Transcript of
GeoPark Limited
Fourth Quarter and Full Year 2016 Results Conference Call
March 8, 2017

Participants

James Park – Chief Executive Officer
Augusto Zubillaga – Chief Operating Officer
Andres Ocampo – Chief Financial Officer
Stacey Steimel – Shareholder Value Director
Dolores Santamarina – Investor Manager

Analysts

Felipe Santos – JP Morgan
Andre Hachem – Itau
Shahin Amini – TD Securities
Miguel Ospina – Compass Group
Jenny Xenos – Canaccord
Brian Farrell – Pioneer Investments
Ian Macqueen – Eight Capital

Presentation

Operator

Good morning and welcome to the GeoPark Limited Conference Call following the results announcement for the fourth quarter ended December 31, 2016.

After the speaker's remarks there will be a question-and-answer session. If you would like to ask a question at this time, press star one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

If you do not have a copy of the press release, please call Sard Verbinnen & Co. in New York at plus 1-212-687-8080 and we will have one sent to you. Alternatively, you may obtain a copy of the press 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 through this webcast in the Investor support section of the GeoPark corporate website.

Before we begin, 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 principle 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 US Dollars unless otherwise noted. Reserves figures correspond to PRMS standards.

On the call today from GeoPark is Jim Park, Chief Executive Officer; Augusto Zubillaga, Chief Operating Officer; Andres Ocampo, Chief Financial Officer; Stacy Steimel, Shareholder Value Director, and Dolores Santamarina, Investor Manager.

James Park – Chief Executive Officer
Thank you and welcome, everyone. We are joining you this morning with our executive team from Bogota, Colombia to report on our 2016 fourth quarter and full year results and to answer any questions.

Firstly, congratulations to the GeoPark team for its focus, experience and resilience through the 2016 industry turbulence and achieving important success all across our business and in every key measurement of performance. We now have more oil and gas, more operational efficiency, more cash generation, less debt, more capabilities, bigger investment returns, more value per share and more opportunity coming in 2017. Zubi?

Augusto Zubillaga – Chief Operating Officer
In 2016, we have record oil and gas production and exceed the year over 24,400 barrels per day. Our total production today is over 26,000 barrel per day and 80 percent of that is from Colombia.

We also held record oil and gas reserves, with 14 percent in reaching 2P reserves, 143 million barrels and our Colombian 2P reserve increased by 45 percent to 67.4 million barrels led by our ongoing success in our (variety) Llanos 34 Block which is developing into possible the biggest oil find in Colombia in more than 20 years.

And we continue to drive down cost and increase our operational efficiencies. Operating cost were down over 30 percent during the year. And our finding and development costs were exceptional and less than $2 per barrel on a consolidated basis and $1 per barrel in Colombia. So now over to Andres.

Andres Ocampo – Chief Financial Officer

During fourth quarter 2016 our EBITDA climbed by over 2.5 times to $27 million. Our operating netbacks were up 83 percent and our operating cash flow increased to $35 million. Our increased cash generation allowed us to invest in our assets as well as service and pay down $20 million of our debt. We have over $160 million in cash and available credit facility of which $74 million is cash. The GeoPark bonds which are currently trading over par, also received an upgrade from Standard & Poor's based on our improved financial performance.

Our net present value showed strong growth in oil reserve categories despite using a lower oil price forecast for this year's certification. Importantly, this also translated to strong value growth on a per share basis for our shareholders.

Our proven reserves after tax NPV grew 25 percent to $1.1 billion which is equivalent after adjusting for debt to $12 per share. Our proven and probable reserves NPV grew 15 percent to $1.9 billion and in Colombia along our 2P NPV10 went up 54 percent to $1 billion, which is equivalent for our net debt – after adjusting for our net debt to $10 per share.

Our capital allocation methodology which is in tune allows us to reliably manage and invest in the best projects across our deep portfolio through its effectiveness again by creating a $351 million return from the $28 million invested by GeoPark's in Colombia during 2016 representing an over 12 times return. So back to Jim.

