

TRANSCRIPT - SECOND QUARTER 2021 RESULTS

CONFERENCE CALL

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C O R P O R A T E P A R T I C I P A N T S

James F. Park, *Chief Executive Officer*

Andres Ocampo, *Chief Financial Officer*

Augusto Zubillaga, *Chief Operating Officer*

Martin Terrado, *Director of Operations*

Stacy Steimel, *Shareholder Value Director*

C O N F E R E N C E C A L L P A R T I C I P A N T S

Ricardo Rezende, *JP Morgan*

Alejandro Demichelis, *Nau Securities*

Stephane Foucaud, *Auctus Advisors*

Daniel Guardiola, *BTG Pactual*

Gustavo Sadka, *Bradesco BBI*

Miguel Ospina, *Compass Group*

P R E S E N T A T I O N

Operator

Good morning. Welcome to the GeoPark Limited Conference Call following the results announcement for the second quarter ended June 30, 2021.

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 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 U.S. dollars unless otherwise noted. Reserves figures correspond into the PRMS standards.

On the call today from GeoPark is James F. 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 F. 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 second quarter of this year.

Firstly, we wish to thank the women and men at GeoPark for their efforts and professionalism in managing our business, including through any volatility such as the recent unrest in Colombia. Since our founding 19 years ago, this backbone and spirit are key drivers of our successful, steady, and continuous track record of growth and value delivery.

We also want to especially thank our shareholders for their important support and for the many constructive conversations we had with them prior to our Annual General Meeting. Your votes and messages were clear, and we see this as further positive momentum for all the changes and continuous improvements that we have been pushing for and carrying out.

One of GeoPark's fundamental principles is to work to get better every day, and our history reflects a continuous and sometimes challenging evolution. We embrace a changing future and see it as a source of infinite new opportunities, particularly in the hyper competitive world and exciting energy transition we are in today.

Our company has built its reputation on operational performance, and we have repeatedly shown, following our 19-year track record, that our team can consistently deliver in any oil price environment. This is based on four key and different skill sets covering the full value chain of the E&P business that we have invested in and built within GeoPark.

These are our ability to; one, explore for and find new oil and gas reserves and fields. Two, safely, cost effectively, and efficiently produce our oil and gas. Three, be compatible with and minimize any impact on the communities and surrounding natural environments where we work. Four, continuously locate, pursue, and acquire new perspective assets at the right price to build an enduring, short, medium, and long-term growth fairway.

This technical know-how has created our current exceptional low-cost asset base with a powerful cash-generation that allows us to self-fund our business growth, manage the volatility inherent in our industry, and simultaneously give back to our shareholders.

For example, in the second quarter 2021, our operation and financial performance delivered tangible value back to our shareholders through a significant cash flow generation with an operating net-back at \$74 million dollars, which represented more than two times our capital expenditures.

Profitable operations, which allowed us to reduce our total debt by a \$105 million dollars, extending maturities by more than two years, and reducing our annual interest cost by \$9 million dollars while keeping a strong balance sheet with \$85 million dollars.

A new debt structure, which now provides ample flexibility for further deleveraging. Continuing to execute our share buyback and paying cash dividends. Constantly working to reduce our cost structure and making us a lower cost and more efficient Operator and an ongoing review of our organic asset portfolio.

As always, the foundation for GeoPark's performance is our in-house integrated value system we call SPEED. We continue to push forward our SPEED initiative which predates and is more comprehensive than ESG and is helping us achieve our goal of having the cleanest and kindest hydrocarbon. This also includes our continuous and successful efforts to safeguard our team, communities, and operations from a lingering COVID in the region.

GeoPark was recently named one of the most honored companies in Latin America in the 2021 Institutional Investors Survey, voted on by the international financial community, which highlighted our team and its crisis management of COVID and our ESG disclosure.

The second half of 2021 is underway, and we are moving forward in all aspects of our business. We have six rigs at work. Our team continues to identify attractive new leads and prospects in our big land base and is fully engaged in getting every molecule of oil and gas safely, cleanly, and profitably out of the ground and to market.

We also are working with all of our partners, such as on the CPO-5 block, to develop options and alternatives to accelerate our work program execution. We're drilling 20 to 23 more wells during the second half and are targeting production growth to approximately 39,000 barrels to 42,000 barrels per day. We have just kicked off a key project to connect to the national energy grid in Colombia by the end of next year, which will lower cost, operational risks, and improve our carbon footprint.

