GeoPark Limited
Third Quarter 2014 Results Conference Call
November 19, 2014

INTRODUCTION

Operator:

Good morning and welcome to the GeoPark Limited conference call following the results announcement for the financial quarter ended 30th September 2014. [Operator Instructions]

I would now like to introduce your host for the conference, Sofia Chellew, Investor Relations for GeoPark Limited.

Sofia Chellew:

Thank you, Operator. I would like to extend a warm welcome to all our participants on behalf of GeoPark Limited. GeoPark issued its quarterly report today. If you do not have a copy of our press release, please call Grayling in New York in USA at +1 (646) 284-9435 and we will have one sent to you. Alternatively, you may obtain a copy of the release at the Investor Support section on the company's corporate website at www.geo-park.com. A replay of today's call may be accessed by dialing-in on the numbers provided in the press release or by accessing the Webcast in the Investor Support section of the GeoPark corporate website. Before we continue, I would like to point out that certain statements contained in the results release, and on this conference call, are forward-looking statements rather than historical facts, and are subject to risks and uncertainties that could cause actual results to differ materially from those described. With respect to such forward-looking statements, the company seeks protections afforded by the Private Securities Litigation Reform Act of 1995. These risks include a variety of factors, including competitive developments and risk factors listed from time to time in the company's SEC reports and public releases. Those lists are intended to identify certain principal factors that could cause actual results to differ materially from those described in the forward-looking statements, but are not intended to represent a complete list of the Company's business.

All financial figures included herein were prepared in accordance with IFRS and are stated in U.S. dollars, unless otherwise noted. Reserves figures correspond to PRMS standards.

Joining us today from GeoPark is James F. Park our Chief Executive Officer, Augusto Zubillaga our Chief Operating Officer, and Andrés Ocampo our Chief Financial Officer.

And now, I will turn the call over to Jim.

Jim Park Comments:

Good morning everyone and Thank you for your interest in GeoPark.

GeoPark had a strong third quarter – reflecting our accelerating pace – and as part of what will be another successful year of operational, financial and business growth. This quarter:

- Production is up 66%.
- Revenues are up 47%.
- Adjusted EBITDA is up 62%.
- Reserves are up.
- Our 'per barrel' costs are down.
- And we have added some new world class assets to the Company.

Let's please begin our call by addressing the declining oil price environment and how it will impact our business in the short and near term.

Firstly, GeoPark is on track to meet our 2014 production target. We are completing our 2014 work program as planned and we are still expecting our full year cash flow to match our full year investment program. From the oil price decline of 25+% over the last 4 months, we anticipate an impact of 6-8% to our full year 2014 Adjusted EBITDA.

Looking at 2015 and beyond, GeoPark is well-positioned to continue to prosper in a lower oil price environment – if such a condition endures. Our long term risk-balanced strategy in Latin America has provided a steady track-record of growth every year for the last 8 years – including through the 2008 global crisis and oil price collapse. We have been here before.

Key strengths of our approach are:

- a focus on high netback projects that can be profitable in even very low (for example $50-60/bbl) oil price environments,
- discretional work programs that allow us to adjust capital expenditures as needed,
- a strong balance sheet with US$129 mm in cash, and
- a self-funding production base of 21,000 boepd.

For 2015, our work program is budgeted on a $80/ bbl oil price. Our 2015 program will keep us moving forward on our same growth trajectory -- with a slightly lower investment plan than our 2014 program.

Zubi and Andres will review our positive Third Quarter results in more detail, so let's please highlight two key developments.

First:

We continue to have good drilling success on our Llanos 34 Block in Colombia and in particular with the Tigana Field – where we updated our internal reserve estimates to 45-65 mmbo 3P gross reserves. This field size increase gives us 30-45 potential new drilling locations -- representing a secure production growth platform in the near term – as well as a significant value increase for GeoPark. A larger field improves our overall risk profile and also provides opportunities to reduce drilling, operating and transportation costs by improved efficiencies.

Second:

In October, GeoPark announced the acquisition from Petroperu of a 75% interest in the large Morona Block located in the Maranon Basin in northern Peru.

