

**TRANSCRIPT – FIRST QUARTER 2022 RESULTS**

**CONFERENCE CALL**

**MAY 12, 2022**

**10:00 AM ET**

## CORPORATE PARTICIPANTS

**James F. Park**, *Chief Executive Officer*

**Andres Ocampo**, *Chief Financial Officer*

**Augusto Zubillaga**, *Chief Operating Officer*

**Martin Terrado**, *Director of Operations*

**Veronica Davila**, *Commercial Director*

**Stacy Steimel**, *Shareholder Value Director*

## CONFERENCE CALL PARTICIPANTS

**Alejandro Demichelis**, *Nau Securities*

**Oriana Covault**, *Balanx Capital*

**Stephane Foucaud**, *Auctus Advisors*

**Daniel Guardiola**, *BTG Pactual*

## PRESENTATION

**James F. Park**

Thank you and welcome, everyone. We are joining you this morning with our executive team in Bogota, Colombia to report on our achievements and financial results for the first quarter of 2022.

We want to begin by thanking and recognising all the hardworking women and men of GeoPark for delivering one of the most successful quarters in our 20-year history, while continuing building value across our complete business.

We believe we are in the right business, in the right place, with the right team, the right platform, the right partners and the right approach to succeed and capture an immense value proposition.

Our previously announced management transition is proceeding and being received very well and the GeoPark team is responding with energy, enthusiasm, ideas and optimism. And it is with tremendous gratitude and confidence that I'm moving on from this wonderful job to becoming a full-time shareholder and cheerleader. Before passing the word to Andres, as well as opening for questions, just a word,

please, about our full cycle performance and delivery, something which underlies our unique 20-year track record of continuous value growth.

Since the very beginning, GeoPark has been committed to a big idea and long-term plan, which allowed us to build our company solidly and steadily, while keeping our focus on the larger price.

This gave us a rock-hard foundation which allows us to weather any world or industry crisis, and we have been through a bunch, and be in a position with all we need to create and win more and more opportunities for the future.

So today, we are successfully keeping our team safe, healthy and rewarded, using our G&G and operational excellence to drill, find and produce more oil and gas, being innovative and staying disciplined to achieve greater capital efficiency and reduce costs, protecting the environment and reducing emissions, being a constructive and desired community neighbour, adding more high-potential acreage and assets to further expand our big growth fairway, managing the risks of our business and protecting downsides, strengthening and celebrating our powerful culture, and using our record cash flows and revenues to invest more to expand our work programme and improve our business, pay down debt and give back more to our shareholders, with all this activity across the full E&P value chain being self-funded by our own cash flows, as we have for nearly ten years, and which provides a continuous snowballing of value and scale.

So Andrés, thank you for stepping up and taking on this job. Perhaps you can please add some more details on this quarter.

### **Andrés Ocampo**

Thank you, Jim. We have a year filled with activity across our company and our first quarter results show our strong start to the year. First, we have drilled 13 new wells and increased production by 6% over the fourth quarter of last year. In the CPO-5 block, we are now producing over 20,000 barrels a day gross. That's 2.5 times higher than when we acquired the block almost two years ago. In Ecuador, we discovered two new oil fields currently producing almost 2,000 barrels a day gross.

Second, the increased production and oil prices generated record financial results. Our adjusted EBITDA generation in the quarter was up 84% to \$123 million, which means more than \$350 million for the last 12 months. This also means a net income of more than \$100 million in the same period.

Third, we invested \$39 million of CapEx in the quarter, which means that we generated more than \$3 of adjusted EBITDA for every dollar invested in that period. We also used our cash flow to reduce debt, as we repurchased \$33 million of our 2024 bonds and also doubled our dividend to \$5 million per quarter.

Fourth, we added new acreage in our core play. The CPO-4-1 block, strategically located and covers 120,000 acres adjacent to CPO-5, another Llanos basin block that we own.

Finally, as we're always striving to be a better and cleaner company, we advanced on connecting to the Colombian national grid as well as building our solar plant, which has the multiple benefit of reducing our emissions, reducing our costs and increasing our operational reliability. Our efforts are being recognised,

as MSCI ESG improved our rating to A, and also, we were included in the Bloomberg Gender-Equality Index, covering companies with best-in-class gender-related practices and policies.

