# TRANSCRIPT - THIRD QUARTER 2021 RESULTS

## CONFERENCE CALL

## NOVEMBER 11, 2021

## 10:00 AM EDT

## CORPORATE PARTICIPANTS

**James Park,** *Chief Executive Officer*

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

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

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

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

## CONFERENCE CALL PARTICIPANTS

**Ricardo Rezende,** *J.P. Morgan*

**Phil Skolnick,** *Eight Capital*

**Stephane Foucaud,** *Auctus Advisors*

**Augusto Uribe,** *AIG Investments*

**Miguel Ospina,** *Compass Group*

**Gustavo Sadka,** *Bradesco*

## PRESENTATION

**Operator**

Welcome to the GeoPark Ltd. conference call following the results announcement for the third quarter ended September 30, 2021, and the 2022 work program and investment guidelines.

After the speakers' remarks, there will be a question-and-answer session.

If you do not have a copy of the press release, it is available 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 through this webcast in the Investor Support section of the GeoPark corporate website.

Before we continue, please note that certain statements contained in the results press 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 the IFRS and are stated in U.S. dollars unless otherwise noted. Reserves figures correspond into the PRMS standards.

On the call today from GeoPark is James Park, Chief Executive Officer; Augusto Zubillaga, Chief Operating Officer; Andres Ocampo, Chief Financial Officer; Martin Terrado, Director of Operations; and Stacy Steimel, Shareholder Value Director.

Now, I will turn the call over to Mr. James Park.

Mr. Park, you may begin.

**James Park**

Thank you and welcome, everyone. We are joining you this morning with our Executive team in Colombia and the U.S. to report on our achievements and financial results during the third quarter of 2021.

Firstly, we would like to recognize and thank the women and men of GeoPark for their resilience and commitment as proven again by our performance in this last quarter.

Production was up compared to last quarter as we continued low-risk development in the Llanos 34 block. Our growing low breakeven production generated strong free cash flow. Revenues doubled from a year ago and Adjusted EBITDA was 54% higher with a net profit of $37 million, the equivalent of $0.61 per share. Every $1 of invested Capex yielded $2.80 in Adjusted EBITDA.

We continue to manage and consolidate our project portfolio by divesting our economically marginal and high-carbon assets in Argentina, expecting to close by year-end. Our Brazil asset divestment is also underway, with expectations to close during the first half of 2022.

Our relentlessly passionate focus on SPEED, our internal value system we refer to as ESG+, included a concrete road map with an accountable schedule to reducing greenhouse gas emissions. Already with a peer-leading low carbon intensity, we embarked on immediate actions to further reduce Scope 1 and Scope 2 emissions by 35% to 40% in the next three years, 40% to 60% by 2025 to 2030, and net-zero by 2050 or sooner.

Of course, we continue to return tangible value to our shareholders through our active dividend and share buyback programs. A new development involves GeoPark shares being included in the S&P Global BMI Index and four S&P subindexes, which represents an expansion of our investor base and opens the opportunity for being included in additional indexes.

During the quarter, we carried out our capital allocation process to develop the work program and budget for 2022. This represents a healthy opportunity to review every asset in the portfolio and make them compete for investment on rigorous technical, economic, strategic, social, and environmental criteria.

Our outcome was a new 2022 investment program of $160 million to $180 million, which targets drilling 40 to 48 wells, composed of 25 to 28 development wells to develop our reserves and increase production and 15 to 20 exploration wells to test a powerful portfolio of high-impact low-risk prospects on adjacent acreage, which can generate cash flow quickly if successful. It also includes a significant pickup in activity on our CPO-5 block. As always, this is a flexible work program that can be easily adjusted up or down depending on oil prices.

We are giving guidance of a 5% to 10% production increase after divestments on the producing assets, but this does not include one single barrel from the 15 to 20 exploration wells we are drilling next year, all with a chance to find and open up new promising fields.