James Park – Chief Executive Officer

All these successes have contributed to us continuing our track record of 10 plus years of consistent growth and which is occurred through whatever oil industry, global financial or local political crisis has been thrown at us. Consequently, GeoPark is strongly positioned for an impactful 2017. We have an $80 million to $90 million Base Case work program at $45 to $50 oil price consisting of 25 to 35 new wells and targeting 20 percent to 25 percent production increase with an exit production over 30,000 barrels per day.

Our program includes some new low cost, high potential oil exploration and proven mature onshore basins in Brazil, which is starting up in the next week and in Argentina, where our team is at excellent previous success. 75 percent of our 2017 investment program is focused on our Llanos 34 Block with a 15 to 20 well drilling program to further develop the big Tigana/Jacana oil fields. Where already we have had success in expanding the field size with Jacana 11 well earlier this month. Tigana/Jacana have already proved up 180 million barrels of gross 3P as of the end of last year.

We also are about to start exploring another high potential fault trends in the Llanos 34 Block which is adjacent and parallel to the two prolific more easterly fault trends which have been key in trapping our big finds to-date.

Thank you and we now (technical difficulty). Any questions for our team and some additional insight.

Operator
At this time, I would like to remind everyone, if you'd like to ask a question, please press the star then the number one key on your telephone keypad. Again, that is star one to ask a question.

Your first question comes from the line of Felipe Santos of JP Morgan.

Felipe Santos – JP Morgan
Hi, Jim. Hi, everyone. Just one follow-up question. The discovery that you made – (saw) last year, is really outstanding and the most recent announcement that the company released last week and if not mistaken, showing the extension of the field further than – after the drilling campaign. What should we expect in terms of the exploration campaign? What is the company expectation for extending the size of this field even further? How do you – did you think that you could be moving (and) considering this oil prices that now is a little bit above your CapEx guidance? Would we expect to have more aggressive campaign in extending further the size of the discovery? Thank you.

Andres Ocampo – Chief Financial Officer
Hi, Felipe, good morning. Thank you and yes, I think as you pointed out, the Jacana discovery was a very significant – it was discovered in terms of (G&A) expanded significantly in 2016 and accounted for most of our NPV growths and most of the news that we have been announcing lately.

Last week we announce Jacana 11 which was a well that proved up the extension of the field or the trends to the south west area of the plain. We are currently moving the rig to drill Jacana South 2 which is, if you have the roadshow presentation from GeoPark on Page 13, there's a map that shows you roughly where the location of Jacana South 2 is going to be, but that is an important well in terms of proving up the play and hopefully moving (3P into 2P too), and type of things we've been doing with Jacana 11.

And I would say, our 2017 campaign is fully dedicated in Llanos 34 or mostly dedicated in Llanos 34 to continue expanding these very attractive oil play that is Tigana/Jacana complete. So we have 15 to 20 wells most of them are targeted either developing or upraising the play and we also have four exploration wells inside the block, in the other two fault trends that Jim mentioned at the beginning, one to the east and one to the west as the fault trends of Jacana/Tigana.

So as I said, I think this is very exciting year. (We've) already started with great news and great results and we're looking forward to continuing the rest of the year with our drilling programs here.

Felipe Santos – JP Morgan
Excellent, thank you. If I may, just one follow-up. Considering the big success you have had so far in this basin and all this exploration campaign that you aim to do this year. If things or things stay the same, would you consider focus even more of your CapEx in this year and then would you think that this, the (guidance) of the production for this year could be review upwards?

Andres Ocampo – Chief Financial Officer
Yes, thank you. So I think right now, our program is largely focused on Llanos 34 from the $80 million to $90 million of CapEx roughly $60 million to $65 million, so that's around 75 percent of our CapEx are allocated to Llanos 34.