As is always the case, we design our work programmes to be adaptable, up or down, based on asset performance and oil price volatility. So given the new discoveries and higher oil prices, we have expanded our self-funded 2022 work programme by another \$40 million to drill an additional eight to nine new wells plus facilities, permitting and licensing.

Consequently, we increased our annual production guidance up 8% to a range of 38,500 to 40,500 barrels of oil equivalent per day to reflect new production from Ecuador, the expanded work programme, as well as the production from Manati in Brazil. This revised guidance represents an 11% growth compared to 2021, adjusting for Argentina divestiture but not including any future exploration success.

At \$95 to \$100 Brent, this revised work programme is expected to generate more than \$0.5 billion in adjusted EBITDA, which would be more than \$250 million of free cash flow after CapEx, debt service, and taxes, representing almost a 30% free cash flow yield. We expect to use this extra cash to continue investing in growing our asset base, paying down debt, and giving back more value to shareholders.

Our operations and technical teams are busier than ever. We have today eight rigs working full-time across our asset platform in Latin America and have four more rigs on their way. We're executing an exciting low-cost, low-risk, and high impact exploration campaign not only in CPO-5, but also in our other Llanos basin blocks. So we really look forward to reporting on progress and results from these very exciting activities. Thank you, and we will be pleased to answer any questions you may have.

#### **Operator**

Thank you. If you would like to ask a question, please press star followed by one on your telephone keypad. If, for any reason, you would like to remove that question, please press star followed by two. Again, to ask a question, press star one. As a reminder, if you are using a speakerphone, please remember to pick up your handset before asking your question. We will pause here briefly as questions are registered. First question comes from the line of Alejandro Demichelis with Nau Securities. Alejandro, you may proceed.

#### **Alejandro Demichelis**

Yes, good morning, gentlemen. Thank you very much for taking my questions. Three questions if I may, please. The first one. Could you please walk us through the production guidance, the updated production guidance? Because when we take the, say, 2,000 barrels at Manati brings in, it doesn't look like you are adding an awful lot for the extra wells that you're drilling in Llanos 34 and the rest of the programme, so trying to see how conservative the guidance is. That's the first question.

Second question. Could you please tell us where you are on the exploration of CPO-5 and Urraca? What are you seeing so far? When can we expect some kind of results there? And the third question is maybe you can touch on how you're seeing cost inflation. We have seen your production cost, excluding royalties, very flat. So, what should we expect for the rest of the year, please?

#### **Martin Terrado**

Good morning, Alejandro. This is Martin Terrado. Appreciate your questions. I'll cover the first two and then let Veronica go over the operating cost. So, on the production guidance, as you've seen, the incremental is in the order of 3,000 barrels of oil equivalent per day. Manati, we expect declines of the contribution from Manati or Brazil for the remaining of the year, and that guidance is around 1,300.

So, we have 1,700 barrels of oil equivalent per day that are coming from new activity and better asset performance. That better asset performance and new activity includes CPO-5, Llanos production that we have, and it incorporates the discoveries from Ecuador that are already communicated.

**Andrés Ocampo**

And also I would add. Andrés here, Alejandro. I would add that the incremental activity that we added, also a lot of it is exploration activities which has no incremental production associated. So as Martin said, the 1,700 barrels from the guidance are related to better performance and new activities.

**Martín Terrado**

So, concerning the second question, on the second one on CPO-5 and where we are, like Andrés said, we continue to be really excited about this block. We had a successful result from Indico 4 and 5. They're both performing without water production, 4,000 barrels of oil equivalent each.

So that puts this field, Indico, as one of the top ten fields in Colombia. And we are fortunate that out of those ten, we also have Jacana and Tigana. So, three of ten are part of GeoPark and we're very proud of that.

In Urraca, the well has been drilled according to the plan and we are about to reach TD, so we should be getting logs and then putting that well on production soon. We do want to make sure that we remind you that this is one of about four wells that we have in the Northwest of the block that are going to be evaluated, investigating the continuation of the Jacana trend and that rig that is drilling Urraca will complete the well and then we will continue drilling in the area. So very excited about that. We are working with our partner.

**Alejandro Demichelis**

You said that you're going to put it into production. So, you already have something there.

**Martín Terrado**

No. We're about to reach total depth. So, we're still drilling. We will log the well, case the well, and expecting good results. Remember that this is Jacana/Tigana trend so they're not going to be flowing naturally. So, we'll have to put a pump. So, most likely, first oil will be by the end of the month.

