminee of an invoice from the Farmor, which invoice shall not be issued earlier than fifteen (15) Business Days before the expiry of the initial phase of the exploration period under Article 3.1 of the EPC.

5. Interim Period

5.1 During the Interim Period, the Farmor shall:

- 5.1.1 continue to perform its obligations and activities in relation to the Interest in accordance with good oil and gas field practice and in the ordinary and usual course of business;
- 5.1.2 comply with its obligations under the Interest Documents;
- 5.1.3 to the extent that the terms in the Interest Documents permit, notify the Farminees and provide details upon the occurrence of: (i) any written notice of default or termination received or given by it with respect to the Interest Documents; (ii) any event or condition that would render impossible its right to transfer the Interests in accordance with the provisions of this Agreement; (iii) any relinquishment of the Block; or (iv) any proposal to enter into material litigation, arbitration, administrative proceeding or other dispute relating to any of the provisions of the Interest Documents;

- 5.1.4 to the extent that the terms of the Interest Documents permit, make available or allow the Farminees access to all information, data and other material (not of a routine or minor nature) reasonably requested by the Farminees from time to time relating to the Interest; and
 - 5.1.5 pay all expenses including cash calls relating to the Interests as they become due, where such expenses would be paid by a reasonably prudent party.
- 5.2 During the Interim Period, the Farmor shall not, except with the prior written approval of the Farminees (such approval not to be unreasonably withheld, delayed or conditioned):
- 5.2.1 trade, relinquish, surrender, sell, assign or Encumber the Interests (or agree to do any of the foregoing in the future), save for any actions or steps taken by it in order to effect the transactions contemplated under this Agreement;
 - 5.2.2 enter into (or agree to enter into) any material agreements or commitments in relation to the Interest Documents, other than in accordance with: (i) any Work Program and Budget or AFE approved prior to the Signing Date; and (ii) any agreements or commitments which are entered into in order to effect the transactions contemplated under this Agreement;
 - 5.2.3 commence, settle or agree to settle any material litigation, arbitration, administrative proceeding or other dispute relating to the Interests;
 - 5.2.4 amend, vary, novate, supplement or terminate or agree to amend, vary, novate, supplement or terminate any of the Interest Documents other than in order to effect the transactions contemplated under this Agreement;
 - 5.2.5 waive or agree to waive any of its rights or remedies under or arising from the relevant Interest Documents insofar as such rights and remedies materially affect the Interest and relate to periods on or after the Signing Date; and
 - 5.2.6 propose, approve or participate in any exclusive operations in respect of the Interests.
- 5.3 The provisions of Clauses 5.1 and 5.2 shall not apply in respect of any act, omission or other action taken by the Farmor in the case of emergency, to the extent necessary to satisfy any mandatory legal or regulatory requirements or to the extent necessary to safeguard the reasonable health, safety or environmental concerns of the Farmor.
- 5.4 To the extent that any action to be taken by the Farmor that is set out in Clauses 5.1 or 5.2 requires the Farminees' prior approval, such approval shall be deemed to be given if the Farmor receives no response from the Farminees to a notice given in

accordance with this Agreement requesting such approval within five (5) Business Days of the date of receipt by the Farminees of such request.

6. Completion

- 6.1 Within three (3) Business Days following the satisfaction (or waiver) of the last of the Conditions Precedent (other than the Condition Precedent referred to in Clause 3.1.9), the Farmor shall notify each Farminee in writing (the “**Completion Notice**”) that such Conditions Precedent have been satisfied (or waived), which notice shall also include (unless previously provided by the Farmor to the Farminee):
- 6.1.1 a statement setting out the Farmor's estimate of the Completion Consideration;
 - 6.1.2 details of the Farmor's bank account (“**Farmor's Account**”);
 - 6.1.3 one original of the Deed of Novation and Amendment duly executed by all parties thereto;
 - 6.1.4 a copy of the Minister's approval in writing to the transfer of the Interest in accordance with Article 22.1 of the EPC (if applicable);
 - 6.1.5 a copy of the Operating Committee resolution referred to in Clause 3.1.7; and
 - 6.1.6 a copy of the decree referred to in Clause 3.1.6.
- 6.2 Within five (5) Business Days of receipt of the Completion Notice, the Farminee shall pay to the Farmor the estimated Completion Consideration set out in the statement referred to in Clause 6.1.1, by means of telegraphic transfer in immediately available funds to the Farmor's Account in United States Dollars. Upon the receipt by the Farmor of the full amount of the estimated Completion Consideration from both Farminees into the Farmor's Account, the Farmor shall notify the Farminees and such Business Day shall be deemed the “**Completion Date**”. Completion in respect of the transfer of the Kosmos Interest cannot occur without Completion occurring in respect of the transfer of the BP Interest, and vice versa. If the Parties have complied with their Completion obligations under under Clauses 6.1 and 6.2 then Completion of the transfer of the Kosmos Interest and BP Interest shall be deemed to have occurred simultaneously. The Parties agree that the Completion Documents shall become binding on the Parties on and from the Completion Date, but with effect from the Effective Date.
- 6.3 If either the Farmor or a Farminee (the “**Defaulting Party**”) fails to comply with any of its Completion obligations under Clauses 6.1 and 6.2 in the time and/or in the manner specified, then in addition and without prejudice to any other rights and remedies it may have the other Party (the “**Non-Defaulting Party**”) may elect to:

- 6.3.1 waive any of the Completion obligations of the Defaulting Party and proceed to Completion so far as practicable; or
 - 6.3.2 terminate this Agreement without any liability to the other Parties, provided that the Non-Defaulting Party has first given notice in writing to the Defaulting Party identifying those obligations with which it has not complied and requesting that it does so, but the Defaulting Party has failed to do so within five (5) Business Days of the date of such notice.
- 6.4 If, prior to Completion, the Government issues a notice in writing to the Contractor advising that the EPC has terminated and/or that no extension to the initial phase of the exploration period under Article 3.1 of the EPC will be granted, then the Farmor shall promptly provide such notice to the Farminees and, unless otherwise agreed in writing by the Parties, this Agreement (other than the Continuing Provisions) may be terminated by either or both Farminee(s) by giving written notice to the other Parties and Clause 3.5 shall apply.

7. Post Completion

- 7.1 If, within sixty (60) days following the fulfilment of the Condition Precedent referred to in Clause 3.1.6, the decree has not been published in the Official Journal of the Islamic Republic of Mauritania then, unless otherwise agreed in writing by the Parties, this Agreement (other than the Continuing Provisions) may be terminated by either or both Farminee(s) by giving written notice to the other Parties at any time prior to publication of the decree and, subject to Clause 3.5, the Parties shall co-operate with each other and execute and deliver (or procure the execution and delivery of) all such other instruments and documents and take such other actions as may be reasonably necessary to unwind the transactions and re-transfer the Interests from the Farminees to the Farmor.
- 7.2 If the Existing Third Party Farminee has become a party to the EPC and JOA then promptly following the publication of the decree referred to in Clause 3.1.6 the Farmor shall, in its capacity as Operator, notify the Operating Committee in accordance with Article 4.10(C) of the JOA that it has become the holder of a Participating Interest of less than twenty percent (20%). In respect of the vote of Non-Operators under Article 4.10(C) of the JOA to consider the appointment of a successor Operator, each Farminee undertakes to vote in favour of the appointment of the Existing Third Party Farminee as successor Operator.
- 7.3 Within sixty (60) days of the Completion Date, the Farmor shall provide the Farminees with a Final Completion Statement.
- 7.4 A Farminee shall notify the Farmor within twenty (20) days of receipt by the Farminee of the Final Completion Statement if it agrees with the Final Completion Statement or if it disputes all or any part of the Final Completion Statement, failing which

notification the Final Completion Statement shall be deemed to have been agreed by the Farminee.

- 7.5 If a Farminee notifies the Farmor that it disputes all or part of the Final Completion Statement within such period and the Farmor and the Farminee fail to agree all or part of the relevant Final Completion Statement within ninety (90) days of receipt by the Farmor of a notice from the Farminee pursuant to Clause 7.4, the disputed parts of the statement may be referred for determination in accordance with Clause 7.6.
- 7.6 If the Farmor and the Farminee fail to agree any part of the relevant Final Completion Statement within the period specified in Clause 7.5, the disputed items may be referred by either the Farmor or the Farminee for determination by an independent chartered accountant nominated by the Parties or, in the absence of agreement between the relevant Parties within five (5) Business Days of either the Farmor or the Farminee notifying the other that it proposes to refer the dispute to an independent chartered accountant, by the President of the Institute of Chartered Accountants in England and Wales. The nominated chartered accountant shall be afforded such access to books, records, accounts and documents in the possession of the Farmor and the Farminee as he may reasonably request, and he shall act as expert not as arbitrator. The said accountant's determination shall, in the absence of fraud or manifest error or bias, be final and binding on the Farmor and the Farminee, his fees and disbursements shall be borne by the Farmor and the Farminee in equal shares and the Farmor and the Farminee shall bear their own costs in respect of such reference. The said accountant shall be requested to produce his/her determination within ninety (90) days.
- 7.7 The amounts set out in the Final Completion Statement as they are agreed or determined (as applicable), to the extent not already paid or taken into account on Completion, shall be paid by the Farminee to the Farmor or by the Farmor to the Farminee (as the case may be) within ten (10) Business Days following the later of either the agreement or deemed agreement of the Farminee under Clause 7.4, the agreement of the Parties under Clause 7.5 or determination under Clause 7.6.

8. Indemnities

- 8.1 The rights and obligations in this Clause 8 shall not come into effect unless and until Completion takes place. All references to the Farminee are to BP and Kosmos, severally and in proportion to each Farminee's Interest.
- 8.2 Except as otherwise provided in this Agreement, including pursuant to Clause 4.1.1, the Farmor shall be liable for all Obligations in respect of the Interest which accrue in or relate to any period before the Effective Date, and the Farmor shall be entitled to all Benefits in respect of the Interest which accrue in or relate to any period before the Effective Date.

- 8.3 The Farminee shall be liable for all Obligations in respect of the Interest which accrue in or relate to any period on or after the Effective Date, and the Farminee shall be entitled to all Benefits in respect of the Interest which accrue in or relate to any period on or after the Effective Date.
- 8.4 If:
- 8.4.1 any Obligations are incurred by the Farmor in respect of the period on or after the Effective Date, the Farminee shall reimburse and indemnify the Farmor in respect thereof;
 - 8.4.2 any Obligations are incurred by the Farminee in respect of the period prior to the Effective Date, the Farmor shall reimburse and indemnify the Farminee in respect thereof;
 - 8.4.3 any Benefits accrue to the Farmor in respect of the period on or after the Effective Date, the Farmor shall account to and reimburse the Farminee in respect thereof; and
 - 8.4.4 any Benefits accrue to the Farminee in respect of the period prior to the Effective Date, the Farminee shall account to and reimburse the Farmor in respect thereof.
- 8.5 Any amount to be paid or reimbursed in accordance with Clause 8.4 or any other provision of this Clause 8 shall be paid or reimbursed within ten (10) Business Days of receipt or credit thereof (or, in the case of Obligations, within ten (10) Business Days of receipt of notification from the Party which has incurred such Obligations together with supporting documentation evidencing the entitlement of that Party to be indemnified) to the Farmor's Account or the account nominated by the Farminee (as the case may be).
- 8.6 Clause 8.4 shall not operate so as to result in any Party making or receiving double payment or to re-open matters which were taken into consideration pursuant to Clause 6 or 7.7.
- 8.7
- 8.7.1 Under this Clause 8, if any person not a party to this Agreement (a "**Third Party**") shall notify a Party (the "**Indemnified Party**") with respect to any claim that the Third Party intends to bring or has brought (a "**Third Party Claim**") against the Indemnified Party and which gives rise or is likely to give rise to a claim for indemnification against the other Party (the "**Indemnifying Party**"), then the Indemnified Party shall promptly (and in any event within ten (10) Business Days after receiving notice of the Third Party Claim) notify the Indemnifying Party thereof in writing, giving reasonably detailed particulars of the Third Party Claim.