Depending on successes and yes, if we continue having great success in this block, there is a possibility that we could adapt our guidances, but so far we're sticking with we have. Results have been within our expectations, fairly within our expectations so, so far we're not seeing a reason to change our guidance and we're keeping it the way it is. And then, accelerated activities is we are largely – our focus is on Llanos 34, but it will also be depending on potential successes in our exploration drilling in Brazil and Argentina, that we're targeting in the second quarter this year.

As always our program is very flexible same as last year, we have a flexible program that we can adapt one way or the other. So far, we're keeping with our base case, the way we started year, but it could change throughout the month depending on results and oil prices.

Felipe Santos – JP Morgan
Thank you. Thank you. Thanks so much.

Operator

Your next question comes from the line of Andre Hachem of Itau.

Andre Hachem – Itau
Thank you for the questions. I have two questions, the first one is on your hedging strategy. Can you disclose, what would be the strategy for the remainder of 2017? If you think you're going to be hedging more, just a little bit more color in terms of what the strategy will be.

The second question is on Peru, could you give us an update on the schedule when you think it will be viable to have the first oil and any other relevant updates you have on this, the Peruvian operation. Thank you.

Andres Ocampo – Chief Financial Officer
Good morning, Andre. Thank you for your questions. So for the first one in terms of hedging right now we have roughly 50 percent of our production hedged and we have floors of $53 and $54 per barrel, so that provides us some minimum cash flow, generated with our productions from now until July and September, 2017.

Going forward, we estimate to have between 30 percent to 50 percent of our productions hedged in some cases it could go up to 60 percent. So for the second half of the year and for 2017, we continue monitoring the market, we could decide to keep our volumes within those levels for the remainder of the year and beginning of next year.

So far, we are keeping the hedges the way they are. We're also careful in terms of credit availability and having sufficient credit line, so we're not facing any risk of having cash (costs) or things like that. So as soon as our hedges – through the time, when our hedges advance, that's frees up more lines and we could fetch more volumes for longer period.

And then your second question about Peru, as we said this year we're targeting and we're focusing on finding one or two partners to join us on this very interesting project, if that happens then we're going to be looking to accelerate into project in 2018 and we could be able to achieve first oil in the last part of 2018. Our team is working on also lowering our CapEx to be able to get to that first oil faster at lower cost.

Andre Hachem – Itau
OK, great. Thank you.

Operator
Your next question comes from the line of Shahin Amini of TD Securities.

Shahin Amini – TD Securities
Thank you. Good morning, gentlemen. First of all, congratulations on a very impressive year. A couple of follow-on questions from the previous callers. Andres, you mentioned your commodity price hedging, can you elaborate on your plans for Colombian Peso hedging and those are figuring your current risk mitigation plans. And looking at Jacana 11 and the timing for Jacana South 6, I wondered if you could have a bit more technical commentary on the sequencing of this wells, just trying to understand what you're looking for from a technical perspective. And for Jacana South 2,

I mean what sort of objectives and there was a mention of de-risking 3P into 2P, could you provide more color and how that sort of ties in with what you've seen in Jacana 11? Thank you.

Andres Ocampo – Chief Financial Officer
So you can ask them about what they think. On our side, if that's the case then it proves that this (place) is – continue to be bigger, so that's all what we're looking at right now.

Shahin Amini – TD Securities
OK. Sorry I'm being very selfish, just one more quick follow-on question, can you just confirm the timing for …

Andres Ocampo – Chief Financial Officer
That's OK.

Shahin Amini – TD Securities
… (Sante 1 and Guaca 1) wells, when do you expect to drill those two?

Andres Ocampo – Chief Financial Officer
Those targeted for the second quarter, so.

Shahin Amini – TD Securities
Both? So both in Q2?

Andres Ocampo – Chief Financial Officer
Yes. (Inaudible) actually the four exploration wells in Llanos 34, are targeted to be drilled in the second quarter around April and May. We think our (inaudible) will change depending on results and other things, but for now, we have them targeted for April and May this year.

Shahin Amini – TD Securities
OK, thank you very much.

Operator
Your next question comes from the line of Miguel Ospina of Compass Group.