For 2022, we will be generating significant free cash flow that will self-fund the full enchilada. This includes tangible shareholder returns, balance sheet strengthening including potential deleveraging, a real emission reduction plan, continued efforts to expand scale by acquiring new projects, a growing high-return production base, and an aggressive low-risk big potential exploration campaign.

We believe that being able to self-fund from cash flow and simultaneously achieve these objectives represent the right business model for our industry today and provide GeoPark with a comparative advantage in an energy transitioning world.

Thank you, and we would be pleased to answer any questions you may have.

**Operator**

Thank you. We will now proceed with the Q&A session.

Our first question for today comes from Ricardo Rezende from J.P. Morgan. Ricardo, your line is now open.

**Ricardo Rezende**

Hi. Good morning, Jim, Andres, and the whole team. Thanks for taking my question.

A couple of questions on my side related to your 2022 work program. Jim, as you just mentioned, if things go according to the plan, you're going to have a very strong free cash flow generation next year. One of the questions that I have is, would you consider looking at M&A as a potential use of this cash flow? Or you're mostly focusing on developing your current areas?

The second question, I think it's more to Andres, it's on the 2024 notes. As you mentioned in the release, those notes became callable in September. A question here would be, are you looking more upon your liability agent as reducing your nominal amount of debt, or it's mostly a liquidity exercise that you could be doing with those notes? Thank you.

**Andres Ocampo**

Hi, Ricardo. Good morning. Andres here.

The priorities for our free cash flow generation during 2022 are not changed from historically what we do every single year. The first priority is to fund the development of our reserves. Second is our activity and fund our exploration campaign. Third, it's always a combination of debt reduction, deleveraging, and shareholder value return. We do have M&A as part of our business model, and it’s part of what we do and always consider it in the context of always funding our portfolio and deleveraging our Company.

I would say probably the priority for 2022, given earlier this year we did the liability management transaction to organize our debt in a way that can gradually be repaid, probably in 2022 with such a busy drilling campaign, the priority is going to be for any excess cash to be used for deleveraging and shareholder value returns.

To your second point, the fact that the bonds became callable in September means that now we can actually exercise the option to repay them in full or in part at any point in time over the next years until maturity. That is what changed.

When we did the liability management transaction, our bonds were not callable, so that was the way we needed to do it to actually repay a significant part. But with this new structure, it means that we can exercise the call at any point in time to pay them down.

**Ricardo Rezende**

Thanks, Andres. That's very clear. Thank you.

**Andres Ocampo**

Thank you.

**Operator**

Thank you, Ricardo.

Our next question for today comes from Phil Skolnick from Eight Capital. Phil, your line is now open.

**Phil Skolnick**

Yes. Thanks. Good morning.

My first question is with respect to your exploration program, the 15 to 20 wells, how do we think about that in terms of the positive impact it can have on the 2022 program? I guess, how many of those are short-cycle in nature to allow for it?

**Andres Ocampo**

Hi, Phil. Good morning. Thank you for your question.

It's as you said, it's a significant exploration campaign, 15 to 20 wells. Most of what we're doing is really our bread and butter, this is what we have been doing for many years, and this is the type of exploration that we were doing when we discovered Llanos 34 or started discovering the fields in Llanos 34 in early 2012.

We can say that all or really most of these prospects are all really short cycle. In the event of a discovery, almost all of these prospects which could become potential fields can be brought to production pretty fast after discovery. Pretty fast is within a month, probably would be a good assessment. Any particular event may delay that perhaps two months, but nothing like the typical offshore exploration that may take significantly more. I would qualify 100% of our exploration portfolio in 2022 as being short cycle.

**Phil Skolnick**

Okay. Great. That's perfect. In terms of the flexibility around the program, you laid out the $50 to $80 Brent pricing. How do we think about that in the context of your 2022 production guidance? If you go to $50, what does that mean? If you go to $80—I mean, obviously, the $80 would be an upside potential, but the $50, how do we think about that?