- 8.7.2 The Indemnified Party shall keep the Indemnifying Party informed of material developments in relation to any such claim and in doing so shall supply (in such manner as may be required to avoid any waiver of legal privilege) as soon as reasonably practicable to the Indemnifying Party copies of relevant documentation and correspondence in dealing with any such claim. The Indemnifying Party shall give the Indemnified Party and its professional advisers access at reasonable times (and on reasonable prior notice) to its premises and personnel, and to any relevant assets, accounts, documents or records within its control, for the purposes of enabling the Indemnified Party to assess the Third Party Claim and to exercise its rights under Clause 8.7.4.
- 8.7.3 The Indemnifying Party shall have the right to (and shall, if so requested in writing by the Indemnified Party) assume and conduct the defence of the Third Party Claim at its sole cost; provided that the Indemnifying Party first indemnifies the Indemnified Party (to the Indemnified Party's reasonable satisfaction) against all costs and liabilities it may incur as a result of allowing the Indemnifying Party the right to assume conduct of the Third Party Claim and provided that the Indemnifying Party shall not make an admission of liability or consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnified Party such consent not to be unreasonably withheld, delayed or conditioned).
- 8.7.4 Unless and until an Indemnifying Party assumes the defence of the Third Party Claim as provided in Clause 8.7.3, the Indemnified Party may defend against the Third Party Claim in any manner it reasonably deems appropriate at the cost of the Indemnifying Party.
- 8.7.5 Notwithstanding Clause 8.7.4, in no event shall the Indemnified Party make an admission of liability or consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (such consent not to be unreasonably withheld, delayed or conditioned).
- 8.7.6 In the event of a Third Party Claim being made, each Party, subject to each other Party agreeing to keep the same confidential and to use the same only in connection with the Third Party Claim, agrees to provide to each other Party (and its authorised employees and its professional advisers) all material technical, legal and financial information reasonably necessary or conducive to the proper defence of the Third Party Claim.
- 8.8 The Indemnified Party (or Indemnifying Party, if it has assumed the conduct of the defence pursuant to Clause 8.7.3) shall not be liable under any claim for an admission of liability or consent to the entry of any judgment or entry into any settlement with respect to the Third Party Claim that was made, consented to or entered into (as

applicable) without the prior written consent of the Indemnifying Party (or Indemnified Party, if the Indemnifying Party has assumed the conduct of the defence pursuant to Clause 8.7.3).

8.9 The ascertainment of all Obligations and Benefits in relation to any Interest under this Clause 8, shall be calculated on an Accruals Basis.

9. Warranties

9.1 Subject to the provisions of this Clause 9, and save as disclosed under the terms of the Disclosure Letter or the contents of this Agreement, the Farmor hereby warrants at the Signing Date to the Farminees that the Warranties set out in Schedule 2 are true and accurate in all material respects.

9.2 Each Farminee hereby warrants to the Farmor at the Signing Date that the warranties set out in Schedule 3 are true and accurate in all material respects.

9.3 Each of the warranties given under this Clause 9 shall be construed as a separate warranty and shall be deemed to be repeated at Completion.

9.4

9.4.1 The Farmor shall not be liable for any Relevant Claim unless it has received from the Farminee, as soon as practicable after the Farminee becomes aware of the same, written notice containing reasonable details of the Relevant Claim, including the Farminee's provisional estimate of the maximum amount of the Relevant Claim and details of the Farminee's calculation of the loss alleged to have been suffered by it. If any delay by the Farminee in notifying a Relevant Claim prejudices the Farmor's ability to avoid or mitigate its liability in respect of that Relevant Claim, then that Farmor's liability to the Farminee in respect thereof shall be reduced to the extent that the Farmor is prejudiced by the delay.

9.4.2 The Farmor shall not be liable for any Relevant Claim unless it has received the notice from the Farminee referred to in Clause 9.4.1 on or before twelve (12) months after the Completion Date. Any Relevant Claim made shall be deemed to have been withdrawn unless legal proceedings in respect thereof have been both issued and served on the Farmor within six (6) months of the giving of such notice.

9.5 Except as set forth in Clause 9.1, neither the Farmor nor any of its Affiliates nor any officer, shareholder, director, employee, agent, consultant or representative of the Farmor or any of its Affiliates (including their auditors) makes any representation, warranty, statement, assurance, covenant, agreement, undertaking, opinion, indemnity or commitment of any nature whatsoever (including any representation, warranty, statement, assurance, covenant, agreement, undertaking, opinion,

indemnity or commitment: (a) communicated (orally or in writing) to the Farminee or any Affiliate of the Farminee; or (b) made in any data, information or document communicated to the Farminee or any Affiliate of the Farminee or made by any officer, shareholder, director, employee, agent, consultant or representative of the Farmor or any Affiliate of the Farmor) (“**Representations**”). Without limiting the generality of the foregoing, the Farmor makes no representation or warranty as to: (i) the amounts, quality or deliverability of reserves of crude oil, natural gas or other hydrocarbons attributable to the Interests; (ii) any geological, geophysical, engineering, economic or other interpretations, forecasts or evaluations; (iii) any forecast of expenditures, budgets or financial projections; (iv) any geological formation, drilling prospect or hydrocarbon reserve and the Farminee affirms and acknowledges that it has made its own independent assessment and evaluation of these matters; (v) the state, condition or fitness for purpose of any of the physical assets which comprise the Interest; (vi) conditions generally affecting the oil and gas industry in Mauritania; or (vii) the political and/or security situation in Mauritania. For the avoidance of doubt, all conditions, warranties and liabilities implied by statute, common law or otherwise as to the state, condition or fitness for purpose of any physical assets which comprise the Interests, are excluded.

9.6 The Farmor shall not be liable for any Relevant Claim to the extent that such Relevant Claim (or the subject matter thereof):

9.6.1 occurs or arises, or such Relevant Claim otherwise having arisen and any loss incurred or associated with such Relevant Claim is increased, as a result of any act, matter, omission, transaction or circumstance which would not have occurred but for the passing of, or any change in, after the Signing Date, any law, rule, regulation, interpretation of the law, or any administrative practice of any government, governmental department, agency, regulatory body or person (including any passing of, or change in, any law, rule, regulation, interpretation of the law or any administrative practice as aforesaid which takes place retrospectively, or any increase in the rates of Taxation or any imposition of Taxation or any amendment to or the withdrawal of any extra-statutory concession or other practice previously made by or published by any Tax Authority (in whatever jurisdiction) and in force at the Signing Date);

9.6.2 occurs or arises, or such Relevant Claim otherwise having arisen and any loss incurred or associated with such Relevant Claim is increased, as a result of any voluntary act, default, omission, transaction or arrangement entered into after the Signing Date by the Farminee or any of its Affiliates;

9.6.3 occurs or arises, or such Relevant Claim otherwise having arisen and any loss incurred or associated with such Relevant Claim is increased, as a result of the Farmor doing or omitting to do any act or thing at the request of or with the agreement of the Farminee;

- 9.6.4 occurs wholly or partly out of or the amount thereof is increased as a result of any change in the accounting standards, policies, practices or methods applied by the Farminee in preparing any accounts, or valuing any assets or liabilities after the Signing Date;
- 9.6.5 relates to facts or circumstances which are within the actual, constructive or imputed knowledge of the Farminee or any Affiliate of the Farminee (or any of the Farminee's or any of its Affiliate's directors, officers, shareholders, employees, agents, consultants or representatives) as at the Signing Date; or
- 9.6.6 relates to any loss which is recoverable by the Farminee from its insurers (or which would have been recoverable but for any change in the terms of insurance since the Signing Date).
- 9.7 The Farmor shall not be liable for a potential Relevant Claim which arises as a result of a contingent or unquantifiable liability, unless and until such contingent or unquantifiable liability ceases to be contingent and becomes quantifiable.
- 9.8 The liability of the Farmor in respect of any Relevant Claim shall be limited as follows:
- 9.8.1 there shall be disregarded for all purposes any Relevant Claim in respect of which the amount of the damages to which the Farminee would otherwise be entitled is less than an amount equal to two hundred thousand United States Dollars (US\$200,000); and
- 9.8.2 the Farmor shall have no liability in respect of any Relevant Claim except to the extent that the damages to which the Farminee is entitled in respect of all Relevant Claims in aggregate exceed an amount equal to six hundred thousand United States Dollars (US\$600,000) (in which case the Farmor shall only be liable for the excess).
- 9.9 The maximum aggregate liability of the Farmor in respect of all Relevant Claims of the Farminees shall not exceed nine million one hundred and sixty thousand United States Dollars (US\$9,160,000), or four million five hundred and eighty thousand United States Dollars (US\$4,580,000) in respect of each Farminee.
- 9.10 In assessing damages for any Relevant Claim, the Farmor shall not be liable to the Farminee for any special, indirect or consequential loss including (without prejudice to the generality of the foregoing) loss of profits, loss of market share and loss of goodwill, even if such loss was reasonably foreseeable.
- 9.11 If:

- 9.11.1 the Farminee becomes aware of any circumstance which may result in the Farminee having a Relevant Claim against the Farmor as a result of or in connection with a liability or alleged liability to a third party; or
- 9.11.2 the Farminee is or may be entitled by law to recover from some other person, firm, authority or body corporate any sum in respect of which the Farminee may have a Relevant Claim,

the Farminee shall promptly notify the Farmor thereof in writing and the Farmor shall be entitled: (i) to take, and/or require the Farminee to take, any action the Farmor might reasonably request to resist such liability or enforce such recovery (as the case may be), in both cases in the name of the Farminee but at the cost and expense of the Farmor; and (ii) to have conduct of any appeal, dispute, compromise or defence of the dispute and of any incidental negotiations for the aforesaid purposes, and the Farminee shall give the Farmor all co-operation, access and assistance for the purposes of resisting such liability or enforcing such recovery (as the case may be) as the Farmor may reasonably require.