This is a potentially transformational acquisition for GeoPark – and a great strategic fit for our existing project portfolio. We are excited to be entering into Peru – a culturally-rich country with immense hydrocarbon potential and a secure and attractive economic and political environment. The Morona Block has all the attributes we look for: a discovered oil field with the opportunity to establish production and cash flow in the near term; a work program that is technically-sound and fits our budget; a big exploration upside within a proven hydrocarbon system in a prolific oil region; and a good partner, Petroperu, who has a strong presence throughout the region.

In the last 3 months, GeoPark has also added four new attractive assets – with two new blocks in Colombia and two new blocks in Argentina.

It's relevant to review the overall organic opportunity portfolio GeoPark has now assembled -- which we believe represents a competitive advantage for us. This portfolio consists of:

- Land: 31 blocks in 11 basins and 5 countries totaling 6 million acres
- Production Assets: 21,000 boepd base
- Development Assets: 3P reserves of 190 – 220 million barrels
- Exploration Assets: resources of 500 mm to 1 billion barrels
- Unconventional Resource Assets: resources of 150 – 200 mm barrels

This expansive risk-balanced mix of opportunities gives GeoPark a lot of running room and depth to continue growing in the short, medium and long term. It also assures us of growing at a secure pace -- with the opportunity for some step-change growth.

With our capital allocation discipline – it means we are able to choose the best shareholder value-adding projects from a wide selection of opportunities. And a deep portfolio provides increased flexibility in a changing oil price environment.

Let's please turn the call over to Zubi who will discuss the Company's businesses in more detail.

Augusto Zubillaga Comments:

Thanks Jim. Good morning to everyone.

In 2014, GeoPark is carrying out an ambitious work program of $250 million, which includes drilling over 50 wells, new seismic and new facilities.

As we head into the final quarter of 2014, our program and our results remain on target.

During the third quarter:

- total production increased 66% to over 21,000 boepd, mainly from strong growth from our Llanos 34 Block in Colombia, together with the production start-up from our Tierra del Fuego Blocks in Chile, and
- 13 new wells were drilled

Looking at each country:

Beginning with Colombia:

- Third quarter production increased 68% to 12 thousand bopd led by production growth from our Llanos 34 Block.
- During the quarter, 6 wells were drilled.

In the Llanos 34 Block, we updated our internal reserve estimates of the Tigana Field. (Please remember that Tigana is one of five new oil field discoveries GeoPark has made since acquiring the Llanos 34 Block 2 years ago.)

From well drilling and production information to date, 3D seismic mapping, and a field area size estimate of 3,000-4,000 acres, GeoPark's internal original-oil-in-place estimate is 140-170 million barrels of oil and 3P gross reserves estimate is 45–65 mmbo. Additional appraisal drilling will be required to delineate the field size.

GeoPark discovered the Tigana oil field in December 2013 and, since that time, the team in Colombia has moved efficiently to:

- Put seven wells in production with a total current gross rate of approximately 11,000 bopd– and a water cut of 3.5%;

- Installed facilities to handle approximately 20,000 barrels of fluid per day (with plans underway to expand to 100,000 bfpd); and
- We have also produced 2.1 million barrels of oil to date.

The Tigana field represents a combined trap with a structural component and a stratigraphic component. Oil is being produced from the Mirador (21-29° API crude oil) and Guadalupe (15° API crude oil).

We have also been active in expanding our business in Colombia. During the third quarter, GeoPark was awarded the large high potential VIM 3 Block in the Lower Magdalena Basin, where we will operate and have a 100% working interest.

This month, we also announced a partnership with the SK Group from Korea to farm-in to the CPO-4 Block, located in the Llanos Basin on trend and also with similar play types as our Llanos 34 Block. It is an example of GeoPark leveraging its technical know-how into acquiring a great asset at attractive terms.

Moving now to <u>Chile</u>:

- Our third quarter production increased by 3% to 6 thousand boepd, with over 3.7 thousand bopd of oil and more than 13.6 million cfpd of gas. Gas production increased 26% and oil production decreased by 8% mainly from natural decline in base production.
- We also drilled 7 wells during the third quarter.
- In the Tierra del Fuego Blocks, where GeoPark operates, in partnership with ENAP, results from our drilling program are beginning - and we have also declared commerciality for seven new fields.

