

Company Name: Geopark Ltd
 Company Ticker: GPRK US
 Date: 2015-05-20
 Event Description: Q1 2015 Earnings Call

Market Cap: 316.51
 Current PX: 5.47
 YTD Change(\$): +.34
 YTD Change(%): +6.628

Bloomberg Estimates - EPS
 Current Quarter: N.A.
 Current Year: -0.580
 Bloomberg Estimates - Sales
 Current Quarter: N.A.
 Current Year: 287.500

Q1 2015 Earnings Call

Company Participants

- James Franklin Park, Chief Executive Officer
- Augusto Zubillaga, Chief Operating Officer
- Andres Ocampo, Chief Financial Officer
- Diego Mendes, Analyst
- Pablo Ducci, Director Capital Markets

Other Participants

- Chris Dechiario, Analyst
- Jonathan Schwartz, Analyst

Presentation

Operator

Good morning and welcome to the GeoPark Limited Conference Call following the results announcement of the First Quarter 2015 Results Ended March 31, 2015. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. As a reminder this conference is being recorded.

If you do not have a copy of the press release, please call Grayling in New York at +1646-284-9400 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 maybe 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 please note 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 protection 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 risks 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 risk of the company's business. All financial figures included herein were prepared in accordance with IFRS and are stated in US dollars unless otherwise noted. Reserve figures corresponded to PRMS standards.

On today's call from GeoPark are James F. Park, Chief Executive Officer; Augusto Zubillaga, Chief Operating Officer; and Andres Ocampo, Chief Financial Officer and Pablo Ducci, Capital Markets Director.

And now I would like to turn the call over to James Park. Mr. Park you may begin.

James Franklin Park, Chief Executive Officer

Good morning everyone and thank you for joining our first quarter call. Externally the big impact on our first quarter was [ph] the 50% plus fall on world crude oil prices and accompanying drop in revenues. Internally we showed our

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agility, resilience of our business model and underlying strength of our assets by adjusting rapidly to this is new environment with first a stop on a dime work program reduction that is 84% CapEx investment reduction from \$63 million in the previous quarter to \$10 million in this quarter.

And secondly, an aggressive across the board cost cutting program including third-party contract and fee renegotiations, organizational restructuring, voluntary management salary reductions, temporary shutting in marginally fields and host government renegotiations and which have led through a significant one-third reduction in our overall cost base and with more cost efficiency and reduction opportunities coming. These quick and decisive moves by our team enable us to navigate through this period and now put us in a position of stability and strength from where we can start working offensively.

At the same time this was going on we continue to find oil and gas. With the new Tilo oil field discovery and two new well successes in the Tua oil field, all of which are already on stream and contributing through our production growth in Colombia. We are back to drilling the second quarter with our first test on a block geologically on trend with our prolific Llanos 34 Block and which will be followed by resumption of our development and exploration drilling on Llanos 34 Block during the second half.

Our new independent company wide reserve report was issued during the quarter, which including our Peru project certified 2P reserves of a 122 million barrels with a net present value of 1.7 billion calculated at the new lower oil price tag beginning with a \$50 price in 2015. This does not include any valuation of our sizeable 500 million to 1 billion barrel exploration resource potential.

Thank you and let's please turn to Zubi now for operational highlights.

Augusto Zubillaga, Chief Operating Officer

Thank you, Jim and good morning everyone. Our focus this first quarter was an adjusting our well programs and cost reduction effort including temporary shut-in marginal fields. As a result there was no drilling during the first quarter and our overall reduction was temporarily impacted. Production in the first quarter was approximately 19,500 barrels of oil per day representing an increase of 18% compared to the same quarter last quarter and slightly lower than the fourth quarter 2014. During this period Colombia production increased 25% mainly due to the discovery of the Tilo oil field and putting into production appraisal wells Tua 7 and Tua 9 in the Llanos 34 Block.

Llanos 34 Block operated by GeoPark and which we acquired three years ago with zero production, which gross production of 26,000 barrel of oil per day. In Chile production declined mainly as a result of natural decline in base production. In Brazil, production from the Manati field remains stable.

GeoPark is restarting our drilling campaign now in the second quarter with exploration well Tilo 1 in Block CPO-4 where we expect to replicate the success with the new geological play-type of Llanos 34 Block. (inaudible) we plan to move back the Llanos 34 Block (inaudible) Tua, Tigana and Tilo Fields and (inaudible).

We have a new lower cost environment, we are also reselling opportunities to develop new lower risk and high management generating project including Portugal restarting one of our existing fields.

So thank you and let please turn the call to Andres for financial highlights.

Andres Ocampo, Chief Financial Officer

Thank you Zubi and good morning everyone. During the first quarter of the year our net revenues amounted to \$54 million, which represents a 36% decrease compared to the first quarter of 2014 mainly impacted by the oil price drop and despite our 18% increase in production. As a result mainly for ongoing cost reduction efforts we decreased our consolidated cash cost for borrowers, which includes production cost, G&A, G&G as well as cost by 33% compared to the first quarter of 2014 or 20% compared to the last quarter of last year.

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This means that during the first quarter of this year, our consolidated cash cost amounted to \$25 per barrel of oil equivalent, with improved cost structure, allowed us to reach an adjusted EBITDA of \$17 million during the quarter which represents 31% of our total consolidated net revenues.

Our net loss for the quarter amounted to \$36 million and was impacted by non-cash expenses including \$20 million of foreign exchange losses derived from the impact of the Reais evaluation in our dollar denominated debt of the Brazilian subsidiary level. Net financial costs and interest expenses of \$9 million to service our debt and one-time termination cost and expenses related to our internal restructuring and contract terminations of \$7 million.