- 9.12 If the Farmor pays to the Farminee an amount pursuant to a Relevant Claim and the Farminee is entitled to recover from some other person any sum to which it would not have been or become entitled but for the circumstances giving rise to such Relevant Claim, the Farminee shall promptly undertake all reasonable and appropriate steps to enforce such recovery and shall forthwith repay to the Farmor the lesser of: (i) the amount paid to the Farminee by the Farmor pursuant to the Relevant Claim; and (ii) the amount recovered from the third party, in each case less all costs, charges and expenses reasonably incurred by the Farminee in obtaining (or consequent upon obtaining) that payment and in recovering that amount from the third party.
- 9.13 Nothing in this Agreement shall relieve the Farminee of any duty, whether at common law or otherwise, to mitigate any loss or damage incurred by it.
- 9.14 Neither Party shall be entitled to recover from the other Party the same sum or loss more than once in respect of any claim under this Agreement or in respect of its subject matter.
- 9.15 No liability will arise and no Relevant Claim may be made to the extent that the matter giving rise to such Relevant Claim is remediable unless the Farminee shall have given written notice thereof to the Farmor in accordance with Clause 9.4.1 and such matter shall not be remedied to the satisfaction of the Farminee (acting reasonably) within the period of twenty (20) Business Days following the date of service of such notice.
- 9.16 In relation to a Warranty, the use of the words “so far as the Farmor is aware”, or any similar expression, shall be construed as referring only to the extent to which: (i) Robin Sutherland – General Manager, New Ventures Africa; (ii) Kemal

Mohamedou – Country Manager, Mauritania; (iii) Justine Tinker– Exploration Team Lead; and/or (iv) Daniel O’Neill – General Counsel, New Ventures Africa, are actually aware of matters to which such Warranty refers as at the date on which such Warranty is given (or should have been aware of having made reasonable enquiries within the Farmor’s organisation).

- 9.17 The Farmor and the Farminee agree to inform the other of any material changes to the facts in the warranties given under this Clause 9 prior to the Completion
- 9.18 Each Farminee warrants that, as at the Signing Date and at the Completion Date, it is not considering or planning to make any Relevant Claim.

10. Undertakings and Breach

- 10.1 Notwithstanding anything to the contrary in this Agreement, the Interest Documents or otherwise, until each Farminee has discharged in full both the Seismic Carry and the Additional Carry, the Farminees irrevocably undertake not to:
 - 10.1.1 partially or completely withdraw from, or otherwise cease to be a party to, any of the Interest Documents;
 - 10.1.2 transfer, sell, assign, or dispose of all or any part of its Interest (provided that this shall not apply on a direct or indirect change in Control of a Farminee); or
 - 10.1.3 terminate this Agreement (except as otherwise expressly provided herein).
- 10.2 If a Farminee breaches any of its undertakings in Clause 10.1, or fails to pay when due any amount under this Agreement (including cash calls or billed/invoiced amounts relating to the Seismic Carry or Additional Carry), the Farmor shall notify the Farminee of the breach.
- 10.3 In addition, and without prejudice, to any other rights or remedies available to the Farmor pursuant to this Agreement or otherwise, if the Farminee is in material breach of this Agreement, including as set out in Clause 10.1 and 10.2 above, then the Farminee shall within five (5) Business Days of the Farmor’s notice of breach pay to the Farmor an amount equal to nine million one hundred and sixty six thousand United States Dollars (US\$9,166,000) (being the net Seismic Carry Cap plus the Additional Carry Cap) less all amounts paid by the Farminee in respect of the Seismic Carry and Additional Carry as at the date of the relevant breach and the Farminee shall indemnify the Farmor in respect of any interest incurred by the Farmor under the Interest Documents arising as a result of or in connection with the relevant breach.
- 10.4 Each Farminee agrees and acknowledges that the nature and the amount of the remedies granted to the Farmor pursuant to Clause 10 are proportionate, fair and reasonable and do not go beyond what is necessary to protect the Farmor's legitimate

interest in the Farminee's performance of its undertakings in Clause 10.1. Each Farminee also agrees and acknowledges that this Agreement was negotiated on arm's length terms by parties of comparable bargaining power, each with the benefit of legal advice, and the Farminee hereby waives any and all defenses as to the validity or enforcement of such remedies, including on the grounds that it is unlawful, void or not applicable as a penalty.

- 10.5 Nothing in this Agreement shall relieve the Farmor of any duty, whether at common law or otherwise, to mitigate any loss or damage incurred by it.

11. Tax

- 11.1 Except as otherwise provided in this Agreement, the Farmor and each Farminee shall be responsible for reporting, satisfying and discharging its own Taxation measured by the profit or income of such Party and the satisfaction of such Party's share of Taxation obligations arising under the EPC, JOA, this Agreement and Applicable Laws. The Farmor and each Farminee shall protect, defend and indemnify the other Parties from any and all costs, charges, expenses, liabilities and obligations in connection with or arising out of the indemnifying Party's failure to report, satisfy and/or discharge such Taxation obligations.
- 11.2 Each Farminee shall be responsible and liable for reporting, satisfying and discharging any Taxation, fees, charges, duties, documentary charges, registration charges, stamp duties or other sums arising in connection with the transfer of the Interest, the execution, registration or approval of this Agreement and the Completion Documents, the transactions contemplated under this Agreement, the Completion Documents and any related agreements and in respect of its or their subject matter and any similar duties and charges wheresoever arising, and the Farminee shall protect, defend and indemnify the Farmor from any and all costs, charges, expenses, liabilities and obligations arising in connection with the Farminee's failure to discharge or satisfy such obligations.
- 11.3 The Parties intend that all Cost Recovery and Taxation deductibility (and other Taxation benefits or allowances) in respect of amounts paid by the Farmor and Farminees in connection with the Joint Operations should be allocated between the Farmor and the applicable Farminee based on the share of each Cost Recovery or Taxation item actually incurred, borne, or paid by the Farmor and the Farminee, including the Farminee having the benefit of Cost Recovery and Taxation deductibility (and other Taxation benefits and allowances) in respect of the Past Cost Amount, Interim Period Costs, Seismic Carry and Additional Carry amounts paid under this Agreement in respect of its Interest. If such allocation is not accomplished due to the application of Applicable Law or other Governmental Authority action, the Farmor and the applicable Farminee shall in good faith agree arrangements that will allow the Farmor and the Farminee to achieve the intended Taxation and financial outcomes agreed herein. The Farminee and the Farmor agree to provide the other Party with reasonable assistance to ensure that the other Party is entitled to claim

the Cost Recovery and/or Taxation deductibility (or other Taxation allowance) benefits referred to in this Clause.

- 11.4 If the interpretation or enforcement by the Government of the EPC, or by an applicable Governmental Authority of Applicable Law, imposes joint and several liability on the Farmor and a Farminee for any Taxation, the Farmor and the Farminee agree to cross indemnify each other to the extent that such Taxation is owed by one Party individually.
- 11.5 The consideration payable by the Farminee under this Agreement shall be exclusive of any Taxation.

12. Confidentiality and Announcements

- 12.1 The existence and terms of this Agreement, and all information furnished or disclosed (including the terms and disclosures made in the Disclosure Letter) by a Party (the “**Disclosing Party**”) to another Party (the “**Recipient**”) in connection with the Interest or any business, financial or other affairs relating thereto which is not in the public domain (“**Confidential Information**”), whether furnished before, on or after the Signing Date, shall be held confidential by the Recipient and shall not be divulged in any way by the Recipient to any third party without the prior written approval of the Disclosing Party provided that the Recipient may, without such approval, disclose such Confidential Information to:
- 12.1.1 any outside professional consultants or other professional advisers, upon obtaining a similar undertaking of confidentiality (but excluding this proviso) from such consultants or professional advisers on no less stringent terms than those contained herein;
 - 12.1.2 any bank or financial institution from whom the Recipient is seeking or obtaining finance, upon obtaining a similar undertaking of confidentiality (but excluding this proviso) from such bank or financial institution on no less stringent terms than those contained herein;
 - 12.1.3 any department, authority, ministry or agency of any government or other Governmental Authority or Tax Authority having any jurisdiction over the Recipient lawfully requesting such information;
 - 12.1.4 any court or arbitral tribunal of competent jurisdiction acting in pursuance of its powers;
 - 12.1.5 any of its Affiliates, professional consultants or representatives of the Recipient or its Affiliates upon obtaining a similar undertaking of confidentiality from such Affiliates, professional consultants and representatives on no less stringent terms than those contained herein;

- 12.1.6 the extent required by any Applicable Laws, or the requirements of any recognised stock exchange or other regulatory authority in compliance with its rules and regulations;
 - 12.1.7 any bona fide transferee of the Recipient's Participating Interest upon obtaining a similar undertaking of confidentiality (but excluding this proviso) from such transferee on no less stringent terms than those contained herein; and
 - 12.1.8 the extent that the terms of this Agreement become public knowledge or for any other reason cease to be confidential otherwise than through breach of this undertaking.
- 12.2 No Party shall, and each Party shall procure that none of its Affiliates shall, issue or make any public announcement or statement regarding this Agreement or its terms or any transactions contemplated hereby without the prior written consent of the other Parties (such consent not to be unreasonably withheld, delayed or conditioned); provided, however, that a Party may make such public disclosure without the consent of the other Parties if and to the extent that such disclosure is required to be made under Clauses 12.1.3 or 12.1.6 if such Party has provided (where reasonably practicable) the other Parties with a copy of the proposed disclosure no later than forty-eight (48) hours prior to such disclosure being made.
- 12.3 The Parties shall remain bound by this Clause 12, notwithstanding any termination of this Agreement. If this Agreement is terminated, the Farminees shall, at the request of the Farmor, promptly return to the Farmor or destroy (or delete from the Farminees' systems to the extent reasonably practicable, where electronically stored) all Confidential Information.

13. Notices

- 13.1 Any notice or other document to be served under this Agreement shall be in writing and may be delivered by hand or sent by courier or post or fax to the Party to be served at its address appearing in Clause 13.3 of this Agreement (and marked for the attention of the person whose name is referred to in Clause 13.3) or at such other address (or marked for the attention of such other person) as it may have notified to the other Parties in accordance with this Clause 13. Any notice or other document sent by post shall be sent by registered post.
- 13.2 Any notice or document shall be deemed to have been both given and received:
- 13.2.1 if delivered by hand or by courier, at the time of delivery; or
 - 13.2.2 if sent by post, at 10.00 a.m. (local time at the place of destination) on the second (2nd) Business Day after the day of posting if posted for delivery within the same jurisdiction, or at 10.00 a.m. (local time at the place of

destination) on the fifth (5th) Business Day after the day of posting if sent by registered airmail; or

13.2.3 if sent by fax, upon receipt by the sender of the correct transmission report in legible form,

provided that if, in accordance with the above provisions, any such notice would be deemed to be given or made after 5.00 p.m. (local time at the place of destination) on a Business Day such notice shall be deemed to be given or made at 9.00 a.m. (local time at the place of destination) on the next Business Day.

13.3 The person to whom notices or documents should be addressed for the purposes of Clause 13.1 is:

13.3.1 if to be served on the Farmor:

Address: Tullow Mauritania Limited
9 Chiswick Park, 566 Chiswick High Road
London, W4 5XT, United Kingdom
Fax: +44 20 3249 8801
Attention: General Counsel

With a copy to:

12th Floor, Convention Tower, Heerengracht Avenue
Foreshore, Cape Town, 8001, South Africa
Fax: +27 21 400 7660
Attention: General Manager – Africa New Ventures

13.3.2 if to be served on Kosmos:

Address: Kosmos Energy Mauritania
c/o Kosmos Energy, LLC
8176 Park Lane, Suite 500, Dallas, Texas 75231 USA
Fax: +1 214 445-9705
Attention: General Counsel

With a copy to:

Kosmos Energy Mauritania
c/o Kosmos Energy, LLC
8176 Park Lane, Suite 500 Dallas, Texas 75231 USA
Fax: +1 214 445-9705
Attention: Senior Vice President, Business Development

13.3.3 if to be served on BP:

Address: BP Mauritania Investments Limited

Chertsey Road, Sunbury on Thames
Middlesex TW16 7BP United Kingdom
Fax: +44 (0)1932 762999
Attention: Vice President, Commercial Operations, Mauritania & Senegal

- 13.4 For the purposes of this Clause 13 “notice” shall include any request, demand, instructions or other document.
- 13.5 A Party may notify the other Parties of a change to its name, relevant addressee, address or fax number for the purposes of Clause 13.3, provided that such notification shall only be effective on:
- 13.5.1 the date specified in the notification as the date on which the change is to take place; or
- 13.5.2 if no date is specified or the date specified is less than five (5) Business Days after the date on which notice is given, the date falling five (5) Business Days after notice of any such change has been given.

