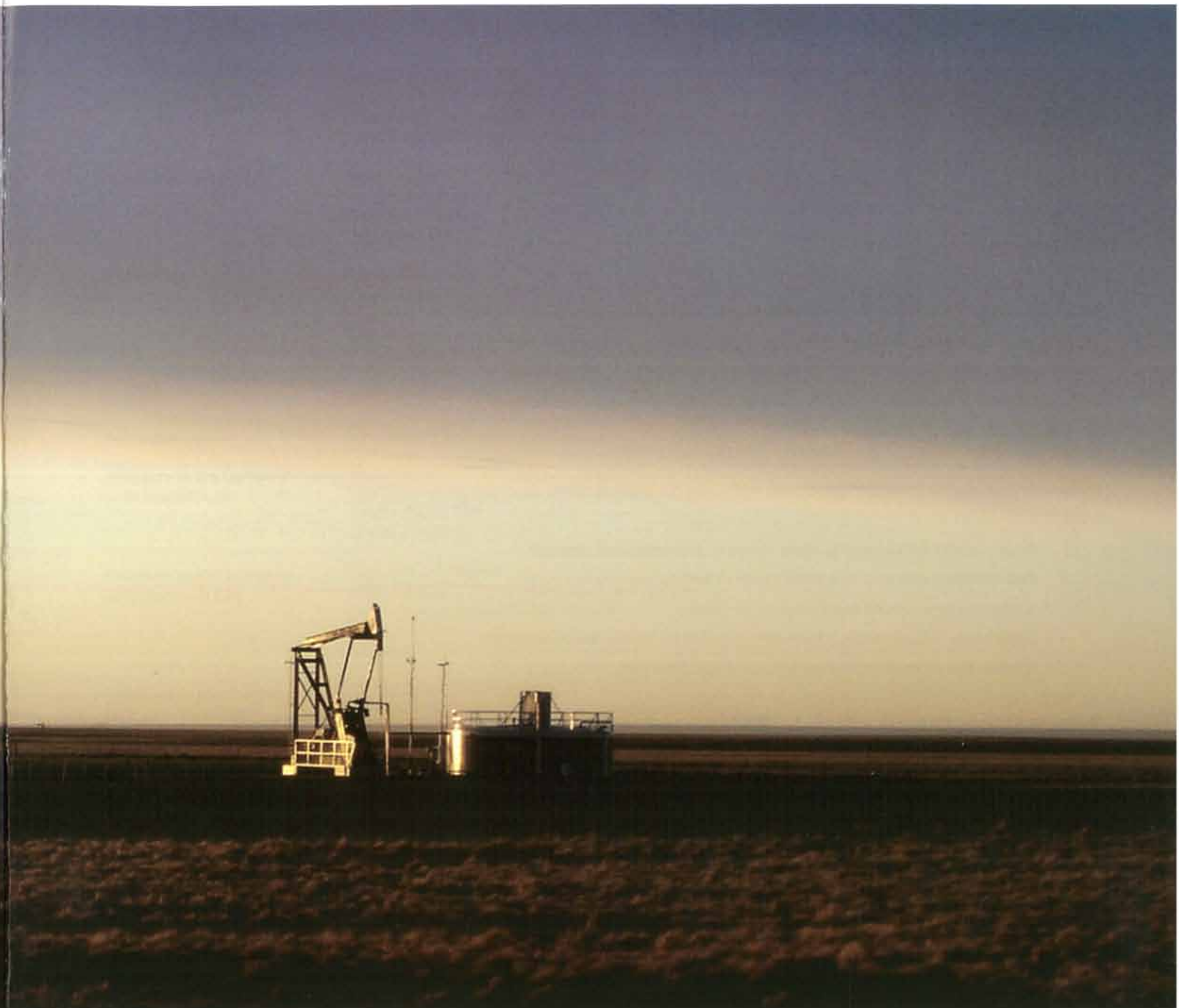
ANNUAL REPORT 2006

GEOPARK

ASSETS CAPABILITIES OPPORTUNITIES



DEAR SHAREHOLDERS,

Since our founding in 2002, GEOPARK has steadily constructed the foundation of a successful and enduring international energy company. From the beginning, our focus has been on long term value creation, while moving opportunistically to establish a strong foothold in Chile and Argentina, and consolidating this position by building the capacities necessary to create an enterprise of meaningful scale.