**Andres Ocampo**

But Alejandro, sorry, just to be clear for everybody, this is an exploration well. We have no indication today or no information today whether this is going to be a discovery or not. What Martin is saying is in the event that we have information that confirms that it's a discovery.

We haven't reached TD yet so we're not even in the zone of interest yet. We don't have logging information. So really, just to be clear that I understand the question and to make sure that everybody has it clear, we haven't reached the zone yet so there is no information.

Once we cross the zone, we will decide. Based on the information that we get on logging from the well, we'll decide to complete the well and put it on testing to see if it is a successful well or not. All of that is going to take us probably another month. So, I wouldn't expect news from us on this particular well for at least another month. Is that clear?

**Alejandro Demichelis**

That's very clear. That's very clear, thank you.

**Andres Ocampo**

Okay. Great.

**Verónica Davila**

Good morning, Alejandro. This is Verónica. Thank you for your question. In regards to OpEx, for 2022, we expect our overall OpEx to be in the \$8.50 to \$9 per BOE range. This is between 5% and 10% increase over the 2021 numbers and is already included in our guidance. This OpEx expectation for 2022 already takes into account the impact of inflation, cost reduction initiatives, including the connection to the national grid in Colombia, and increased production from higher OpEx fields, namely in Chile and Ecuador.

**Alejandro Demichelis**

That's very clear. Thank you, Verónica.

**Operator**

Thank you for your question, Alejandro. Our next question comes from the line of Oriana Covault with Balanz. Oriana, please proceed.

**Oriana Covault**

Hi. Thanks for taking my call. This Oriana with Balanz. And I have three questions. If we may go one by one, that would be great. Just following up on the inflation side and just thinking about your budget, how much should we think, in terms of your drilling costs and completion costs, that update in budget is reflecting higher inflation? Or is it only related with additional wells coming in your plan?

**Andrés Ocampo**

Thank you, Oriana. Andrés here. It is new activity. All of what is included there is new activity. It is not revising the existing activity to increase it for inflation. We already had factored in our original guidance some inflation in our costs. In terms of drilling and completion, it's more or less 5-7% increase that we are seeing across the materials, the casings, the services. Everything is making our wells more or less 5% to 7% more expensive. That was already built in our original guidance and the new activity already factors this in.

**Oriana Covault**

Perfect. That's very clear. Perhaps following up on a different side of the business, just thinking about the Vasconia differential, could you elaborate more on the local marker differential you disclosed for Colombia in your press release? We've been under the impression that this has widened in the past quarter. So just to understand what has been driving that, the difference, and how should we think of this marker going forward?

**Verónica Dávila**

Thank you, Oriana. Good morning. Vasconia is the grade that we mainly produce in Colombia. We have seen differential of Vasconia in \$3.7 per barrel, so that's \$3.7 below Brent for the first quarter. Today,

that's closer to \$4.50. But it's been as wide, as you mentioned, as \$7 per barrel below Brent during April, and then recently recovered.

There's a few factors pushing Vasconia lower versus Brent. On the one side, there's the deep discount for heavy grades which are faced with strong competition with Russian barrels that are trading at very deep discounts currently in the market, especially into Asia. Also, there is increased volumes of medium sour grades to compete with Vasconia as well coming out of the US as it releases barrels from its strategic petroleum reserve.

On the other side, factors supporting Vasconia include increasing and strong demand in Colombia that is consuming most of the Vasconia production domestically and a strong global demand for diesel, which should support crudes such as Vasconia that have a high diesel production once refined. In all, we expect Vasconia pricing to stabilise and be within our \$3 to \$4 per barrel discount to Brent, which is our budget assumption and it's within our guidance.

**Oriana Covault**

Thanks. That was very clear. And maybe just one last one regarding the announcement that you made yesterday on tendering about \$45 million of the 2024 notes. Just perhaps if you could walk us through the rationale.

We understood that you already did some buybacks during the first quarter, so getting a better sense of why choosing to go through the tender instead of perhaps taking advantage of lower prices, lower coal prices, given political turbulence ahead? Thanks.