14. **Costs and Expenses**

- 14.1 Except as otherwise provided in this Agreement, each Party shall each pay its and its Affiliates’ own costs and expenses except as otherwise expressly agreed in writing, in relation to the preparation and execution of this Agreement, the Completion Documents, the documents contemplated hereby or executed pursuant hereto, and any transactions contemplated by this Agreement.
- 14.2 Without prejudice to any other rights hereunder, if any amount payable hereunder is not paid when due, the defaulting Party shall pay interest on such amount from and including the due date of payment (after as well as before judgment) at the Default Rate until the actual date of payment.
- 14.3 All payments to be made under this Agreement, including the consideration referred to in Clause 4 shall be made in United States Dollars unless otherwise agreed between the Parties in writing, and shall be paid in cash in immediately cleared funds (without set-off, withholding or any deduction of any kind including for any Taxation, banking transfer or other costs or claims) directly into the Farmor’s Account or the applicable Farminee’s Account (as the case may be) by bank transfer, unless otherwise specified in this Agreement or as agreed in writing between the Farmor and the Farminee. If any withholding or deduction of any kind, including for any Taxation, is required in respect of any payment to be made under this Agreement, the payor shall, when making the payment to which the withholding or deduction applies, pay such additional amount as will ensure that the payee receives the same total amount that

it would have received if no such withholding or deduction, including for any Taxation, had been required.

15. Further Assurance

The Parties shall co-operate with each other and execute and deliver (or procure the execution and delivery of) all such other instruments and documents and take such other actions as may be necessary to give full effect to this Agreement (or to such parts of it as remain operative after termination) or as may reasonably be requested from time to time in order to secure, evidence and confirm their rights, powers and remedies under this Agreement.

16. Variation

Subject to Clause 17, the provisions of this Agreement shall only be varied by an agreement in writing signed by each of the Parties and specifically referring to this Agreement.

17. Severance

Each provision contained in this Agreement shall be severable and distinct from each other provision and if at any time any one or more of such provisions is or becomes invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining such provisions shall not in any way be affected thereby.

18. Transfer

Neither the Farmor nor a Farminee may Transfer any rights or obligations under this Agreement without the prior written consent of the other Party.

19. General

19.1 If there is any conflict between the provisions of this Agreement and the provisions of the Completion Documents, the provisions of this Agreement shall prevail.

19.2 So far as it remains to be performed, this Agreement shall remain in full force and effect notwithstanding Completion.

19.3 No waiver by a Party of any breach of a provision of this Agreement shall be binding unless made expressly and in writing, signed by each of the Parties, and any such waiver shall relate only to the matter to which it expressly relates and shall not apply to any subsequent or other matter.

19.4 No failure or delay on the part of a Party to exercise any power, right or remedy under this Agreement shall operate as a waiver thereof nor shall any single or partial exercise by a Party of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy.

- 19.5 Neither Farminee shall have the right to rescind, terminate or fail to perform this Agreement and/or any Completion Documents (save in the event of fraud or fraudulent misrepresentation by the Farmor), and each Farminee's sole remedy against the Farmor for breach of this Agreement (including in respect of a Relevant Claim) and/or any Completion Documents or liability thereunder shall be an action for damages (but without prejudice to the Farminee's right to seek an order for specific performance or other equitable relief).
- 19.6 The rights and remedies granted to each Party in this Agreement shall be cumulative, not exclusive, and shall be in addition to any other rights and remedies that may be available to such Party, whether at law, in equity or otherwise. Each right and remedy available to each Party may be exercised from time to time and so often and in such order as may be considered expedient by such Party in its sole discretion.
- 19.7 This Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties.
- 19.8 Each Party acknowledges and agrees with the other Parties that:
- 19.8.1 this Agreement and the documents referred to herein, together with any document executed pursuant to this Agreement, represents the entire understanding, and constitutes the entire and only agreement between the Parties in relation to the subject matter of this Agreement and supersedes any previous agreement between the Parties with respect thereto and, to the fullest extent practicable under the relevant law, and without prejudice to the generality of the foregoing, excludes any warranty, condition or other undertaking implied at law or by custom; and
- 19.8.2 it has not been induced to enter into the Agreement in reliance upon, nor has it been given, any Representations other than as expressly set out in this Agreement and, to the extent that it has been, it unconditionally and irrevocably waives any claims, rights or remedies which it might otherwise have had in relation thereto.
- 19.9 This Agreement may be executed in any number of counterparts and by the Parties on different counterparts but shall not be effective until each Party has executed and delivered at least one counterpart (which may be transmitted by facsimile, telex, electronic mail or other means of electronic transmission (including Adobe PDF format)). Each counterpart shall constitute an original of this Agreement but all the counterparts together shall constitute one and the same Agreement.
- 19.10 Nothing in this Agreement shall be read or construed as excluding any liability or remedy in respect of fraud or fraudulent misrepresentation.
- 19.11 This Agreement is not intended to constitute or create nor shall it be construed so as to constitute or create any partnership, association or trust by or between the Parties.

19.12 Nothing in this Agreement is intended to confer on any person any right to enforce any provision of this Agreement which that person would not have had but for the Contracts (Rights of Third Parties) Act 1999.

20. Arbitration

- 20.1 Subject to Clauses 7.5 and 7.6, the Parties shall exclusively refer any dispute, claim, or controversy arising out of or related to this Agreement (including any dispute, claim, or controversy relating to any non-contractual obligations arising out of or in connection with this Agreement) to, and to be finally resolved by, arbitration under the rules of arbitration of the International Chamber of Commerce (“**ICC Rules**”), which rules the Parties deem to be incorporated by reference into this Agreement.
- 20.2 The language of the arbitration shall be English, and any award shall be written in the English language.
- 20.3 The seat, or legal place, of the arbitration shall be London, England.
- 20.4 The arbitral tribunal shall comprise three (3) arbitrators.
- 20.5 If all the Parties to the arbitration agree that the alignment of the Parties as claimants and respondents in the request for arbitration is correct, or if no Party objects to such alignment within fifteen (15) days after receipt of the request for arbitration, then each side shall nominate one (1) arbitrator within thirty (30) days after receipt of the request for arbitration. The two (2) arbitrators shall nominate the third (3rd) arbitrator within thirty (30) days after nomination of the later-appointed of these two (2) arbitrators. The third (3rd) arbitrator shall act as chair of the tribunal.
- 20.6 If the two (2) appointed arbitrators cannot agree on the appointment of the third (3rd) arbitrator, or if a Party fails to timely nominate an arbitrator, then on the request of any Party the resulting vacancy or vacancies shall be filled by an appointment by the ICC in accordance with the ICC Rules.
- 20.7 If anyone of the Parties to the arbitration objects in writing to the alignment of the Parties in the request for arbitration within fifteen (15) days after receipt of the request, and if the Parties do not agree within fifteen (15) days thereafter on an alignment of the Parties into two sides each of which shall appoint an arbitrator, then the ICC shall appoint all three (3) arbitrators.
- 20.8 Any court of competent jurisdiction may enforce the arbitral award.
- 20.9 Any award must be expressed in United States Dollars.
- 20.10 The arbitral award shall be final and not subject to any appeal. A Party may seek enforcement of an arbitral award by any court of competent jurisdiction.

20.11 If any question of law arises during the arbitral proceedings or arises out of an award, a Party shall not make an application or bring an appeal to the High Court (England and Wales) on a question of law, and each Party expressly waives its rights to make an application or bring an appeal under Articles 45 or 69 of the English Arbitration Act 1996.

21. Governing Law

The construction, validity and performance of this Agreement and any dispute or claim (including any dispute or claim under the arbitration agreement in Clause 20) arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales, exclusive of any conflicts of laws principles that could require the application of any other law.

IN WITNESS whereof this Agreement has been executed and delivered as a deed on the date first above written.

EXECUTED as a DEED and DELIVERED

for and on behalf of

TULLOW MAURITANIA LIMITED

by Robin Sutherland

as attorney for Tullow Mauritania Limited

under a power of attorney dated 14 September 2016:

Signed: /s/ Robin Sutherland

Witnessed by: /s/ Daniel O'Neill

Name: Daniel O'Neill

Address: 11 Honeysuckle Close, Hout Bay, Cape Town, South Africa

Occupation: Lawyer

EXECUTED as a DEED and DELIVERED

for and on behalf of

KOSMOS ENERGY MAURITANIA

Signed: /s/ Mohamed Limam

Witnessed by: /s/ John H. Crawford

Name: Mohamed Limam

Name: John H. Crawford

Title: Vice President and Country Manager

Address: 8176 Park Lane, Suite 500
Dallas, TX 75231 USA

Occupation: Wells Operation Manager

EXECUTED as a DEED and DELIVERED

for and on behalf of

BP MAURITANIA INVESTMENTS LIMITED

Signed: /s/ Andrew C. Lane

Name: Andrew C. Lane

Title: Director, BP MIL

Witnessed by: /s/ Russell Garner

Name: Russell Garner

Address: 5 Westwood Way, Sevenoaks, TN 13 3EY, UK

Occupation: Senior Counsel

Schedule 1
Deed of Novation and Amendment

THIS DEED OF NOVATION AND AMENDMENT (the “Deed”) is made the ____ day of _____ 2017

BETWEEN:

- (1) **TULLOW MAURITANIA LIMITED**, a company incorporated under the laws of the Isle of Man whose registered office is at Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB (the “**Assignor**”);
- (2) **KOSMOS ENERGY MAURITANIA**, a company incorporated in the Cayman Islands whose registered office is at c/o Circumference (Cayman), P.O. Box 32322, 4th Floor, Century yard, Cricket Square, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands (the “**Kosmos**”);
- (3) **BP MAURITANIA INVESTMENTS LIMITED**, a company incorporated in England and Wales whose registered office is at Chertsey Road, Sunbury on Thames, Middlesex TW16 7BP, United Kingdom (“**BP**”),

BP and Kosmos are each an “**Assignee**”, and together the “**Assignees**”;

- (4) **[EXISTING THIRD PARTY FARMINEE]**; and
- (5) **SOCIÉTÉ MAURITANIENNE DES HYDROCARBURES ET DE PATRIMOINE MINIER** (previously *Société Mauritanienne des Hydrocarbures (SMH)*), the national oil company of Mauritania, incorporated by Decree No.2005 -106 dated 7 November 2005 as abrogated by and replaced with Decree No. 2009-168 dated 3 May 2009 amended by Decree No. 2014-001 dated 06 January 2014 under the laws of the Islamic Republic of Mauritania and having its registered office at its Head Office, B.P. 4344, Nouakchott, Islamic Republic of Mauritania (“**SMHPM**”).