**Andres Ocampo**

I think what highlights from that is that our production is pretty resilient and our work program is pretty resilient. That means that we gave our guidance using $65, $70 Brent, which is around $15, $20 below the oil prices today. But really what our work program shows is that we can fully execute, as displayed, almost in any oil price environment, even as low as $60. Then maybe below $60, we could start delaying some of the exploration probably, but all of the production and all of the development would continue to be maintained. That means that we're using more or less the same production curve for a big range from $50 up to $80.

If oil prices are higher, and also given that there are so many exploration opportunities, there's also additional Capex that could be added in the event of a new field discovery, so capital for development, a potential new field that we could discover, could be added in higher oil prices environment.

**Phil Skolnick**

Great. Thanks. That's it for me.

**Andres Ocampo**

Thank you, Phil.

**Operator**

Thank you, Phil.

Our next question comes from Stephane Foucaud from Auctus Advisors. Stephane, your line is now open.

**Stephane Foucaud**

Good morning, guys, and thanks for taking my questions. I've got two really.

The first one is around the full year '22 production guidance and what are the main components of that in terms of contribution from Llanos 34, CPO-5, and Putumayo.

My second question is around the Capex, and I was comparing with last year, particularly versus the number of wells to be drilled in 2022 versus 2021. I was wondering whether it seems there may be a bit of inflationary pressure, so for instance, if we just look at Colombia in 2021, you had $95 million to $150 million for 30 to 34 wells. In 2022, that's $145 million to $165 million for 36 to 41 wells. I was wondering, is it inflationary pressure? Is it different types of wells? Or is it that you are including the Putumayo well within the 2022 guidance? Thank you.

**Martin Terrado**

Good morning, Stephane. This is Martin Terrado, and I will take the first question.

As Jim said, our production guidance for next year is 35,500 to 37,500 barrels of oil per day average, and that is 5% to 10% production growth when we exclude production from Argentina and Brazil. That does not include any potential production that will come out of our very healthy exploration program. Now the split of that production is around 70% to 75% coming out of our Llanos 34 block, around 10% to 15% from CPO-5, and around 5% to 10% from Putumayo block.

**Stephane Foucaud**

Thank you.

**Andres Ocampo**

Good morning, Stephane.

To the second part of your question. Really, in terms of inflation, what we're seeing is with the rise in prices of commodities, we are seeing pressure on materials for our campaigns. Approximately 70% of our Capex is nominated in dollars, and for those we are seeing more or less 1% to 2% inflation pressure for next year. We are, in some cases, trying to secure long-term contracts to try to protect us from that pressure to hitting us.

But the main change, I think from your question and the analysis you're doing, I believe is not really associated to that. It's more associated to the switch in the nature of the wells. You see a bigger weight of exploration wells in this campaign, which by nature tend to be more expensive. Also, there's a bigger weight of wells in the CPO area, which in most places or actually in all places, we are budgeting or the operator is estimating that we will drill with three-stage casing as opposed to two-stage casing like we do in most of the development wells in Llanos 34. I would say probably most of the change that you see there is really associated to the nature of the wells rather than inflation.

**Stephane Foucaud**

Great. Thank you. The $145 million to $165 million for Colombia, does that include the three to four wells in Putumayo? Or is it on top?

**Andres Ocampo**

No, I think that's included in the other activities in Putumayo and Chile section. That Colombian part does not include Putumayo, even though it's in Colombia.

**Stephane Foucaud**

I see. Thanks.

**Operator**

Thank you, Stephane.

Our next question comes from Miguel Ospina at Compass Group.

He asks, what are you going to do with the proceeds from the sale of Argentina?

**Andres Ocampo**

Okay. Thank you, Miguel.

Well, the proceeds of the sale of Argentina are going to add to the cash inflows and will follow the same priorities for the rest of the cash inflows of our production base. There's no difference or no specific use for those proceeds, other than merge them with the rest of the Company's inflows and follow the same priorities really.