Miguel Ospina – Compass Group
Hello, everyone. Congratulations on your result. I have two questions. The first one is for the next year, do you think that at some point you will have any capacity restrictions in terms of transportation given that you're currently are moving your oil through trucking in Llanos 34? Are there any plans to build maybe an oil pipeline? And the second question would be related with your expansions plans in Brazil. It is more M&A related. Would it be with Petrobras assets? And

my question would be like, why not focus more on Colombia rather than in other countries? Thank you.

Andres Ocampo – Chief Financial Officer
Thank you, Miguel. With respect to transportation in Llanos 34, as you know, we have a – we truck the oil for roughly 30 kilometers from the block to the main pipeline. Right now, the team here in Colombia is developing the plan of probably connecting the pipeline with oilfields with our own pipeline. So that is something that the team is developing now and could be – we could make a decision on that and have it may be running in at the end of this year or early next year.

So far it's still a work in progress. We're getting license (deals), permits, and all that type of things. So, for the most of this year, we will continue with trucking, and that does not generate any limitations to our goal or our operations at all.

And then your second question about Brazil. So we're (assuming) that in Brazil is organic, hopefully organic growth. We're targeting a couple of exploration prospects onshore in the Reconcavo basin. We're starting that – the first well, we're starting hopefully March 13 or 14. We're rigging up right now in Brazil. So that's probably the first thing that we're looking.

And then as you know, we think Brazil is one to be greatest hydrocarbon provinces in the region. We've targeted Brazil since our inception. And we've been working on trying to getting more acreage. We've been able to grow up more acreage through the bidding grounds. And right now, Petrobras we know is under – conducting some asset sales processes. And we participated those, and we'll see where it goes. I mean there is not much for us to comment right now, but we need something that we think is attractive and we will be working on that.

That does not distract us from Colombia. As you said in your questions, why not Colombia and Brazil? We do have Colombia inorganic growth as one of our top priorities. We want to grow in Colombia. But, you know, the four years we've been here, we went from not being in the country to become the third largest non-state owned operator in the country and we want to continue that trend. So we want to grow up more acreage here. It is hopefully in partnership with Ecopetrol or other companies; that's fine for us. We want to grow, you know, get more assets in Colombia for sure.

Miguel Ospina – Compass Group
Thank you very much

Operator
Your next question comes from the line of Jenny Xenos of Canaccord.

Jenny Xenos – Canaccord
Good morning and congratulations on a strong quarter and year. I have two questions, please. First of all, could you please provide some color on your strategy in Argentina? You did mention Brazil already; so maybe just Argentina now. I understand that you'll be drilling up to eight wells there by June. Are these exploration targets? And is it fair then to assume that the economics of these wells in Brazil and Argentina and of the place in general are competitive with those of Colombia?

And my second question is for Andres. It's related to the balance sheet. Could you please comment on the breach of incurrence debt covenants on the bond indenture? What are the implications of it and what's being done to address it? Thank you.

Andres Ocampo – Chief Financial Officer
Great. Thanks very much, Jenny. So going to your second question first. So that covenant – so the cost in the covenant is something that occurred. I think we've been already two years probably since we've (had) them the first time. These started – the oil prices started to drop and our EBITDA dropped with them.

In current debt covenants, you know, bonds, what they do is basically they limit your ability to incur your debt. There are some permitted buckets that allow us to incur new debt. We don't have any plans to do so; but many times we could. But the reality is basically you need to test these covenant before incurring your debt. And as I said, we are not – we don't have time for those.

And the other one is that it does not allow you to pay dividends. That's the second thing that the incurrence debt covenants limit. What is important about it is that these are not maintenance covenants, which when they're combined across maintenance covenants, that means (inaudible) and a potential acceleration of the debt. That is not the case with our bonds. So our maturity remains February 2020 as (inaudible).

And then we are also, you know, looking to delever or, you know, be out of those ratios by the end of this year. Our target with the plan that we have right now and at a (inaudible), that means that we should be within covenants again by the end of 2017. That is the plan, and we hope and we're very confident that we can get there by the end of the year.