RECITALS:

- A. The Assignor entered a contract for the exploration and production of Hydrocarbons in block C-18 offshore Mauritania, dated 17 May 2012 and with an effective date of 15 June 2012, with the Islamic Republic of Mauritania, as represented by the Minister in charge of Petroleum, Energy and Mines (the “**Contract**”) and pursuant to article 21 of the Contract the Government, through SMHPM, acquired as at the effective date of the Contract a Participating Interest of ten percent (10%).
- B. The Assignor, [Existing Third Party Farminee] and SMHPM are parties to a Joint Operating Agreement dated 11 September 2012 related to block C-18 offshore Mauritania (the “**JOA**”).

- C. By the Farmout Agreement dated [1] (the “**Farmout Agreement**”), the Assignor has agreed to assign and transfer to each Assignee an undivided fifteen percent (15%) Participating Interest in the Contract and the JOA.
- D. The parties to the JOA have agreed to make certain amendments to the JOA.
- E. It is a requirement of the JOA that this Deed be executed to effect the assignment of the Assigned Interest.

THE PARTICIPANTS COVENANT AND AGREE:

1. **DEFINITIONS**

Unless otherwise required by the context or subject matter:

Assigned Interest means, in respect of each Assignee, a fifteen percent (15%) Participating Interest out of Assignor’s forty-five percent (45%) Participating Interest in the Contract and the JOA.

Assignment Date means 00:01 hours (London time) on 1 June 2017.

Assignor's Covenants means the covenants, agreements and obligations contained or implied in the Contract, JOA or imposed by law to be observed and performed by the Assignor to the extent of the Assigned Interest.

Deed means this deed.

Farmout Agreement means the agreement between the Assignor and the Assignee of even date for, inter alia, the transfer by the Assignor of the Assigned Interest.

JOA means the Joint Operating Agreement relating to Block C-18 Offshore Mauritania currently between the Assignor, [Existing Third Party Farminee] and SMHPM effective 11 September 2012.

Participant means the Assignor, each Assignee, [Existing Third Party Farminee] or SMHPM.

Participating Interest means the interest of a Participant (expressed as a percentage) in all rights, benefits, liabilities and obligations under the Contract and the JOA.

2. **INTERPRETATION**

Words and expressions defined in the JOA and used but not defined in this Deed have the same meaning as in the JOA (unless expressly stated otherwise).

3. **ASSIGNMENT AND NOVATION**

Subject to the satisfaction of the conditions in Clause 9.1, the Assignor assigns, transfers and novates the Assigned Interest to each Assignee on and from the Assignment Date.

4. AMENDMENTS TO THE JOA

[BP/Kosmos to provide any requested amendments]

4. ACKNOWLEDGMENT

Subject to the satisfaction of the conditions in Clause 9.1, each Participant acknowledges that each Assignee with effect from the Assignment Date:

- (a) has by this Deed become a party to the JOA in lieu of the Assignor to the extent of the Assigned Interest;
- (b) is entitled to all of the rights and benefits of the Assignor under the Contract and the JOA to the extent of the Assigned Interest in lieu of the Assignor; and
- (c) undertakes and covenants with the Assignor, [Existing Third Party Farminee] and SMHPM to observe and perform the Assignor's Covenants with respect to the Assigned Interest.

5. PARTIAL RELEASE

5.1 Release

Subject to the satisfaction of the conditions in clause 9.1, the Assignees, [Existing Third Party Farminee] and SMHPM release and discharge the Assignor from the Assignor's Covenants with respect to the Assigned Interest on and from the Assignment Date.

5.2 Continuing Rights and Obligations of Assignor

Subject to Clause 4(c) and satisfaction of the conditions in Clause 9.1, the Assignor:

- (a) remains liable to the Assignee, [Existing Third Party Farminee] and SMHPM for, and must observe and perform, all the Assignor's Covenants arising in respect of Joint Operations carried out under the JOA before the Assignment Date with respect to the Assigned Interest; and
- (b) must discharge all liabilities and obligations:
 - (i) incurred by or on behalf of the Assignor; or
 - (ii) arising, in respect of Joint Operations carried out under the JOA before the Assignment Date to the extent of the Assigned Interest.

6. COMPLIANCE WITH JOA AND CONSENT

6.1 The Participants confirm that this Deed fully complies with the JOA. In case of inconsistency between the provisions of this Deed and the provisions of the JOA (except for the amendments to the JOA stated in Clauses 7 and 8 of this Deed), the provisions of the JOA prevail.

6.2 SMHPPM and [Existing Third Party Farminee]’s consent to the assignment, transfer and novation is evidenced by this Deed.

7. PARTICIPATING INTERESTS OF PARTICIPANTS FROM ASSIGNMENT DATE

Subject to the satisfaction of the conditions in clause 9:

(a)the Participating Interests of the Participants under Article 3.2(A) of the JOA on and from the Assignment Date will be:

Participant	Participating Interest
Tullow Mauritania Limited	15%
[Existing Third Party Farminee]	45%
BP Mauritania Investments Limited	15%
Kosmos Energy Mauritania	15%
Société Mauritanienne des Hydrocarbures et de Patrimoine Minier	10%

(b)At Article 3.4(E) of the JOA in the second paragraph beginning “For the avoidance of doubt...” the table shall be deleted and replaced with the following:

Tullow Mauritania Limited	16.67%
[Existing Third Party Farminee]	50%
Kosmos Energy Mauritania	16.665%
BP Mauritania Investments Limited	16.665%
Total	100%

8. ADDRESS FOR SERVICE

8.1 For the purposes of Article 17 of the JOA, the address of the Assignees for delivery or transmission of notices is:

Kosmos Energy Mauritania
c/o Kosmos Energy, LLC
8176 Park Lane, Suite 500, Dallas, Texas 75231 USA

Fax: +1 214 445-9749
Attention: General Counsel

With a copy to:

Kosmos Energy Mauritania
c/o Kosmos Energy, LLC
8176 Park Lane, Suite 500 Dallas, Texas 75231 USA
Fax: +1 214 445-9705
Attention: Senior Vice President, Business Development

BP Mauritania Investments Limited

Chertsey Road, Sunbury on Thames
Middlesex TW16 7BP
United Kingdom
Fax: +44 (0)1932 762999
Attention: Vice President, Commercial Operations, Mauritania & Senegal

9. APPROVAL AND REGISTRATION

- 9.1 This Deed is of no force until the Assignor and the Assignees have formally notified [Existing Third Party Farminee] and SMHPM of the occurrence of completion under the Farmout Agreement and of the completion date.
- 9.2 Each Participant, as applicable, must use all reasonable efforts, execute all documents and do all acts and things necessary or desirable to enable all matters contemplated by this Deed to be approved by the Government (if necessary) as quickly as possible.
- 9.3 From the date this Deed comes into force pursuant to Clause 9.1, the assignment of the Assigned Interests will relate back and be deemed to have occurred on the Assignment Date.

10. COSTS AND STAMP DUTY

Each Participant is responsible for its own legal and other costs and expenses but the Assignees must pay the stamp duty and registration fees on this Deed, if any.

11. APPLICABLE LAW

This Deed is governed by, construed, interpreted and applied in accordance with the laws in force in England without regard to the conflicts of laws rules thereof which would result in the application of laws of any other jurisdiction provided that this Deed shall be subject to any mandatory provisions of Mauritanian Laws/Regulations applicable to this Deed which cannot be derogated from by contract.

12. DISPUTE RESOLUTION

The Dispute Resolution provisions of Articles 18.2 and 18.4 of the JOA are incorporated by reference as if fully set forth herein, and shall apply under this Deed.

13. MODIFICATIONS

This Deed may not be amended or modified except by an instrument in writing signed by the duly authorised signatory of each Participant.

14. COUNTERPARTS

This Deed may be executed in any number of counterparts each of which is an original and all of which constitute one and the same instrument.

15. FURTHER ASSURANCES

Each Participant must execute and do all acts and things necessary or desirable to implement and give full effect to the provisions and purpose of this Deed.

EXECUTED AND DELIVERED AS A DEED:

Executed as a deed by)
TULLOW MAURITANIA LIMITED)
acting by)
)

Signature of authorised signatory _____

Name _____

Signature of witness _____

Name of witness _____

Address of witness _____

Occupation of witness _____

Executed as a deed on behalf of)
[Existing Third Party Farminee], a company)
incorporated in [1], by its attorney under power of)
attorney dated [1])

Signature of the authorised signatory _____

Name _____

Executed as a deed by)
KOSMOS ENERGY MAURITANIA)
acting by)
)

Signature of authorised signatory _____

Name _____

Signature of witness _____

Name of witness _____

Address of witness _____

Occupation of witness _____

Executed as a deed by)
BP MAURITANIA INVESTMENTS LIMITED)
acting by)
)

Signature of authorised signatory _____

Name _____

Signature of witness _____

Name of witness _____

Address of witness _____

Occupation of witness _____

Executed as a deed by)
SOCIETE MAURITANIENNE DES)
HYDROCARBURES ET DE PATRIMOINE)
MINIER acting by)
)

Signature of authorised signatory _____

Name _____

Signature of witness _____

Name of witness _____

Address of witness _____

Occupation of witness _____

Schedule 2
Farmor's Warranties

1. The Farmor is duly incorporated with limited liability and validly existing under the laws of its place of incorporation.
2. All necessary corporate action has been taken on the part of the Farmor to authorise, execute and deliver this Agreement and perform the transactions contemplated by this Agreement.
3. The documents which contain or establish the Farmor's constitution incorporate provisions which authorise, and all necessary corporate action has been taken to authorise, the Farmor to execute and deliver this Agreement and perform the transactions contemplated hereby.
4. The signing and delivery of this Agreement constitutes valid and binding obligations on the Farmor and, subject to fulfillment of the Conditions Precedent, the performance of any of the transactions contemplated by this Agreement will not materially contravene or constitute a material default under the constitutional documents of the Farmor or any provision contained in any relevant law, judgment, order, licence, permit or consent by which the Farmor or any of its Affiliates or their respective assets is bound or affected.
5. No litigation, arbitration, administrative proceeding, dispute or judgment against the Farmor or to which the Farmor is a party which might by itself or together with any such other proceedings have a material adverse effect on its business, assets or condition and which would materially and adversely affect its ability to observe or perform its obligations under this Agreement and the transactions contemplated hereby, is subsisting or, so far as the Farmor is aware, threatened or pending against the Farmor or any of its assets.
6. No order has been made, petition presented or meeting convened (or equivalent action taken in the relevant jurisdiction) for the purpose of considering a resolution for the dissolving or winding up of or for the appointment of a liquidator or provisional liquidator or of a receiver or of an administrator or similar insolvency practitioner of the Farmor.
7. The Farmor is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debts as they become due and it has not otherwise become insolvent or suspended making any payment or threatened to do so.
8. The Farmor (including its Affiliates, and its and their agents, officers and employees) has not made, offered, or authorized and will not make, offer or authorize any payment, gift, bribe, facilitating payment, promise or other advantage, in connection with the matters which are the subject to this Agreement, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political

party or political party official or candidate for office, where such payment, gift, bribe, facilitating payment, or promise would violate: (a) the Applicable Laws of the country of operations; (b) the laws of the country of formation of the Party or such Party's ultimate parent company (or its principal place of business); or, (c) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries.