Today, after four years of consistent growth, GEOPARK can demonstrate:

- **Value** – confirmed by existing assets, reserves, production and revenues.
- **Performance** – delivered by a proven team of professionals backed by the capital and tools needed to accomplish our plans.
- **Opportunity** – supported by an attractive potential for finding new hydrocarbon reserves and strategic positioning to acquire new properties.

2006 PERFORMANCE

During 2006, improvements were measured in all key value categories:

- Revenues: Up 111% to US$6 million vs. 2005
- Production: Up over 400% since the IPO in May 2006 to 1,400 barrels of oil equivalent per day (boepd) at year-end
- Reserves: Independently-appraised 2P reserves reached 29 million boe
- Acreage: Participation in Chile block increased from 90% to 100%
- Balance Sheet: Shareholder equity increased by US$43 million vs. 2005

Exceptional fund raising and capital restructuring costs (including the IPO, stock options and preferred share redemptions) were principal contributors to the Company's net loss after tax in 2006 of US$11.3 million. Cash and available facilities at year-end were US$37 million.

IMPROVEMENTS WERE MEASURED IN 2006 IN ALL KEY VALUE CATEGORIES: INCREASED REVENUES, INCREASED PRODUCTION, INCREASED RESERVES, INCREASED ACREAGE AND A STRENGTHENED BALANCE SHEET.

A review of achievements during 2006 reflects GEOPARK's expanding value and capabilities. These include:

- **IFC/World Bank Became a Shareholder** – In February 2006, after a thorough technical, financial and environmental review, the International Finance Corporation of the World Bank ("IFC") became a shareholder of GEOPARK with a US$10 million equity investment. In December 2006, the IFC provided an additional US$20 million in the form of a six year loan to accelerate development activities.

- **First Independent Oil and Gas Producer in Chile** – In May 2006, GEOPARK became the first private-sector oil and gas producer in Chile. After securing a gas market in early 2006, the necessary resources were mobilized to the Fell Block on the Magellan Straits in southern Chile and, following field rehabilitation operations, production was put on stream and delivered to market within a period of four months. This project involved the construction of processing facilities and 22 kilometres of pipelines – as well as pioneering solutions to unique regulatory and commercial challenges.

- **Eight Oil and Gas Fields Now in Production** – Following further infrastructure developments and well workovers during 2006, GEOPARK continued to add new production and, at year end, five new fields in Chile were in operation and delivering oil and gas to markets. In Argentina, oil production was initiated from a field on the Neuquen basin blocks, while on the southern Del Mosquito block, oil production continued from two fields previously discovered and rehabilitated by GEOPARK. Year-end 2006 production was approximately 1,400 barrels of oil equivalent per day (boepd). Although production rates, at the time of the IPO to year-end, approximately quadrupled, a delay in the arrival of the workover and drilling rigs resulted in a smaller production increase than originally targeted.

- **London Stock Exchange AIM IPO** – In May 2006, GEOPARK listed on the London Stock Exchange Alternative Investment Market (AIM), raising US$40 Million. Net proceeds to the Company after costs were US$35 million. This funding strengthened the Company's balance sheet while attracting an important group of strong and well-regarded institutional shareholders.

- **Fundamentals in Place (Rigs, Seismic & Plants)** – Other important developments during 2006 included the acquisition of two new 3D seismic surveys (nearly 1000 square kilometres in Argentina and Chile); the construction of new production infrastructure (gas processing plants and pipelines); and the acquisition of required drilling and workover rigs. The 3D seismic data provides the technical basis for developing existing oil and gas reserves and exploring for new fields. The new production infrastructure enables the conversion of reserves into revenues in the short term. A gas plant delivered from Bolivia and now being assembled in Chile represents a substantial saving in the lead time needed for the commercialization of new gas reserves currently being developed. Long term drilling rig and workover rig contracts are now in place - ensuring a continuous ability to drill and complete the new wells necessary to increase production and reserves in the coming months and years.