Turning to <u>Brazil</u>:

- We have a 10% interest in the Manati Field, which is Brazil's largest producing gas field and which is operated by Petrobras.
- Average third quarter gas production in Brazil amounted to over 20 million cfpd.
- Key operational highlights include:
    - Construction of the compression plant for the Manati gas field continued with expected start-up in the second half of 2015.
    - Additionally, GeoPark began 3D seismic registration on our Reconcavo and Potiguar blocks, acquired in Round 11. Seismic studies will be completed by year-end with drilling targeted for the second-half of 2015.

In the case of <u>Argentina</u>:

In the third quarter, we rebalanced our asset portfolio and were awarded two exploration licenses – Sierra del Nevado and Puelen Blocks – in partnership with Pluspetrol, targeting an attractive shallow low cost heavy oil play in the Neuquen Basin.

And, finally, in Peru:

In October, we reached an agreement with Petroperu to acquire a 75% interest to operate the attractive Morona Block in northern Peru.

The Morona Block covers an area of 1.9 million acres on the western side of the Marañón Basin, one of the most prolific hydrocarbon basins in Peru. More than 1 billion barrels of oil have been produced from the surrounding blocks in this basin. The Block contains the Situche Central oil field, which has been delineated by two wells (with short term tests of 24-hundred and 52-hundred bopd of light oil) and by 3D seismic. Ryder Scott has certified 2P reserves of 55 million barrels of oil and 3P reserves of 85 mmbo for Petroperu.

The Morona Block has a large exploration potential with several high impact prospects and plays – with exploration resources of 200 to 600 mmbo. This will significantly increase our overall inventory of exploration resources and complement GeoPark's growing reserve and cash flow base already established in Colombia, Chile and Brazil.

The Morona Block includes 2D and 3D seismic surveys, and an operating field camp and logistics infrastructure. The area has undergone oil and gas exploration activities for the past 40 years, and there exist ongoing cooperation agreements with the local communities. One of GeoPark's strengths is our commitment to building long term mutually-beneficial relationships with the communities where we operate

The initial work program for the Situche Central field will be to put the field into production through a long term test to determine the most effective overall development plan and to begin to generate cash flow. This initial stage requires an investment of $140 - $160 million and is expected to be completed within 18 to 24 months after closing.

In summary, from an operational perspective for GeoPark, we are on track for our 2014 program -- and our teams are making great progress in building our businesses in each country.

We have worked to create in every Business Unit, strong and quality teams with proven experience from every region where we operate.

During 2014, our solid track record in terms of safety, environmental protection and respect for our neighbors represents a fundamental measurement of our performance.

Now let's please turn the call over to Andres who will provide more detail on our financial results.

Andrés Ocampo Comments:

Thank you, Augusto. Hello everyone.

As Augusto discussed, our strong operational performance during the quarter has again translated into strong financial results.

Our Net revenues, adjusted EBITDA and profits increased as compared to the same period of the previous year. Our balance sheet is strong, with almost $129 million in cash to face opportunities and continue growing our business.

I will begin by describing the most relevant lines of our income statement. Our significant production growth in the quarter led our Consolidated net revenues to increase by 47% to $132 million compared to same quarter 2013 – this was also impacted by the incorporation of Brazil operations since the second quarter of this year.

Our consolidated production costs amounted to $67.5 million following higher production volumes, which generated increased efficiencies and improved fixed-costs absorption in our operations, reducing our consolidated operating expenses per boe by 24% to $17.2 per boe.

After consolidated exploration, selling and administrative expenses, our consolidated Adjusted EBITDA increased by 62% to $67.9 million or $36 per boe.

Now looking at each of our businesses in Colombia, Chile, and Brazil.

In **Colombia**, net revenues – which represented almost 60% of the total consolidated revenues - increased 48% to $78.3 million mainly as a result of a 68% increase in production.

Our average operating netbacks in Colombia during the 3Q2014 amounted to $43.5 per bbl, and our total Adjusted EBITDA in Colombia increased by 86% to $42 million.

Colombia continues to deliver great operational and financial results. The Tigana field expansion, reduces our development costs and improves our operating netbacks: as an example – even if WTI oil prices average $75-85 per barrel, operating netbacks for the field are estimated to be approximately $40-50 bbl.