9. The Farmor is party to the Interest Documents and the sole legal and beneficial owner of the Interest. The Farmor holds the rights to a forty five percent (45%) undivided Participating Interest in the EPC and the JOA., free and clear of any Encumbrances (but subject to the provisions of the Interest Documents and Applicable Law). The EPC and JOA, together with Applicable Laws, contains the entirety of the obligation of Farmor to the Government, and no other understanding or agreement exists between Farmor and the Government in relation to the subject matter of the EPC except as otherwise disclosed under this Agreement.
10. Subject to and upon fulfilment of the Conditions Precedent and subject to Completion taking place, the Farmor shall have the right, power and authority to transfer to the Farminee full unencumbered legal and beneficial title to the Interest, subject to the relevant Interests Documents and Applicable Laws.
11. Subject to the provisions of the Interest Documents and Applicable Laws, no Encumbrances are in existence and in force over the Interest nor, subject as aforesaid, is there in effect any agreement or commitment to create the same.
12. The Interest Documents and all rights and interests of the Farmor thereunder or deriving therefrom are, subject to their respective expiry dates, in full force and effect.
13. No notice has been given to the Farmor or, so far as the Farmor is aware, to any other party to the EPC by the Minister of any intention to revoke the EPC.
14. The EPC is not in the course of being surrendered in whole or in part.
15. The Farmor has not and, so far as the Farmor is aware, none of the current parties to the Interest Documents has given any notice of withdrawal from the Interest Documents.
16. The copies of the Interest Documents which have been made available by the Farmor or its representatives to the Farminee or its representatives in the data room hosted by the Farmor are true and up-to-date copies of the originals.
17. So far as the Farmor is aware, the Farmor has not committed any breach of, or is in default under any of, the relevant Interest Documents which breach, at the date of making this statement, is of a material nature and is subsisting.

Schedule 3
Farminee's Warranties

1. The Farminee is duly incorporated with limited liability and validly existing under the laws of its place of incorporation.
2. All necessary corporate action has been taken on the part of the Farminee to authorise, execute and deliver this Agreement and perform the transactions contemplated by this Agreement.
3. The documents which contain or establish the Farminee's constitution incorporate provisions which authorise, and all necessary corporate action has been taken to authorise, the Farminee to execute and deliver this Agreement and perform the transactions contemplated hereby.
4. The signing and delivery of this Agreement constitutes valid and binding obligations on the Farminee and, subject to fulfillment of the Conditions Precedent, the performance of any of the transactions contemplated by this Agreement will not materially contravene or constitute a material default under the constitutional documents of the Farminee or any provision contained in any relevant law, judgment, order, licence, permit or consent by which the Farminee or any of its Affiliates or their respective assets is bound or affected.
5. No litigation, arbitration, administrative proceeding, dispute or judgment against the Farminee or to which the Farminee is a party which might by itself or together with any such other proceedings have a material adverse effect on its business, assets or condition and which would materially and adversely affect its ability to observe or perform its obligations under this Agreement and the transactions contemplated hereby, is subsisting or, so far as the Farminee is aware, threatened or pending against the Farminee or any of its assets.
6. No order has been made, petition presented or meeting convened (or equivalent action taken in the relevant jurisdiction) for the purpose of considering a resolution for the dissolving or winding up of or for the appointment of a liquidator or provisional liquidator or of a receiver or of an administrator or similar insolvency practitioner of the Farminee.
7. The Farminee is not for statutory purposes deemed to be unable to pay its debts nor is it unable to pay its debts as they become due and it has not otherwise become insolvent or suspended making any payment or threatened to do so.
8. The Farminee has full financial capacity to comply with all payment obligations provided under this Agreement and there is no threatened action or proceeding affecting the Farminee that could reasonably be expected to materially and adversely affect the financial condition or operations of the Farminee including insolvency, winding up, bankruptcy, or similar proceedings.
9. The Farminee (including its Affiliates, and its or their agents, officers and employees) has not made, offered, or authorized and will not make, offer or authorize any payment, gift,

bribe, facilitating payment, promise or other advantage, in connection with the matters which are the subject to this Agreement, whether directly or indirectly through any other person or entity, to or for the use or benefit of any public official (i.e., any person holding a legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a public enterprise or a public international organization) or any political party or political party official or candidate for office, where such payment, gift, bribe, facilitating payment, or promise would violate: (a) the Applicable Laws of the country of operations; (b) the laws of the country of formation of the Party or such Party's ultimate parent company (or its principal place of business); or, (c) the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, signed in Paris on December 17, 1997, which entered into force on February 15, 1999, and the Convention's Commentaries.

Schedule 4
Disclosure Letter

Kosmos Energy Mauritania
c/o Kosmos Energy, LLC
8176 Park Lane, Suite 500, Dallas, Texas 75231 USA
Fax: +1 214 445-9749
Attention: General Counsel

BP Mauritania Investments Limited
Chertsey Road, Sunbury on Thames
Middlesex TW16 7BP
United Kingdom
Fax: +44 (0)1932 762999
Attention: Vice President, Commercial Operations, Mauritania & Senegal

[1] 2017

Dear Sirs,

Farmout Agreement in respect of Block C-18 in the Islamic Republic of Mauritania dated [1] 2017 between Tullow Mauritania Limited (the “Farmor”), Kosmos Energy Mauritania (“Kosmos”) and BP Mauritania Investments Limited (“BP”) (Kosmos and BP together the “Farminee”) (the “Agreement”)

This letter (including the schedules hereto) comprises the “**Disclosure Letter**” referred to in the Agreement.

Words and expressions not defined in this Disclosure Letter shall have the same meaning as given in the Agreement, and the principles of interpretation referred to in the Agreement shall also apply to this Disclosure Letter.

The disclosures set out in this Disclosure Letter are made for the purpose of qualifying, and limiting the scope of, the warranties given by the Farmor under the Agreement (the “**Warranties**”), and the Farminee agrees that it shall not be entitled to bring a claim against the Farmor, and the Farmor shall have no liability in respect of any claim under the Warranties, to the extent such claim (or the subject matter thereof) arises in connection with any fact, matter or circumstance which has been disclosed pursuant this Disclosure Letter, or any supplementary letter issued pursuant hereto.

In the event of any conflict between the Agreement and this Disclosure Letter, this Disclosure Letter will prevail.

The Farminee agrees that each of the Warranties is given subject to the facts, matters and circumstances which are contained in the documents which the Farmor made available to the Farminee in the data room and during the course of the negotiations of the Agreement, whether in hard copy or electronic form, details of which are referred to in Schedule 1 to this Disclosure Letter (the “**Disclosed Information**”).

The Farminee acknowledges that it has received, or had access to, copies of the Disclosed Information, and that it has had full notice of the contents thereof and such contents shall be treated as forming part of the disclosures to which Warranties are subject.

1. GENERAL DISCLOSURES

Without prejudice to the generality of the foregoing, the disclosures made in this Disclosure Letter shall be construed as including the following:

(a) all matters set out or referred to in the Agreement (including the Schedules thereto); and

(b) all information contained in, and the contents of, all written materials supplied by the Farmor to the Farminee, any of its Affiliates or any of its or their respective directors, officers, shareholders, employees, agents, contractors, representatives or advisers prior to the date of this Disclosure Letter, including all correspondence between, and/or all matters disclosed in replies to enquiries given to the Farminee, any of its Affiliates or any of its or their respective directors, officers, shareholders, employees, agents, contractors, representatives or advisers by the Farmor.

2. SPECIFIC DISCLOSURES

There are further disclosed the matters set out below. The paragraph references set out below refer to individual Warranties for the sake of convenience only and each item disclosed shall be deemed to be disclosed in respect of all the Warranties generally and shall not be limited to the numbered Warranties specifically referred to.

Paragraph Number	Disclosure
Schedule paragraphs 10 and 12	2, 9, The initial phase of the exploration period under Article 3.1 of the EPC expires on 14 June 2017 and until such time as the signed decree approving the extension contemplated under Clause 3.1.4 has been published in the Official Journal of Mauritania the precise status regarding the Farmor's title in respect of the Interest and its right authority and power to transfer the same, and the effectiveness of the Interest Documents, is uncertain.

Yours faithfully

Robin Sutherland
for and on behalf of
Tullow Mauritania Limited

Schedules

A. Dataroom Index (as at 12pm Cape Town time on 09 June 2017)

- Mauritania Prospect Inventory_summary.pdf
- Mauritania Data for dataroom.pdf
- Finance\Data Extract - JV\Data Extract - 28-2-2017.xlsx
- Finance\JIBs\005_2016\Tullow.pdf
- Finance\JIBs\009_2016\C18.pdf
- Finance\JIBs\010_2015\C-18 October 2015 JIB.pdf
- Finance\JIBs\011_2016\Tullow Mauritania Limited (Branch).pdf
- Finance\JIBs\012_2015\C-18 December 2015 JIB.pdf
- Finance\JIBs\2017 -02\Tullow 2-17.pdf
- Finance\JIBs\2017 -01\Tullow 1 -17.pdf
- Finance\JIBs\2016_012\Tullow Mauritania Limited (Branch).pdf
- Finance\JIBs\2016_012\Block C18\Thumbs.db
- Finance\JIBs\011_2015\C-18 November 2015 JIB.pdf
- Finance\JIBs\008_2016\Tullow Mauritania Ltd.pdf
- Finance\JIBs\007_2016\Tullow Mauritania Ltd.pdf
- Finance\JIBs\2016_010\12938.pdf
- Finance\JIBs\2016_010\export.XLSX
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q3_2014.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q2_2016.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q2_2014.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q1_2016.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q3_2013.docx
- Annual-Quarterly Reports\C-18\TPM-DGH- annual reports- 110416.PDF
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q3_2016.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_4_Oct_to_Dec_2012.doc
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q4_2015.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q2_2015.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q3_2015.docx
- Annual-Quarterly Reports\C-18\Annual report_MauritaniaC-18_2015.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q4_2014.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q4_2016.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q2_2013.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q4_2013.docx
- Annual-Quarterly Reports\C-18\C18_2013_Quarterly_Report_1_Jan_to_Mar.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_1_Jan_to_Mar_2013.doc
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q1_2013.docx
- Annual-Quarterly Reports\C-18\C18_Quarterly_Report_Q2_2013.doc
- Annual-Quarterly Reports\C-18\C18_Quarterly_Q1_2014.docx
- OCM\C-18\2016\Minutes OCM C18_21.09.16_Signed.pdf
- OCM\C-18\2016\C-18 OCM September 2016_final_ed.pptx