**Verónica Dávila**

Thank you, Oriana. As you well mentioned, we announced yesterday we are going to exercise the call for \$45 million of our 2024 bonds. This is in addition to \$33 million that we have purchased year to date in the open market below the call price. And this is part of our deleveraging strategy.

We started on this strategy last year, with our liability management executed in April last year, which reduced about \$105 million of the 2024 notes. And as we have mentioned in the past, we are continuing to delever, taking advantage of our high cash flow generation. And we expect to continue to do that. This is another step in that deleveraging process which will be completed in terms of the call for the 2024's \$45 million by the end of May.

**Andrés Ocampo**

And the rationale also... Andrés here, Oriana. The rationale, why we're calling it, is we've repurchased as much as we could find, basically. The size of the bond is small, it's about \$150 million, so it's hard to find. So, year to date, we've purchased everything we could find below the call price. And now we decided to just take a bigger chunk.

**Oriana Covault**

That sounds good. Thanks again, and congratulations for the good quarter.

**Verónica Dávila**

Thank you.

**Operator**

Thank you for your question, Oriana. Our next question comes from the line of Stephane Foucaud with Auctus Advisors. Please go ahead with your question.

**Stephane Foucaud**

Hi, guys. Thanks for taking my question. Three questions as well for me. First one, back on this deleveraging thing. So, \$45 million announced for further bond redemption. How do you see second half? Assuming oil price remains where it is, assuming the sort of free cash flow that you generate, could we expect some further bond redemption or buyback in the second part of the year? That's my first question.

My second question is, in light of the new production guidance, how would you see the 2022 exit production guidance? I noticed that, for instance, Parex has reported a quite big increase for December. Do you see something similar to that?

And lastly, could you give a few words on CPO-4, I think the block that you recently acquired an interest from Parex, and the sort of resources you could see potentially on this block, and the upcoming work programme? Thank you.

**Andrés Ocampo**

Hi, Stephane. Good morning. Andres here. With respect, to your question about deleveraging, as you said, we're calling this \$45 million now. We are approaching, in the next couple of months, the date where it's more economical to wait and call it, and continue calling it in September, when the call price drops down again.

So, most likely in the second half of the year, if oil prices remain as they are these days and if our cash flow evolves as we said in our guidance, within the \$90 to \$100 range, yes, most likely you should expect that we will call 100% of the 24s sometime after September, in the second half. That is our expectation.

**Martín Terrado**

And Stephane, this is Martin Terrado. Related to the 2022 exit production in Colombia, as we published, our first quarter Colombia production was 33,700 barrels of oil equivalent per day. We see our exit for Colombia around 1,000 barrels above that. And all of that does not include any kind of exploration success.

**Augusto Zubillaga**

Hi Stefane, this is Zubi. In regard to the question about CPO-4, just let me put you in context. So, in 2019, we awarded six blocks in the 2019 ANH bidding round, practically all the blocks surrounding our successful Llanos 34. So, so far, we have been working in the environmental permits and in the preliminary activities. So, this year, we will start drilling two exploration wells in the Llanos 87, just in the northwest part of Llanos 34, and we will drill also one exploration well in Llanos 94, which is called Humea-1.

So, coming back to CPO-4, CPO-4 is adjacent to Llanos 94 block. Our working interest is 50%. It has a 150,000 acreage, which is two times bigger than Llanos 34, 50% of the area covered with 3D seismic. So far, we identified a strategic place in the Gacheta formation. So due to the work programme, the commitment that we have in that block is to drill one exploration well in the first exploration phase. So, CPO-4 is in addition to the 0.6 billion to 1.6 billion.



**Andrés Ocampo**

Hi. Are you still there? Hi, can you hear us?

**Stephane Foucaud**

Yes. Yes, I can.

**Andrés Ocampo**

Yes, sorry, the main line got disconnected. So, we're very sorry, Stephane. We got disconnected on the main line. We're joining on the back-up line. So Zubi, you can continue.

**Augusto Zubillaga**

So I don't know when you missed. Okay, so, just to summarize. So, the CPO-4 is in addition to the 0.6 billion to 1.6 billion barrels in our exploration resources in all the blocks that we have in the Llanos basin.

**Stephane Foucaud**

Okay. Thank you.

**Andrés Ocampo**

Thank you, Stephane.