In **Chile,** despite lower reference oil prices, our effective oil price increased by 1% as a result of the new oil treatment facilities which improved the quality of the oil – reducing commercial discounts by approximately $8 per bbl. Total net revenues in Chile increased by 3% to $37.7 million, also as a result of a 42% increase in gas revenues from higher average realized gas price. Adjusted EBITDA in Chile amounted to $20.2 million and increased by 3% on a per boe basis to $40.8 per boe.

In **Brazil** - net revenues amounted to $15.3 million in 3Q2014, with production costs of $6.6 million and Adjusted EBITDA of $8.3 million.

Moving on to our consolidated non-operating results, our net financial expenses increased to $20.6 million in the quarter as a result of higher indebtedness as well as a $13.9 million non-cash accounting charge in the third quarter mainly due to the impact of the depreciation of the Brazilian Reais over dollar-denominated debt at the local subsidiary, where the functional currency is the Brazilian Reais.

Profit for the period increased 9% and amounted to $11.9 million, and is explained by higher operating income partly offset by higher net financial expenses and income taxes.

Turning to the balance sheet, cash and cash equivalents in the third quarter of 2014 totaled $128.8 million.

GeoPark's total assets as of September 30, 2014, amounted to $1.1 billion and total financial debt amounted to $362.9 million which included the 2020 Bond issued in February 2013 plus the credit facility in Brazil.

Our Equity reached $513 million primarily due to profits from the nine-month period and the net proceeds from the NYSE-IPO in February of this year.

Finally, as of September 30, 2014, the Company's gross leverage ratio continued decreasing, reaching levels of 1.6-times (or 1.5 times considering the proforma figures). Additionally, interest coverage for the period reached 6.7-times. Both ratios are within our internal guidelines, and are well within the requirements of our 2020 bond covenants.

So we are on our way to closing one more year of proven execution and growth in production, reserves and cash flow. Also we are excited about 2015, and will announce our work program and budget at the beginning of next year. In general terms, we expect our 2015 capital expenditures to be around similar or lower in size to our 2014 capital expenditures program - although it will now cover a wider base of projects and assets, with new blocks added in Peru, Colombia, Argentina and Brazil. We also expect to concentrate a big part of our work program in developing our reserves and increasing production in Colombia.

This now concludes my remarks, so I would like now to ask the operator to open the call for the question and answer session. Thank you.

QUESTIONS AND ANSWERS SESSION

Pablo Casela - Itau

Good morning, all, thanks for having the question. The first one is regarding the Tigana field. The 3P reserves estimates for Tigana was very positive, but it was based on internal estimates. For the 2014 results reports, we even will include more data to improve the estimates? And moreover, can we expect any relevant change in the number?

And the second one, it's about the Morona Block. We all know that, Morona Block has a lot of potential, but what's your plan in terms of exploration and the development. And moreover, what are the main challenge that has seen to develop these assets and how do you intend to tackle them? Thank you. That's all.

Andres Ocampo, Chief Financial Officer

Thank you. Thank you very much, Pablo for your question. This is Andres. I'll start with your question around Tigana. As you said, we released and we announced internal estimates for the field. We are working, we are currently working with DeGoyler and McNaughton, our team is working with them on the certification as of December that is going to be done by December of this year that will include of course Tigana. We wouldn't want to comment on what they expect to certify or what their opinion is going to be on the field. But our team feels strong above the numbers that we will release to the market. Of course, the reserve certification this year is going to include the Tigana field among the rest of the fields.

And then, your second question was with respect to Morona Block. Our initial phases, we find our development program that is going to be done by basis. So our initial phase that is expected to take between 18 to 24 months after closing. It's going to be aim, to put on production on the two wells that have already being drilled, on the discovered oil fields that exists on the block, the Situche Central field where the results are concentrated. So, the first phase is going to be paying to put those wells in production and start generating cash flow from the project. Subsequently, after that, we expect to move on to development phases with additional drilling and also to explore in the surrounding areas of the field that also have attractive exploration potential. In terms of the challenges,– the challenges of this projects are mainly -- it has a great geology, but of course, logistics in the area are complex. So probably those are going to be the main challenges that we are going to be facing and we are putting together, the right experience team in place in LIMA as in every country where we have entered. So we took the great assets in very attractive terms and we are building a very strong local team around the assets to be able to execute and move forward with the program.