- OCM\C-18\2016\Mauritania Block C-18 OCM Resolutions 21 September 2016.pdf
- OCM\C-18\2016\VBN C-18 Application for an Extension (April 2017)
- OCM\C-18\2016\VBN C-18 Seismic Contract Award on Sole Source Basis (February 2017)
- OCM\C-18\2016\VBN C-18 Work Program and Budget (April 2017)
- OCM\C-18\2015\C18 OCM 10112015.pdf
- OCM\C-18\2015\Mauritania Block C18 OCM 2015 11 10 Minutes - Final Signed TLW SMH.pdf
- OCM\C-18\2015\Block C18 Mauritania-VBN 2016 WP&B 14 11 2015.pdf
- Legal\Block C-18\Joint Operating Agreement C-18 11092012.pdf
- Legal\Block C-18\Official Journal Publishing C-18 EPC Decree 15062012.pdf
- Legal\Block C-18\Formal Notification from Ministry of Publication of ECP C-18 03072012.pdf
- Legal\Block C-18\Exploration Production Contract C-18 17052012 (French).pdf
- Legal\Block C-18\EPC Decree C-18 04062012.pdf
- Legal\Block C-18\Exploration Production Contract C-18 (Unofficial English Translation).pdf
- TCM\C-18\2015-05-15 C18 TCM v2.pdf
- TCM\C-18\2014-08-28 C18 TCM.pdf
- TCM\C-18\2012-10-18 C18 TCM.pdf
- Presentations\Mauritania_C-18_Feb2016.pdf
- Presentations\Mauritania_Overview_Feb2016_ext.pdf
- Presentations\Rock Physics background_2016.pdf
- G&G\Mauritania Basemap December 2014 include part relinquishment C10 v4.pdf
- G&G\Rock Physics background_2016.pdf
- G&G\Regional ppts & papers\PESGB-HGS-2015_slidepack_JH_AJ_290715.pdf
- G&G\Regional ppts & papers\R Cowan PESGB 2015_ed.pdf
- G&G\Regional ppts & papers\Deep water plays of the Mauritania continental margin.pdf

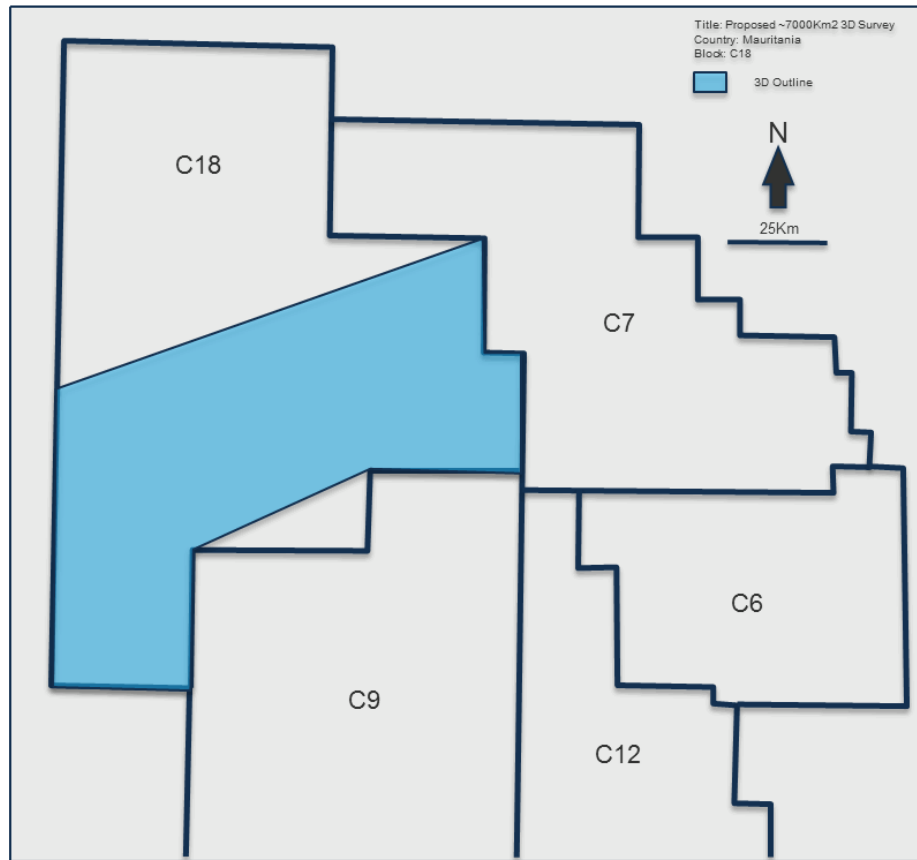
B. Data Transmittals:

- Transmittal to Kosmos dated 6 June 2017;
- Transmittal to Kosmos dated 7 June 2017;
- Transmittal to BP dated 7 June 2017;
- Transmittal No. 2 to Kosmos and BP dated 7 June 2017.
- Email from Daniel O'Neill (Tullow) to Kosmos and BP dated 8 June 2017 attaching April 2017 Mauritania C-18 joint billing statement and estimate of C-18 inception-to-date costs at the end of May 2017.
- Email from Daniel O'Neill (Tullow) to Kosmos and BP dated 9 June 2017 attaching response to BP follow up due diligence questions.
- Email from Daniel O'Neill (Tullow) to BP and Kosmos dated 9 June 2017 attaching and updated response to 1.2 in the BP due diligence questionnaire.

Schedule 5
Interest Documents

- (a) Contract for the Exploration and Production of Hydrocarbons made between the Government of the Islamic Republic of Mauritania and Tullow Mauritania Limited dated 17 May 2012 (the "**EPC**").
- (b) Decree N° 2012-141 from Minister in charge of Petroleum, Energy and Mines, published in the *Journal Officiel* the 15th of June 2012 approving the Contract for the Exploration and Production of Hydrocarbons dated 17 May 2012.
- (c) Joint Operating Agreement in respect of Block C-18 Offshore Mauritania between Tullow Mauritania Limited and Société Mauritanienne des Hydrocarbures dated 11 September 2012 (the "**JOA**")
- (d) Subject to them coming into effect prior to Completion:
 - (i) Amended and Restated Joint Operating Agreement in respect of Block C-18 Offshore Mauritania between Tullow Mauritania Limited, [Existing Third Party Farminee] and Société Mauritanienne des Hydrocarbures effective 11 September 2012; and
 - (ii) Block C-18 JOA Deed of Novation dated 20 April 2017 between Tullow Mauritania Limited, [Existing Third Party Farminee] and Société Mauritanienne des Hydrocarbures.

Schedule 6 Seismic Program



**Deed of Novation and Amendment
Block C-18, Mauritania**

THIS DEED OF NOVATION AND AMENDMENT (the “Deed”) is made the **20th** day of **September** 2017

BETWEEN:

- (1) TULLOW MAURITANIA LIMITED**, a company incorporated under the laws of the Isle of Man (Previous Registration No. 104570C and Current Registration No. 010509V) whose registered office is at Falcon Cliff, Palace Road, Douglas, Isle of Man, IM2 4LB (the “**Assignor**”);
- (2) TOTAL E&P MAURITANIA BLOCK C18 B.V.** a company incorporated under the laws of the Netherlands and having its registered office at Bordewijklaan 18, 2591 XR The Hague, The Netherlands (“**Assignee**”);
- (3) KOSMOS ENERGY MAURITANIA**, a company incorporated in the Cayman Islands whose registered office is at c/o Circumference (Cayman), P.O. Box 32322, 4th Floor, Century yard, Cricket Square, Hutchins Drive, Elgin Avenue, George Town, Grand Cayman, KY1-1209, Cayman Islands (the “**Kosmos**”);
- (4) BP MAURITANIA INVESTMENTS LIMITED**, a company incorporated in England and Wales whose registered office is at Chertsey Road, Sunbury on Thames, Middlesex TW16 7BP, United Kingdom (“**BP**”); and
- (5) SOCIÉTÉ MAURITANIENNE DES HYDROCARBURES ET DE PATRIMOINE MINIER** (previously named *Société Mauritanienne des Hydrocarbures (SMH)*), the national oil company of Mauritania, incorporated by Decree No.2005 -106 dated 7 November 2005 as abrogated by and replaced with Decree No. 2009-168 dated 3 May 2009 amended by Decree No. 2014-001 dated 06 January 2014 under the laws of the Islamic Republic of Mauritania and having its registered office at Ilot K, Rue 42-133, No. 349, B.P. 4344, Nouakchott, Islamic Republic of Mauritania (“**SMHPM**”).

RECITALS:

- A. The Assignor entered a contract for the exploration and production of Hydrocarbons in block C-18 offshore Mauritania, dated 17 May 2012 and with an effective date of 15 June 2012, with the Islamic Republic of Mauritania, as represented by the Minister in charge of Petroleum, Energy and Mines (the “**Contract**”) and pursuant to article 21 of the Contract the Government, through SMHPM, acquired as at the effective date of the Contract a Participating Interest of ten percent (10%).

- B. The Assignor, Kosmos, BP and SMHPM are parties to a Joint Operating Agreement dated 11 September 2012 related to block C-18 offshore Mauritania (the “**JOA**”) as amended by a deed of novation and amendment signed by the Assignor, Kosmos, BP and SMHPM dated 24 August 2017 (“**Kosmos/BP Deed of Novation**”).
- C. By the Sale and Purchase Agreement dated 20 April 2017, the Assignor has agreed to assign and transfer to the Assignee an undivided forty-five percent (45%) Participating Interest in the Contract and the JOA (the “**Transfer**”).
- D. The Minister of Petroleum, Energy and Mines by letter n° 00000742/M.P.E.M./MM dated 9 August 2017 has approved the Transfer contemplated by the SPA; and
- E. It is a requirement of the JOA that this Deed be executed to effect the assignment and transfer of the Assigned Interest under the Transfer.

THE PARTICIPANTS COVENANT AND AGREE:

1. DEFINITIONS

Unless otherwise required by the context or subject matter:

Assigned Interest means a forty-five percent (45%) Participating Interest in the Contract and the JOA.

Assignment Date means 00:01 hours (London time) on 20 April 2017.

Assignor's Covenants means the covenants, agreements and obligations contained or implied in the Contract, the JOA or imposed by law to be observed and performed by the Assignor to the extent of the Assigned Interest.

Completion Date means the date on which the conditions set out in SMHPM letter N°000165/ SMHPM/DG dated 16 August 2017 have been satisfied and all conditions stated in the SPA have been satisfied or waived.

Contract has the meaning given in Recital A.

Deed means this deed.

JOA has the meaning given in Recital B.

Kosmos/BP Assignment Date means 00:01 hours (London time) on 1 June 2017, being the “Assignment Date” as that term is defined in the Kosmos/BP Deed of Novation.

Kosmos/BP Deed of Novation has the meaning given in Recital B.

Participant means the Assignor, the Assignee, Kosmos, BP or SMHPM.

Participating Interest means the interest of a Participant (expressed as a percentage) in all rights, benefits, liabilities and obligations under the Contract and the JOA.

SPA means the sale and purchase agreement between the Assignor and the Assignee dated 20 April 2017 for, inter alia, the assignment and transfer by the Assignor of the Assigned Interest to the Assignee.

Transfer has the meaning given in Recital C.

2. INTERPRETATION

Words and expressions defined in the JOA and used but not defined in this Deed have the same meaning as in the JOA (unless expressly stated otherwise).

3. ASSIGNMENT AND NOVATION

Subject to the satisfaction of the conditions in Clause 9.1, the Assignor assigns, transfers and novates the Assigned Interest to the Assignee on and from the Assignment Date.

4. ACKNOWLEDGMENT

Subject to the satisfaction of the conditions in Clause 9.1, each Participant acknowledges that the Assignee with effect from the Assignment Date:

(a) has by this Deed become a party to the JOA in lieu of the Assignor to the extent of the Assigned Interest;

(b) is entitled to all of the rights and benefits of the Assignor under the Contract and the JOA to the extent of the Assigned Interest in lieu of the Assignor; and

(c) by this Deed, undertakes and covenants with the Assignor, Kosmos, BP and SMHPM to observe and perform the Assignor's Covenants with respect to the Assigned Interest.