With respect to our balance sheet our total assets amounted to \$970 million, which included \$91 million in cash. Our total equity amounted to \$439 million and our total financial debt amounted to \$363 million [ph]. This includes both the \$300 million bond during 2020 and \$70 million term loan with Itau Bank in Brazil for the acquisition of the Manati Field. Our gross leverage ratio reached a level of 1.9 times and our interest coverage ratio for the quarter reached a level of 6.3 times. In terms of our outlook for the rest of the year ongoing we remain on track to achieve our goals and we look forward to restart our drilling campaign in a couple of weeks as Augusto mentioned always prioritizing the most profitable and faster cash flow producing project. Additionally, we are continuing to enhance for new high value of opportunities in this environment as we have built [ph] and now reset our company for growth.

This now concludes my remarks. So I would like to please ask the operator to open the call for questions. Thank you.

Questions And Answers

Operator

Thank you. We will now be conducting a question-and-answer session. (Operating Instructions)Thank you. Our first question comes from the line of Diego Mendes with Itau. Please proceed with your question.

Diego Mendes, Analyst

Yes, guys good morning. So I have three quick questions. My first one is on the cost in trading [ph] initiatives like you had a pretty good reduction in the costs by 33%. So my question is should we expect addition of cost reductions for the second and the third quarter (inaudible) come from.

The second question is related to the change taxation in Colombia if you could provide us by how much do you expect overall tax to Greece. And the last one if you could provide us some update on the Tierra del Fuego. How the new sides are going there? (inaudible) So that's it thank you?

Andres Ocampo, Chief Financial Officer

Good morning Diego and thank you. So your first question was -- and this is Andres your first question was about our cost reductions. Yes we achieved 33% reduction during the first quarter and this is an ongoing process that started at the end of last year we continue identifying opportunities as Jim mentioned to continue improving our cost base. So we expect to deliver some results throughout the rest of the year although we seek through the 20%, 30% guidance that we are giving in terms of how we are improving our cost base.

Yes, we'll take your Tierra del Fuego question second and then I will go to the Colombia tax reform last. In Tierra del Fuego we have remaining -- well in Chile we stopped drilling, as recovering the rest of the company, we still have four or five more wells to drill in Tierra del Fuego, we may do those in 2016. We are seeing -- we're still seeing when is the best time to do that and reasserting the whole project in terms of our portfolio of opportunities there.

So we still have five wells to drill -- exploration work to drill, we have put some [ph] fields in production on the island already. So I think that covers -- the featuring in Tierra del Fuego. In terms of the impact of the tax reform in Colombia,

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Pablo do you want to comment.

Pablo Ducci, Director Capital Markets

Yes, hi, Diego. This is Pablo. We have been working with our auditors in Colombia, we analyze and assess all the changes. Finally, if you guess this is final numbers, we're expecting to get 43% tax rate at 2018. And the changes on consideration that we are taking (inaudible) income tax in our calculations, but we already work with our auditors to our best -- that change of course will affect the industry and the company.

Diego Mendes, Analyst

Okay. Thank you very much.

Operator

(Operator Instructions) Our next question comes from the line of Chris Dechiario with Marathon Asset Management. Please proceed with your question.

Chris Dechiario, Analyst

Yes, good morning. Just one question. How many wells are you expecting now given where oil prices are now? How many wells are you expecting to drill? The development wells you are talking about in Colombia in the second half of '15 and what are you now expecting in terms of CapEx for the rest of the year?

James Franklin Park, Chief Executive Officer

Hi, Chris your next question?

Chris Dechiario, Analyst

And also what are you expecting in terms of CapEx for the rest of the year?

Augusto Zubillaga, Chief Operating Officer

Okay, yeah, I'm Zubi. Hi, in Colombia we are expecting to drill between four to five wells. We'll drill one in the CPO-4 Block when I mentioned before the (inaudible) and afterwards we are going to go through Llanos 34 and we will be drilling between mainly four to five wells there between exploration and development wells Llanos 34.

James Franklin Park, Chief Executive Officer

In terms of CapEx we spent around \$10 million during the first quarter and remaining of the year we are expecting to spend around \$40 million to \$50 million more that includes the drilling that Andres just commented.

Chris Dechiario, Analyst

Okay, thank you.

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Operator

(Operator Instructions) Thank you. Our next question comes from the line of Jonathan Schwartz with Black River Asset Management. Please proceed with your question.

Jonathan Schwartz, Analyst

Hey guys, I was curious about that the decrease in -- it seems like a substantial decrease in payables from end of the year, could you talk a little bit about what happened there and I guess your general expectations for working capital usage for the rest of the year?

Andres Ocampo, Chief Financial Officer

Hi, Jonathan. How are you? Yes mainly the decrease in payables that you see this quarter goes inline with the reduced activity would decrease from \$60 million of CapEx in the last quarter of last year and so an 84% reduction in CapEx for this quarter basically that goes along with the reduced payables.

So, for the next few quarters that should remain like that although in the third quarter when we pick up activity again, we expect a part of our payables to come up or to go back up as we accelerate our CapEx program throughout the second half of the year.

Jonathan Schwartz, Analyst

All right. Thanks

Andres Ocampo, Chief Financial Officer

Thank you.

Operator

(Operator Instruction) Mr. Park it appears we have no further questions at this time. I would now like to turn the floor back over to you for additional or closing comments.

James Franklin Park, Chief Executive Officer

Well thank you all again for joining our call and the review of the rapid moves we've made to position ourselves in this new environment and continue on our consistent year-by-year track record of growth. And of course we invite any questions by email or telephone or come to visit us at any time. Thank you.

Operator

Ladies and gentlemen this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation. And have a wonderful day.

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