**Operator**

Thank you, Miguel.

Our next question comes from Gustavo Sadka at Bradesco.

He asks, looking at the work program, we can see that the company should have a very healthy cash flow generation in 2022. What should be the main uses of this cash generation? Could we expect an acceleration of the share buyback program, or the focus should be more on developing strictly?

**Andres Ocampo**

Thank you, Gustavo.

The uses of cash, as mentioned earlier, is really, number one, fund the development campaign, fund the exploration campaign; in the event of any potential discovery, fund the development capital for any such potential discovery; and then any excess free cash flow after that is going to be used for a combination of debt reduction and shareholder value return, which is our share buyback and our dividends. It's not solely going to be used for deleveraging, even though that's a priority for us, it's not our only priority.

You could expect following the first quarter, if the cash flow and if the work program evolves as we are budgeting around these prices, you could expect some acceleration of the buyback on top of or in parallel to our debt reduction efforts.

**Operator**

A follow-up question from Gustavo.

Also on the work program, when looking at the $70 million to $80 million in Capex destined for exploration, what kind of returns could we expect, and what would be a fair assumption to be made in terms of additional production entering in 2022? What are the prospects we are most optimistic and where there is a higher level of uncertainty?

**Andres Ocampo**

Thank you, Gustavo.

**Martin Terrado**

Thank you, Gustavo. I'll take part of that and then let Andres close on it.

Our exploration program for next year is something that we're really excited. Again, like Jim said, 15 to 20 gross exploration wells in the core areas of where we want to be, so we're looking forward for the results in CPO-5, Llanos 87, and the other blocks. When we look at CPO-5, we're going to have two rigs.

One of the rigs is going to be drilling in the Northwest of the area, and the other one is going to be in the Southeast. That's where there's seismic already with the prospects and leads, while our teams are looking at the recent seismic that was acquired. We're very excited about that.

The chances of success are similar to the wells that we've been drilling and discovering in Llanos, in the Jacana and Tigana for the wells that are Northwest of the block. From that perspective, we will drill these wells. We have additional locations that have been agreed with the operator, and we're looking forward to those wells being drilled in the Llanos area.

**Andres Ocampo**

I would say, in terms of production, this is something that we've always done. We usually don't attribute any production to our exploration. Given the risk associated to it, we don't include in our guidance any production coming from the exploration. Also, the main aim of the exploration campaign is not really to bring production for 2022, but actually to bring production opportunities for the next three to five years.

The way we look at it and in order of magnitude in terms of the attractiveness that we see in the program is that we are targeting more or less 20% of our exploration portfolio with 2022 campaign. This is more or less something around 150 million to 200 million barrels of exploration prospective resources, this is gross. Add working interest would be something like 70 million to 80 million barrels of un-risked mean resources. It's a pretty significant campaign targeting pretty significant resources. As Martin said, it is our expectation that we're really hitting something interesting in some of these activities.

**Operator**

Thank you, Gustavo.

Our next question comes from Augusto Uribe from AIG Investments. Augusto, your line is now open.

**Augusto Uribe**

Thank you. Good morning, and thanks for taking my question.

My question has to do with hedging. Generally, the market is bullish with oil prices for 2022, and I just want to get your thoughts about your hedging strategies, you're sticking with the number of barrels to cover your work program, and any thoughts that you can provide us in terms of your hedging strategy for 2022. Thank you.

**Andres Ocampo**

Yes. Thank you, Augusto.

Yes, as we do every year, we try to secure more or less 40%, 50% of our production for the following 12 months. We are more or less covered for the first half of the year with floor prices of around $55, $58 per barrel. We have lower percentages for the second half with higher floors, more in the levels of $60. Our view is when markets are bullish, like they are these days, it's probably the time of opportunity to be layering some of these additional hedges for the next year. You should expect us over the course of the next three to six months to complete the hedging program for 2022, obviously always targeting to secure more or less those floor levels with the highest possible ceilings.