5. PARTIAL RELEASE

5.1 Release

Subject to the satisfaction of the conditions in clause 9.1, the Assignee, SMHPM, BP and Kosmos shall release and discharge the Assignor from the Assignor's Covenants with respect to the Assigned Interest under the Transfer with effect on and from the Assignment Date.

5.2 Continuing Rights and Obligations of Assignor

Subject to the satisfaction of the conditions in Clause 9.1, the Assignor:

- (a) remains liable to Kosmos, BP, SMHPM and the Assignee under the Transfer for, and must observe and perform, all the Assignor's Covenants arising in respect of Joint Operations carried out under the JOA before the Assignment Date with respect to the Assigned Interest; and
- (b) must discharge all liabilities and obligations:
 - (i) incurred by or on behalf of the Assignor; or
 - (ii) arising, in respect of Joint Operations carried out under the JOA, before the Assignment Date to the extent of the Assigned Interest.

6. COMPLIANCE WITH JOA AND CONSENT

6.1 The Participants confirm that this Deed is intended to fully comply with the JOA. In case of inconsistency between the provisions of this Deed and the provisions of the JOA (except for the amendments to the JOA stated in Clauses 4, 5, 7 and 8 of this Deed), the provisions of the JOA prevail.

6.2 SMHPM, Kosmos and BP's consent to the assignment, transfer and novation under the Transfer is evidenced by this Deed when it becomes in full force pursuant to Clause 9.1.

7. PARTICIPATING INTERESTS OF PARTICIPANTS FROM ASSIGNMENT DATE AND JOA AMENDMENTS

7.1 On and from the Assignment Date, the Assignee will become a Party to the JOA and the Participating Interests of the Parties under Article 3.2(A) of the JOA:

a) on and from the Assignment Date to 31 May 2017 at 24:00 hours (London time) shall be:

“

Participant	Participating Interest
<i>Total E&P Mauritania Block C18 B.V.</i>	45%
<i>Tullow Mauritania Limited</i>	45%
<i>Société Mauritanienne des Hydrocarbures et de Patrimoine Minier</i>	10%

“

b) and, on and from the Kosmos/BP Assignment Date, shall be:

“

Participant	Participating Interest
<i>Total E&P Mauritania Block C18 B.V.</i>	45%
<i>Tullow Mauritania Limited</i>	15%
<i>BP Mauritania Investments Limited</i>	15%
<i>Kosmos Energy Mauritania</i>	15%
<i>Société Mauritanienne des Hydrocarbures et de Patrimoine Minier</i>	10%

“

7.2 At Article 3.4(E) of the JOA in the second paragraph beginning “For the avoidance of doubt...” the table shall be deleted and replaced with the following:

a) on and from the Assignment Date to 31 May 2017 at 24:00 hours (London time):

"Total E&P Mauritania Block C18 B.V.	50.000%
Tullow Mauritania Limited	50.000%
Total	100% "

b)and, on and from the Kosmos/BP Assignment Date:

"Total E&P Mauritania Block C18 B.V.	50.000%
Tullow Mauritania Limited	16.670%
Kosmos Energy Mauritania	16.665%
BP Mauritania Investments Limited	16.665%
Total	100% "

7.3 With effect from the Completion Date, Article 18.3 of the JOA is amended as follows:

“18.3 Expert Determination

For any decision referred to an expert under Article 12.2(F) the Parties hereby agree that such decision shall be conducted expeditiously by an expert selected unanimously by the parties to the Dispute. The expert is not an arbitrator of the Dispute and shall not be deemed to be acting in an arbitral capacity. The Party desiring an expert determination shall give the other parties to the Dispute written notice of the request for such determination. If the parties to the Dispute are unable to agree upon an expert within ten (10) Days after receipt of the notice of request for an expert determination, then, upon the request of any of the parties to the Dispute, the ICC International Centre for ADR shall appoint such expert and shall administer such expert determination through the Rules for the Administration of Expert Proceedings of the International Chamber of Commerce. The expert, once appointed, must not have any ex parte communications with any of the

parties to the Dispute concerning the expert determination or the underlying Dispute. All Parties agree to cooperate fully in the expeditious conduct of such expert determination and to provide the expert with access to all facilities, books, records, documents, information, and personnel necessary to make a fully informed decision in an expeditious manner. Before issuing his final decision, the expert shall issue a draft report and allow the parties to the Dispute to comment on it. The expert shall endeavor to resolve the Dispute within thirty (30) Days (but no later than sixty (60) Days) after his appointment, taking into account the circumstances requiring an expeditious resolution of the matter in Dispute. The expert's decision shall be final and binding on the parties to the Dispute unless challenged in an arbitration under Article 18.2(B) within sixty (60) Days of the date the expert's final decision is received by the parties to the Dispute. In such arbitration (i) the expert determination on the specific matter under Article 12.2(F) shall be entitled to a rebuttable presumption of correctness; and (ii) the expert shall not (without the written consent of the parties to the Dispute) be appointed to act as an arbitrator or as adviser to the parties to the Dispute.”

7.4 Each Participant acknowledges and agrees that notwithstanding that the Assignment Date precedes the Kosmos/BP Assignment Date:

- (a) the transfers of Participating Interests to BP and Kosmos pursuant to the Kosmos/BP Deed of Novation were validly made and, as at the date of this Deed, BP and Kosmos each legitimately holds a 15% Participating Interest;
- (b) each Participant hereby waives any right it may otherwise have (including, without limitation, any right that the Assignee, Assignor or SMHPM may have or claim to have pursuant to the JOA or SPA or other agreement) to challenge the validity or effectiveness of such transfers of Participating Interest to BP and Kosmos; and
- (c) the amendments to the JOA made pursuant to the Kosmos/BP Deed of Novation were validly made and are fully binding on all Participants.

8. ADDRESS FOR SERVICE

8.1 For the purposes of Article 17 of the JOA, the address of the Assignee for delivery or transmission of notices is:

“Total E&P Mauritania Block C18 B.V
Bordewijklaan 18
2591 XR The Hague
The Netherlands
Attn: M. Dominique Janodet, Managing Director
Facsimile No.: + 31 (0) 7 05 12 94 49

With copy to:

M. Khaled Kouki

Facsimile No.: +33 1 47 44 57 75”

9. APPROVAL AND REGISTRATION

9.1 This Deed is of no force until the Assignor and the Assignee have formally notified Kosmos, BP and SMHPM of the occurrence of the completion under the SPA and of the Completion Date.

9.2 Each Participant, as applicable, must use all reasonable efforts, execute all documents and do all acts and things necessary or desirable to enable all matters contemplated by this Deed to be approved by the Government (if necessary) as quickly as possible.

9.3 From the date this Deed comes into force pursuant to Clause 9.1, the transfer and assignment of the Assigned Interest under the Transfer will relate back and be deemed to have occurred on the Assignment Date.

10. COSTS AND STAMP DUTY

Each Participant is responsible for its own legal and other costs and expenses but the Assignees must pay the stamp duty and registration fees on this Deed, if any.

11. APPLICABLE LAW

The provisions of Article 18.1 of the JOA are incorporated by reference as if fully set forth herein, and shall apply under this Deed.

12. DISPUTE RESOLUTION

The Dispute Resolution provisions of Articles 18.2 and 18.4 of the JOA are incorporated by reference as if fully set forth herein, and shall apply under this Deed.

13. MODIFICATIONS

This Deed shall not be amended or modified except by an instrument in writing signed by the duly authorised signatory of each Participant.

14. COUNTERPARTS

This Deed may be executed in any number of counterparts each of which is an original and all of which constitute one and the same instrument.

15. FURTHER ASSURANCES

Each Participant must execute and do all acts and things necessary or desirable to implement and give full effect to the provisions and purpose of this Deed.

EXECUTED AND DELIVERED AS A DEED:

Executed as a deed by)
TULLOW MAURITANIA LIMITED)
 acting by)
)

Signature of authorised signatory	<u>/s/ Kemal Mohamedou</u>
Name	<u>Kemal Mohamedou</u>
Signature of witness	<u>/s/ Houda Fidah</u>
Name of witness	<u>Houda Fidah</u>
Address of witness	<u>N° 169T Najah</u>
	<u>Nouakchott, Mauritania</u>
Occupation of witness	<u>Office & HR Advisor</u>

Executed as a deed by)
TOTAL E&P MAURITANIA BLOCK)
C18 B.V.)
 acting by)
)

Signature of authorised signatory	<u>/s/ David Mendelson</u>
Name	<u>David Mendelson</u>
Signature of witness	<u>/s/ Jean-Paul Precigout</u>
Name of witness	<u>Jean-Paul Precigout</u>
Address of witness	<u>The Hague</u>
	<u>The Netherlands</u>
Occupation of witness	<u>Deputy Vice President</u>

Executed as a deed by)
KOSMOS ENERGY MAURITANIA)
 acting by)
)

Signature of authorised signatory	<u>/s/ Mohamed Limam</u>
Name	<u>Mohamed Limam</u>
Signature of witness	<u>/s/ Brahim Yahya Lebatt</u>
Name of witness	<u>Brahim Yahya Lebatt</u>
Address of witness	<u>Nouakchott</u>
	<u>Mauritania</u>
Occupation of witness	<u>Travel & Facilities Supervisor</u>

Executed as a deed by)
BP MAURITANIA INVESTMENTS)
LIMITED)
 acting by)
)

Signature of authorised signatory	<u>/s/ Russell Smith</u>
Name	<u>Russell Irving Smith</u>
Signature of witness	<u>/s/ Hamish Bennell</u>
Name of witness	<u>Hamish Marc Bennell</u>
Address of witness	<u>BP PLC, Chertysey Road</u>
	<u>Sunbury, TWIG 7LN, UK</u>
Occupation of witness	<u>Business Development Advisor</u>

Executed as a deed by)
SOCIETE MAURITANIENNE DES)
HYDROCARBURES ET DE)
PATRIMOINE MINIER acting by)

Signature of authorised signatory	<u>/s/ Fall N'Guissaly</u>
Name	<u>Fall N'Guissaly</u>
Signature of witness	<u>/s/ Chemsdine Sow Deina</u>
Name of witness	<u>Chemsdine Sow Deina</u>
Address of witness	<u>RUE U2-133 N°349-BP4344</u>
	<u>Nouakchott, Mauritania</u>
Occupation of witness	<u>Head Exploration/Promotion Department</u>

Certification of Chief Executive Officer

I, Andrew G. Inglis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kosmos Energy Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2017

/s/ ANDREW G. INGLIS

Andrew G. Inglis

Chairman of the Board of Directors and Chief Executive Officer

(Principal Executive Officer)

Certification of Chief Financial Officer

I, Thomas P. Chambers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kosmos Energy Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2017

/s/ THOMAS P. CHAMBERS

Thomas P. Chambers

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying quarterly report of Kosmos Energy Ltd. (the "Company") on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Andrew G. Inglis, Chairman of the Board of Directors and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2017

/s/ ANDREW G. INGLIS

Andrew G. Inglis

Chairman of the Board of Directors and Chief Executive Officer

(Principal Executive Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying quarterly report of Kosmos Energy Ltd. (the "Company") on Form 10-Q for the quarter ended September 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Chambers, Senior Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2017

/s/ THOMAS P. CHAMBERS

Thomas P. Chambers

Senior Vice President and Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.