And then your first question about Argentina. So, you know, we have three oil exploration plays in the Neuquen basin, which is the most prolific basin of Argentina. Our team has great experience in Argentina. Most of the core of our senior geoscience team is from Argentina, have been working there for a long time. So in the second quarter this year, we are targeting to test these three oil plays. The total resources net exploration resources in Argentina net to GeoPark are between 30 million to 50 million barrels. These are low-risk, low-cost, onshore exploration plays.

So these are very economic plays and very attractive, you know, 40 percent, 50 percent chances of success, $3 million well cost with very nice and good-looking prospects, things that haven't been drilled in a very prolific basin that is filled with infrastructure. So it will be great opportunity for us to go after.

We have good partners there. So we're in one of the plays where – in partnership with Wintershall, the German subsidiary of the BASF Group. And the other two, we're in partnership with Pluspetrol, which is a private Argentine company and one of the biggest players in the region.

Jenny Xenos – Canaccord
Thank you.

Operator
Your next question comes from the line of Shahin Amini of TD Securities.

Shahin Amini – TD Securities
Hello, again. Just wondered, can you give a cash flow from operations guidance considering your hedging program based on the oil price range $45 to $50 that underpins your 2017 capital budget?

Andres Ocampo – Chief Financial Officer
Can you repeat the question, Shahin? Didn't get it, sorry.

Shahin Amini – TD Securities
Sure. OK. Can you – and I apologize if you've already presented this somewhere and I've missed it, but can you provide a cash flow from operations guidance for this year based on your oil price range of $45 to $50?

Andres Ocampo – Chief Financial Officer
So we haven't provided cash flow from operations guidance, but we did give a CapEx guidance which is $80 million to $90 million. Production growth targets of 20 percent to 25 percent and at a (Brent) of $45 to $50 or range between $45 to $50. Our operating netbacks are going to be between $15 to $20 per barrel. So …

Shahin Amini – TD Securities
OK. Fair enough.

(Crosstalk)

Andres Ocampo – Chief Financial Officer
… cash flow from operations from that. And I'm sorry, I'm not doing …

(Crosstalk)

(Off-Mic)

Shahin Amini – TD Securities
Yes, sure. No, no, no, it's my job to do. I'm just being lazy. But final question, so your strategic partnership with LG and their equity interest at the asset level, what is the outlook for you to be paying dividends to them and diluting them at the asset level? And is that something that you're looking at now? Or is it something that you'd prefer for future years?

Andres Ocampo – Chief Financial Officer
So, first, on the equity trust, so what they have is the 20 percent. Right now, we have an equity interest in the subsidiary; so in GeoPark Colombia. So they own 20 percent of GeoPark Colombia. We have – as per our shareholders' agreement, we have an incremental equity interest clause that allow us to increase our equity and they would decrease their equity every time we cross a recovery and they recover their investment, one time, two times so on.

If you run a projection with our 2016 D&M certification, the average – or that means that effectively in the end we would own 90 percent and they would own 10 percent through subsequent dilutions every time we basically pay out dividends from Colombia. So far, we paid out ($27 million) of dividends from Colombia, and the first trigger or the first jump in the equity interest clause would be triggered once we paid $15 million. So that means roughly $8 million more. That would take us from 80 percent to 84 percent, and then from 20 percent to 16 percent.

That is something that is likely going to happen either this year or next year. And we will, as you know, every dollar that we spend in increasing our interest in Llanos 34 is a dollar very well spent. So – and this actually almost (for free). So it is a target for us to try to increase our interest really slow because (we're here) for a reason, and we know we're going to be doing it hopefully if it's not this year, it's next year.

Shahin Amini – TD Securities
Thank you very much. I'll leave you in peace. I'm going to do some math now. Have a good day.

Operator
Your next question comes from the line of Brian Farrell of Pioneer Investments.