Our team has also initiated our annual capital allocation exercise to build our work program and budget for 2022, selecting the biggest shareholder value adding projects based on strategic, technical, economic, and social, and environmental parameters.

We look forward to spending time with our asset management teams while conducting this critical exercise to ensure our capital discipline and flexibility, continue to generate value for our shareholders. Our huge organic land base and our rich inventory of new inorganic potential projects provide an abundant and exciting opportunity set, including highly attractive exploration prospects in our Core Llanos 34 block, our CPO-5 block, as well as our Llanos exploration acreage adjacent to Llanos 34 where we're partnering with Ecopetrol.

During this process, we also determined the cash that will be allocated to get back to shareholders and/or used to further delever our company. Today, the Board approved a doubling of our quarterly dividend to our shareholders.

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

Operator

Our first question comes from Ricardo Rezende from J.P. Morgan. Ricardo, your line will be open now, if you'd like to proceed with your question.

Ricardo Rezende

Hello. Thanks for taking my question. Good morning, Jim, Andres, Stacy, hope you guys are doing well and safe.

A couple of questions on my side. When you think about the second half production on the 39,000 to 40,000 barrels per day, how do you see the production resuming throughout the quarter? I guess here what I'm trying to think is how you think about the active production in this year to think about 2022 production.

Then the second question is on your portfolio management. You have mentioned that you were looking at some opportunities for your assets in Argentina, but I haven't seen anything about Chile, so what are your plans for your Chilean blocks? Thank you.

Andres Ocampo

Hi, Ricardo. Good morning. Thanks very much for your question. Hope you are doing well as well. I will start by your second question and then Martin will go into the second half production that you asked.

We've mentioned the other day on the release, that we initiated a process with respect to our Argentina assets. That process is going well. We are in the middle of management presentations and non-binding offers. Whenever we have more information, we will continue to update investors through press releases. Our expectation is to be able to at least to have something signed and tied up, hopefully before the end of the year. We will be updating you as more information is coming.

With respect to your comment about Chile, I think we've spoken in the past and we mentioned many times that some of the assets outside Colombia have more limited upside and are subject to potential strategic alternatives like divestitures, farm-outs or things like that. Usually, the situation with Chile, historically has been more difficult because Chile is a peculiar market; we are effectively the only private oil company in the country. That limits our options. But the team has been working on developing different alternatives for us to effectively define the strategic options for Chile.

We have nothing definitive yet that we can communicate, but it is part of the portfolio in spite of its limited upside today. It's likely to go down that road rather than be a long-term asset of the Company. Then back to your question about production on the second half, I will let Martin respond that.

Martin Terrado

Thanks, Andres. Good morning, Ricardo.

For the second half of the year, we're expecting total production to be between 39,000 and 42,000 barrels of oil equivalent per day. Our exit point will be between 40,000 to 43,000 barrels of oil equivalent, roughly 85% of that, is our Colombia production. That increase in production is based on the activity that we already have.

As Jim was mentioning, we have three rigs drilling in our Llanos 34 block. We're moving a rig in Platanillo to drill two wells and we're also expecting to start drilling operations in the CPO-5 block by the last quarter of this year.

Ricardo Rezende

Martin, very clear, thank you.

Andres Ocampo

Thank you, Ricardo.

Operator

Our next question comes from Alejandro Demichelis from Nau Securities. Alejandro, your line is open if you'd like to proceed with your question.

Alejandro Demichelis

Yes. Good morning. Hope you're all well.

Just one question for you to follow up on the previous in terms of your strategy. How, is that you are thinking now about, say, the rest of Latin America, with Argentina can it be divested with what you have done in Brazil. Should we think as GeoPark going more inwards into Colombia?

As a follow up from there, you also mentioned the inorganic portfolio or pipeline that you have. Maybe you can comment on that a little bit too.

Andres Ocampo

Sure. Thank you. Alejandro, Andres here.

With respect to your question about the rest of LatAm and our approach in view of the rest of LatAm, we'll say the same thing, we look at the region first with no borders. We start from the subsurface and look at the basins. I think it is more asset quality, nature, and upside rather than where the asset is located.

Currently, with the portfolio that we have today, we have our hands really full with a massive portfolio of incredible organic drilling opportunities. I would say 95% of that is in Colombia, around Llanos 34, CPO-5, and all the rest of the exploration acreage around it.