**Operator**

Thank you for your question, Stephane. Our next question comes from our webcast. Our question comes from **Daniel Guardiola** from BTG Pactual. And he asks, could you share with us what would be your priorities to allocate the expected excess of cash to be generated in 2022? Any thoughts on inorganic growth? Can you remind us, how much capital are you planning to allocate in 2022 to shareholders' compensation?

With respect to our hedging strategy, are you planning to modify it for 2023? And if oil prices remain stable, what would be the expected loss for full year 2022? And can you provide us more color with respect to the exploratory campaign? What are your expectations in terms of incremental production related to this campaign?

**Verónica Dávila**

Thank you, Daniel. Good morning. I'll go first in terms of the question on priorities in allocating our cash flow. So, our priorities continue to remain the same. As Jim mentioned in his opening remarks, we're going to prioritize funding our asset base and followed by a combination of debt reduction which we already touched upon a little bit on the call and shareholder return.

In terms of our assets, we have already been discussing today the expansion of our work programme with 14 exploratory wells. And we are ready to deploy additional capital to our assets, should we be successful within that exploration.

On the debt reduction, we already touched upon it, but we have launched the call for the 2024s for \$45 million. We have already purchased \$33 million year to date, and as Andrés mentioned, we would expect to continue deleveraging in the second half of the year.

And in terms of shareholder returns, we have doubled our dividend and we expect to continue to pay out \$5 million per quarter in terms of dividends. We have the discretionary share buyback in place, which is also part of our initiative in terms of shareholder return.

**Martín Terrado**

And Daniel, this is Martin Terrado. Related to our exploration work programme, like we already mentioned, it's about 14 to 18 additional wells on top of the two wells that were drilled and discovered in Ecuador. So, high level, we're targeting between 180 million and 350 million barrels of un-risked new resources P10. That's the range that we have. But our working interest, that is around 70 million to 140 million resources that we're targeting, with chances of success that go from 25% to 40%. Now, how does that look like in the year for us?

Yes. So, like I was saying, the order of magnitude of the resources that we're after, gross, is about 170 million to about 350 million barrels. With our working interest, it ends up being around 70 million to 140 million barrels. And the chances of success are between 25% and 40%.

As we go through the different quarters, we're going to be drilling anywhere between four and six exploration wells per quarter, and most of those are going to be drilled in Colombia. In Colombia, most of those are going to be drilled in Llanos. We have around five to six wells that are going to be drilled in CPO-5, about two wells that are going to be drilled in Llanos 34, and the same amount in Llanos 94 and Llanos 87.

What's outside of Colombia or Llanos is one exploratory well in Platanillo and two wells in Ecuador. One will be a follow-up to our success in the Perico block and the other one will be our first exploration well operated by GeoPark in the Espejo block. So again, Daniel, apologies for the cut, but let us know if there's further questions or clarification.

**Verónica Dávila**

So, we're moving on to the hedging question. We continue executing on our hedging strategy. We believe hedging is a sound risk management tool to protect ourselves from the cyclicity in our business, which is very volatile. In terms of the hedge costs which you mentioned, we have recorded \$30 million of hedge costs in the first quarter, and we have provisioned an additional \$50 million in unrealized hedge costs for the remainder of the year.

Those numbers align with our expectation of hedge costs for the remainder of the year should prices remain at the current market conditions. And those have already been included in our guidance. I don't know, Daniel, if that covers the question or if you had something further.

**Operator**

We do have a follow-up question from Daniel. He asked, do you foresee any risk to your operations related to the upcoming presidential elections in Colombia?

**Andres Ocampo**

Hi. Thank you, Daniel. The Colombian elections are, the primary round, expected before the end of the month. And then it seems that most likely, there's going to be a second round in mid-June. It sounds like it's going to be a tight call really. But again, as we said in the prior calls, we are very confident, and we trust Colombians' long-term political and economic stability.

This country has solid institutions and has proven to have one of the highest respects for contracts and rule of law in the region. So, we're optimistic with respect to the future in the country. And again, we

expect that the institutions will provide the balances that are required for the country to continue its historical stability.

**Operator**

Perfect. There are no more questions waiting at this time, so I will now pass the call back to our management team for closing remarks.

**James Park**

Thank you, everybody, for your interest in GeoPark and your continued support of our company. Our shareholder value team is available around the clock, as is our management team, to answer any questions or listen to your comments. We look forward to hearing from and seeing you soon. Thank you.