Felipe Dos Santos, JP Morgan

Good afternoon gentlemen. Just one actually two questions, the first one related to CapEx, you mentioned in the press release that the CapEx would be similar or kind of smaller compared to this year intentions then two main things. First how do you see this low Brent prices impacting your CapEx for the next year, you're not considering to reduce it? And the second is, do you think that you would take advantage of this lower prices that has been making somewhat some companies to take advantage on that for more M&A activity in 2015. Thank you.

Andres Ocampo, Chief Financial Officer

Okay thank you Felipe. We have not yet announced our program for next year. We expect to do that in January, when we release our operational update of the fourth quarter as we typically do. But yes, as we mention in the call, we expect it to be slightly lower than our CapEx program this year but remember that for next year we added a group of blocks of new assets into our portfolio. So probably a percentage, probably around 30% of our CapEx next year is going to be bound to assets that were added to the portfolio. So in terms of the asset value we used to have or we had before, the program is slightly reduced. And can you, I think the line was a little bit noisy when you gave your second question, would you please repeat it?

Felipe Dos Santos, Analyst

It's also related to the first one thinking that, if you're thinking of taking advantage of the impact of the low Brent prices in some other companies to move from more M&A and acquire more -- smaller company or assets during this period of time?

Jim Park, Chief Executive Officer

Yes, we have a quite an inventory of potential projects that were looking at in Latin America, it seems a the lot of the oil industry, has been focusing elsewhere in the world. And so we've been, we have quite an attractive inventory of new projects. We think that the oil price will improve the value of those or the price of those assets and as well as increased that inventory, but we'll look at those in consideration of our full 2015 work program on our existing assets.

Gustavo Gattass, BTG Pactual

Hi guys. I had a couple of questions here. If I could just start with some of that, have a little bit more to do with the accounting of the quarter. First, I just wanted to check did you guys have any relevant inventory build during this quarter, like we saw back in the second quarter.

And on the second part related to that as well whether or not you could actually comments on what you expect in cost evolution, both for the coming quarter and the more distant future for Colombia, as basically the production continues to grow. Okay. So those would be that on that end. And I know you guys you're going to put out guidance for the next year and -- more solid message on production, that is to come, but I just wanted to have a sense from, from just this subjective point of view, is there still enough of an argument to be made here for the consistent growth on the Colombian production assets or should we actually think about on some kind of slowdown in the pace of growth that we have been seeing? Thank you.

Andres Ocampo, Chief Financial Officer

Okay. Thank you Gustavo and good morning. So first going to your accounting questions with respect to inventories the answer is no we haven't had any inventory build up this quarter. So the situation is normalizing in fact our inventory sales, slightly decreased in this quarter with respect to the previous one. So, no changes or no news on that front in this quarter. With respect to our cost evolution in Colombia, we expect the trend, the declining trend to continue, as we continue to grow to first that, continue developing the assets and continue grow production. So we would continue to expect efficiencies and fixed cost absorption coming from our Colombia operations. So the answer is that we expected the trend, the declining rate of the cost to continue in that country. I'm going to your last question with respect to the future growth that we are expecting, I think Jim mentioned some of these at the beginning in his remarks, we expect our growth trajectory to continue in the next coming years. So, we feel that there is still room to continue to grow solidly -- from the asset base that we have. So we don't expect it to be higher or anything.

Operator

Thank you. (Operator Instructions) And we seems that, we have no further questions at this time, I'd like to turn the floor back to James Park, CEO for closing remarks.

James Park Comments:

Our business model is designed to capture the full value chain of the upstream business as an Explorer, Operator and Consolidator and, this quarter, we demonstrated again our ability to execute on all fronts with:

- new discoveries and reserve growth;
- increased production and reduced costs; and
- business expansion with the addition of attractive new assets.

We are strongly positioned heading into 2015 - and for the changing oil price environment - and see this as a time of differentiation and opportunity.

Thank you again for joining our call today -- and we look forward to updating you regularly on our progress and results.

We also invite you to please contact us if you have any questions or comments.

CALL ENDS (May disconnect at this time)