With the asset portfolio that we have today, we have a huge inventory of things that we can go after consolidated in Colombia. I think when you look at our organic portfolio, yes, that's a Colombian-focused strategy. That doesn't mean that if our team discovers or encounters such a beautiful and incredible asset like CPO-5 or even Llanos 34, that happens to be located in Brazil, then I don't think the borders, or the country locations should limit us for going after an asset like that.

The way to look at it from our point of view is really the subsurface quality of the assets. Obviously, we'd need to be located in countries where we are open for business right now. There are some countries that are off limits for us in Latin America. That's the way I would put it.

In any case, given the incredible organic portfolio that we have, there are a lot of things to do and deliver considering the asset additions that we've added to the Company. We expect 2022 to be a very busy year as we start drilling and tapping some of those great prospects that we were able to incorporate to the Company through the land grab that we did in 2019.

Sorry for the long answer, but I hope that's more or less clear on the way we are thinking about the Colombian focus versus whether we still look at the region or not.

Alejandro Demichelis

That's very clear. Thank you.

Just to kind of putting into a bit of a framework here, how is that you are thinking between leverage, capex to develop those assets that you're talking about and return to shareholders. How should we think about what the optimal leverage for GeoPark, particularly with what you're talking about, the increasing production of second half of the year, the free cash flow and then more growth into 2022?

Andres Ocampo

Sure. If you look at our last couple of years, we've prioritized 100% of the capex to be fully funded within our own cash flow. That's top priority and that's the basic element which defines our work programs. Then the second element for capital allocation, is basically a combination of debt reduction and shareholder value returns. We announced today that we doubled our dividends and we continued to execute on our buybacks.

But also, earlier this year, we did a liability management transaction to accomplish mainly two things. The first one was to reduce the total size of our debt by approximately \$100 million dollars, a little bit more than that in fact, reduce the cost of the debt, and structure our debt in a way that gives us the optionality to continue bringing down the total size of the debt, any time we have excess cash.

Today, our total debt is separated in two instruments, the remaining amounts on the 2024 and the \$500 million dollars bond that matures in 2027. You should think of the 2024 as something that will gradually be repaid over the course of the next, I don't know, couple of years, maybe, hopefully, earlier than that, that is the fraction of the debt that will basically go away over the course of the next years.

Then keeping the \$500 million dollars 2027, that more or less gives you where we are in terms of comfort zone. With the levels of EBITDA that we're estimating for this year and next year, that should put us somewhere below the one time net debt to EBITDA in terms of leverage. I would call that our comfort zone, but over the course of the years obviously we will always work on trying to reduce the total size of our debt.

Alejandro Demichelis

That's very clear. Thank you.

Operator

Our next question is coming from Stephane Foucaud from Auctus. Stephane, your line is open now if you'd like to ask your question.

Stephane Foucaud

Hi, guys. A few questions from me.

The first one, I saw that for the second quarter in a row, the OPEX for Colombia, is just I think \$7 or about, and I was wondering whether this as a new run rate or you would expect that to go down.

Second question, there is a big positive working capital movement this quarter that's impacted positively on cash flow, and I was wondering whether we should expect the reverse of that next quarter or whether, again, it's more collection of historical situation. And lastly will you be able to provide an update on your dates basically with regards to when you would start drilling Ecuador. Thank you.

Andres Ocampo

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

With respect to your question about the OPEX in Colombia, in this quarter there was a small increase because we had Platanillo shut-in for a period of time. Basically, there was a reduction in the inventories and that generated something like \$0.30, \$0.40 per barrel higher OPEX. But the run rate for the full year is more or less the average for Colombia, between \$7 to \$7.50 dollars per barrel consolidated. Those are more or less the numbers that we're seeing.

In any case, Martin and his team continuously are working on different initiatives to push those numbers down. Like the connection to the grid that we're expecting for next year, is going to impact our OPEX, and some other initiatives that the team has underway. But for now, something between \$7 to \$7.50 dollars per barrel is a reasonable number for Colombia consolidated.

Your question about working capital. You are correct. Basically, what we did during the couple of months where we were facing disruptions in Colombia, we had paid down \$115 million dollars of debt. At the same time, we were facing disruptions in our operations, in our core cash flow generating assets, planning and some other things. On top of the payments, at the same time, we paid cash taxes for \$40 million dollars.