**Augusto Uribe**

Thank you.

**Operator**

Thank you, Augusto.

Our next question comes from Stephane Foucaud from Auctus Advisors. Stephane, your line is now open.

**Stephane Foucaud**

Yes. Thank you. I had some follow-up questions.

The first one is, I think, as it was highlighted by a question on the call indeed, the program is very busy, there are different exploration in 2022, there are different risk profiles. I was wondering whether there were any particular exploration wells that would be really more material than others and the one that we really need to look out for.

The second question I would have is I was wondering about the buyback. The cash on the balance sheet is pretty good. I think you had approval to do a bit more than what has been done. Why not have you done more buyback, say, in Q3? Thank you.

**Andres Ocampo**

Thank you, Stephane. I'll start with the second question, which is easier. Your first question is like if we ask that question to our technical team, it's like asking them who's their favorite son.

To your second question, with respect to the buyback, this year we've accelerated as much as—we did $4 million on the third quarter, we had done half of that in the first six months, and so far in the fourth quarter, we're executing more or less at the same pace as we've been doing in the third quarter.

There's one thing in our buyback, which is the bond indenture do impose some limitations on how much shareholder return activity we can do. It's a little bit complicated to explain, but in simple terms, we have a free basket and then we have builder baskets. The builder baskets build on profits and reduce on losses. Because of our impairments in 2020, those baskets were reduced, so as we resume generating profits like we did this quarter and if the budget again evolves, the work program evolves as we are expecting it to evolve, we would expect next year to start building those baskets pretty significantly again.

Our freedom for shareholder value returns will come back probably following the first quarter next year, so until then, you should see us more or less executing around the levels we've been doing so far to not fully consume the free basket. Following the first quarter, again, subject to things going the way we're expecting, you should see us having more freedom to execute and then maybe be more aggressive with it.

**Stephane Foucaud**

Thank you.

**Martin Terrado**

To add a little bit again on the exploration part, like we said before, we're really excited about the wells that our technical team has put together. They came from play concepts where some of these play concepts are originated by our team. We're bringing those play concepts to other blocks. The blocks are the blocks where we want it to be, with a very good footprint in the Llanos, a good footprint in Putumayo and Oriente in Ecuador.

They're very exciting projects for us. Like I said before, in CPO-5, right next to our Llanos block, we will have two rigs, one rig is going to start drilling early in December, and we will have a second rig following up in January. We're excited about all of them, and they are on the plan because we think that they have good chances of success compared to what we've been drilling in the past, so it's a very exciting year for us coming up.

**Andres Ocampo**

And being non-technical guy, I can tell you that the Northern part of CPO-5 and Llanos 87 includes some play ideas that our team have been trying to test for a very long time.

**Stephane Foucaud**

Thank you, guys.

**Operator**

We have a follow-up question from Ricardo Rezende from J.P. Morgan. Ricardo, your line is now open.

**Ricardo Rezende**

Hi. Thanks.

Andres, just a very specific question. On the Argentina divestment, do you expect to pay any taxes on the $16 million? Or that should be the total cash proceeds for GeoPark?

**Andres Ocampo**

Thank you, Ricardo. Yes, there's a small tax, it's around $500,000 to $700,000 more or less.

**Ricardo Rezende**

Okay. Thank you.

**Andres Ocampo**

Thank you.

**Operator**

Thank you, Ricardo.

We have no further questions, so I will hand back to Andres Ocampo for any closing remarks. Andres, over to you.

**Andres Ocampo**

Thank you, everybody, for your interest in GeoPark and your continued support of our Company. As the world's borders begin to open again, we encourage you to please visit us, our operations in each country. Our shareholder value team has accelerated their interactions and is busier than ever with webinars, video conference, and direct calls, and is available around the clock, as is our Management team to answer any questions or listen to your comments.

Thank you, and please stay healthy and strong.

**Operator**

Thank you for joining today's call.