Brian Farrell – Pioneer Investments
Good morning, everyone. Once again, congratulations on a great set of results. Just one question, I (inaudible) a little bit more color on your comment on new acquisition opportunities in Colombia, Brazil, Argentina and Mexico, so what you're thinking of in terms of size and scale, et cetera?

Andres Ocampo – Chief Financial Officer

Hi, Brian good morning. We target – we have three different type of – we continue our acquisitions opportunities in three different categories, one what we call them bolt-on opportunities which are smaller assets that we can continue grabbing into our portfolio. You know what mainly investments or new investment commitments, that type of things. We have bigger asset deals or we call them like M&A type of deals and then all the foreign initiatives with state companies.

It's hard to give a guidance in terms of size, we do work with partners. We have partners with the LG Group, as Shahin commented a few minutes ago. We have other partnerships, strategic partnerships that we develop, so we can actually bring side-by-side partners. So we can actually target deals that are beyond our fire power. So we can target bigger deals and not be limited by size just by bringing side-by-side partners with us.

And we've been able to get them in the (path) and we have some of them aligned. So we're targeting, Colombia is obviously our main focus because it's most of our success has been in Colombia. As I said, we're one of the largest operators in the country and any assets in this area is easy for us to take over.

We think there are great opportunities in Brazil. Argentina as well presents a very good set of opportunities. So our team has been screening the region for years and we know the basins very well.

We do have a disciplined approach when we are facing buyers, so countries like Mexico, we announced some time ago that we want to enter Mexico and we tried, you know we've been in few bidding grounds, we bid reasonable bids in our deal and we were outbid by people maybe bidding too extensive or uneconomic offers and that's not what we're going to do. So one of the things – having a diversified organic portfolio allows us to be patient buyers, so we don't have to rush into acquisitions, we're opportunistic about it. We do want to grow our asset base as we have been doing over the last years, but we don't need to rush into things.

Brian Farrell – Pioneer Investments

OK, that's all very helpful. Thank you very much.

Operator

Once again, if you'd like to ask a question, please press star one on your telephone keypad.

Your next question comes from the line of Ian Macqueen of Eight Capital.

END

Ian Macqueen – Eight Capital
Good morning, guys. Just a quick question for you. It looks to me, based on your mapping that Jacana 5 will be the lowest structural well in Guadalupe formation until you drill Jacana 9, which is a step out down dip and then a large step out down dip in Jacana 10. From your presentations, it looks like you will be drilling those wells in Q3, but can you give you a little bit more color, if you can, I realize programs are dynamic, but do you have specific dates in mind for Jacana 9 and Jacana 10 wells.

Andres Ocampo – Chief Financial Officer
Hi, Ian, good morning. Yes, you're right, I mean Jacana 5 is likely to be the deepest well in the structure, until we drill Jacana 9 and 10. One of the things that is important that I want to remark is that the work program changes and it will change, I mean it continues – we adjusted continuously for many reasons moving the rig and well paths and everything.

So right now, as you pointed out Jacana 9 and 10 are targeted in the third quarter of this year. They've expected to be drilled back-to-back, so after – so the rig – we'll drill first Jacana 9 and then Jacana 10 immediately after. And Jacana 9 is expected to start at the end of July, sorry, early August, at the beginning of August 2017. That is according to schedule right now. We have a whole – a big number of wells between today and then, so again, I want to highlight that this could change, so don't hold me up for what I'm saying right now.

(Off-Mic)

Ian Macqueen – Eight Capital
No problem. OK, that's prefect, I fully realize that fluid – programs are fluid, but that's great guidance. Thanks very much, guys.

Andres Ocampo – Chief Financial Officer
Thank you.

Operator
At this time, there are no further questions. I'll now return the floor to Mr. Jim Park for any additional or closing remark.

James Park – Chief Executive Officer
Thanks to everyone for your interest in GeoPark and your continued support of our company. We encourage you to please visit us at our operations and invite you to please call us anytime for any information. Thank you and good day.

Operator
Thank you for participating in today's conference call. You may now disconnect your lines and have a wonderful day.