Basically, to protect the cash and to expand our minimum cash positions, we triggered an option that we have in our sales contracts to anticipate collections. That means \$15 million dollars that you see as working capital increasing, is coming from there. Over the course of the next few months, you should see that reverting. As the operations have now normalized and the cash flow has normalized, you should see that normalizing as well.

Then your comment about Ecuador, I will leave Martin to answer that. Thank you, Stephane.

Martin Terrado

Hey, Stephane.

In Ecuador, we're encouraged, as you know, the government has changed, and they are pushing for activity. We have two blocks there. In the Espejo block, we are waiting on the environmental study approval. We expect that to be ready by November and we'll have already awarded the seismic. We expect late this year, first quarter of next year to be acquiring that seismic in the block that we operate.

In the other block, the Perico block, which is operated by our partner. It's on the same level in timing for the environmental study to be approved around November, and then we will move ahead with drilling the well, the first well on that block, so we're encouraged by that. Those are the time frames that we have in mind.

Stephane Foucaud

So you are talking about first quarter 2022 something along those lines, if everything goes well?

Martin Terrado

Yes, correct, Stephane.

Stephane Foucaud

Thank you, guys. Very useful.

Andres Ocampo

Thank you.

Operator

Our next question comes from Daniel Guardiola from BTG Pactual. Daniel, your line is now open if you'd like to proceed with your question.

Daniel Guardiola

Hi. Good morning, guys. I have a couple of questions.

My first question is related to your hedging strategy. Once again, we saw it Andres, a significant amount of realized losses related to the hedging strategy in this Q, and I wanted to know if you could provide some color on what to expect for the second half of the year, and if you're planning or not to modify your hedging strategy. That's my first question.

My second question is related to CPO-5. I'd now like to know if you can provide us some color on the drilling campaign in these fields, how much capital are you planning to allocate in CPO-5 this year and next? How do you feel that your relationship with the operator of this field has been evolving in the last couple of months?

Andres Ocampo

Thank you, Daniel, for joining.

The question with respect to hedging. Unfortunately, the hedging results, the realized losses are always depending on the realized prices. It's hard to forecast and it always depends on realized prices. As we commented on previous calls, there's two effects that started to occur from July 1.

One is the fact that the ceilings started to be higher than in the first half. Then also the total percentage of hedged production was lower. In the first half of the year, we had nearly 80% of our production hedged, with ceilings of \$52, \$53 dollars per barrel. We just went through the worst part, I would say. The biggest losses have already been recorded.

For the second half of the year, it depends on what the realized prices are going to be. But if you estimate something like \$65 dollars, \$70 dollars Brent flat, that could generate \$20 to \$25 million dollars of additional cash losses, realized losses over the course of the second half of the year. To give you an idea, we have more or less 57% on the third quarter and 51% on the fourth quarter hedged. Then the ceilings are \$62 dollars on the third quarter, and the fourth quarter is \$64 dollars and that's for the hedged production, which is roughly half of our production.

That gives you the idea on what we are expecting in the second half of the year, and then with those price levels, we don't expect any losses in 2022 because the ceilings we have there are above \$75 dollars per barrel, for the portion that we have hedged.

With respect to your comment about the hedging strategy, as I said, we're going through the most difficult part of the hedging, which is we have a lot of barrels hedged that were done when oil prices were low. Where we were probably hedged below our expected target, and that's why it is today that we're suffering these losses.

But this is the part of the cycle where more hedges should be added for the following quarters. We're keeping our discipline. We're still targeting to have roughly 40%, 50% of our production hedged up to 12 months ahead, and these times where oil prices are at high levels, this is where we believe that those hedges should be implemented.

We're doing it slowly, conservatively on a layer-by-layer basis, monitoring the market on a daily basis and every time we find a good window of opportunity, we add a couple of thousand barrels more to those hedges. That's the way we expect to continue executing on this strategy. We're not speculative, we're just trying to protect the returns for our shareholders related to the investments that we're making. We have the luxury that we get double, triple digit returns on our investments and that we don't need significantly high prices to achieve those returns. That's why we are expecting to continue that way.

I leave Martin to answer more color on CPO-5.

Martin Terrado

Hello, Daniel.

On CPO-5, we will be drilling the first development well, Indico 4, in the fourth quarter of 2021. This well is about half a kilometer from Indico 1. Indico 1 is still producing more than 5,000 barrels of oil per day with no water and has accumulated 4.5 million barrels.

We continue to be very excited about this asset. Following the drilling of that well, we will drill one to two exploratory wells, and the campaign will move continuously into 2022. We expect activity to continue to ramp up and stabilize with two rigs drilling from the last quarter of this year forward.

Currently, we're producing around 13,000 barrels of oil per day. Concerning the question about our relationship, we continue nurturing it. I will give you one example, we had a very tough month when the blockages were happening and jointly between both partners, we managed to work together so the trucks were available to minimize the amount of oil that we will have to shut down, so we're working on that. Right now as Jim mentioned, we are working with them to develop opportunities and alternatives so that we can accelerate the work program.

Daniel Guardiola

If I may just ask a very quick follow-up. Can you share with us how much capital are you trying to allocate in CPO-5 this year?

Martin Terrado

Certainly. Year-to-date, we have invested \$5 million dollars. By the end of the year, we expect to be in the order of \$10 million to \$15 million dollars, our working interest.

Daniel Guardiola

Okay, great. Thank you, Martin.

Andres, I would like to just a very brief follow-up on the hedging strategy. I understand you have a hedging strategy where you have basically put spreads and low cost collars, but I wanted to know if you're considering to modify a little bit your strategy in order to lock in your future or a portion of your future production, your future cash flow generation at current prices. Is that something that you're considering right now, or it is off the table?

Andres Ocampo

Thank you, Daniel.

Nothing is off the table. The different structures and different options, and we've executed different structures and different options in the past. Nothing is off the table. We consider everything, we work

internally, we have internal experts and outside advisors that help us, and we continuously look for what's the best for our company.

So far, the way we've approached these higher oil prices is to try to secure minimum floors, and trying to keep some of the upside, and we're limiting at these prices. Basically, if we were to fix whatever is, current prices today, that would mean that we would limit the upside to a much lower number. So far, we have had selected on preferred the zero cost collars that have a widespread around \$20 dollars or more of spread.

But again, as I said, we're willing to consider any option, and all different options that we may find better for what we're looking for.

Daniel Guardiola

Thank you.

Andres Ocampo

We recognize that when we marked these losses in the balance sheet are painful for everybody, but there were, I think more than 200 bankruptcies and \$12 billion worth of hedging losses in the U.S. only, so we're not alone, but some of the companies that have succeeded and survived through that downturn was basically those that had appropriate hedging strategies in place.

Daniel Guardiola

Understood. Thank you, Andres, and Martin, for the call.

Andres Ocampo

Thank you, Daniel.

Operator

Our next question comes from Gustavo Sadka, from Bradesco BBI. Gustavo, your line is now open if you'd like to proceed with your question.

Gustavo Sadka

Thank you for taking my question.

I have one quick question on production. Looking at your guidance, you have to average something like 42,000 to 43,000 barrels per day in the second half of 2021. My question is, where production stands now, and what are the milestones necessary to achieve this goal?

Martin Terrado

Hey, Gustavo. Good morning.

Our production right now is in the order of the 39,000 barrels of oil equivalent per day. As we mentioned at the beginning, the increase that we're going to have is coming from the activities that we have with the three rigs that will stay drilling in Llanos 34. Also increased production in the Platanillo block, as we have two wells to be drilled, we have 100% working interest there, and finally, the CPO-5 block drilling of the Indico 4 well as we we're mentioning before with Daniel.

Gustavo Sadka

Thank you, that's very clear.

Operator

Our final question comes from Miguel Ospina from Compass Group, and his question is, "Use of proceeds from asset sales in Brazil." I think Miguel is just asking about the use of proceeds from asset sales in Brazil.

Andres Ocampo

Okay, very well. Thank you.

We're expecting those transactions are going in due course. We're expecting to close hopefully before the end of the year if there are no further delays. The proceeds from those should be somewhere around \$25 million, \$28 million dollars.

Our expectation is to include those in our cash flow position and follow the normal priorities for capital allocations that we follow. Our asset first, fund our base work program, and then second, to pursue a combination of debt reduction and shareholder value return. Effectively, they would follow the same priorities that all the rest of our cash flow that is coming every day.

Operator

We currently have no further questions, so I will hand back to the management team to conclude.

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 at our operations in Latin America. Our shareholder value team has accelerated their interactions, this year than ever with webinars, video conference and direct calls, and it's 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

This concludes today's call. Thank you everyone for joining, and you may now disconnect your lines.