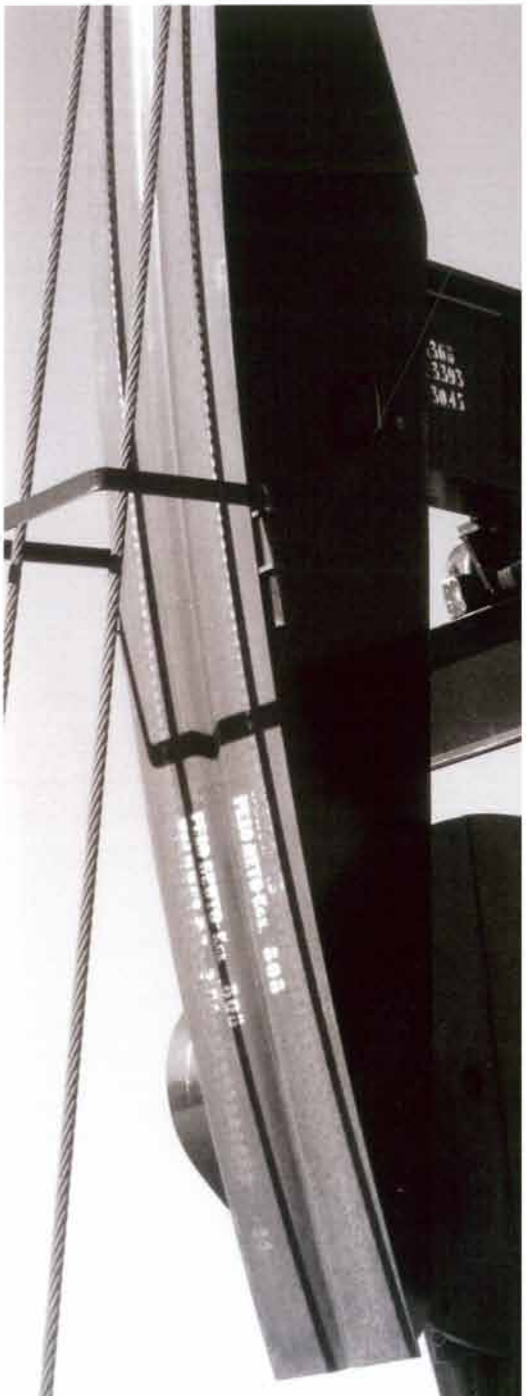
- **New Potential Identified** – GEOPARK's potential for finding new oil and gas fields improved substantially over the last year. After detailed geological and geophysical interpretations by GEOPARK, our opportunity inventory now exceeds 70 identified fields and prospects (versus 11 identified prospects in 2005). These new targets represent an attractive upside potential which has not yet been quantified by independent reserve or resource evaluations.

- **Capital Resources** – Year end cash and available facilities of US$37 million provide GEOPARK with sufficient funding for its 2007 investment work program. Substantial progress has also been made in securing the Company's capital budget requirements for 2008 and beyond. Methanex Corporation of Canada (the largest regional gas consumer) signed a Memorandum of Understanding with GEOPARK in February 2007, providing for the long term purchase of our Chilean gas production. The final agreement should provide an economic base for the development of our Chilean gas reserves and provide the ability to pre-sell gas production to finance further development.

- **Growth Opportunities** – With our team and position in Argentina and Chile, and as larger oil and gas companies begin to rationalize their portfolios and divest of properties, GEOPARK is strategically positioned as the natural independent consolidator in the region. In 2006, GEOPARK participated in a new block tender in Santa Cruz province in Argentina and remains qualified through all rounds of the bidding process. We are currently awaiting the final results of the tender. In Chile, GEOPARK's "first mover" position as the only independent

BUILDING ON OUR PLATFORM AND SUPPORTED BY THE CAPITAL, PEOPLE AND INFRASTRUCTURE NOW IN PLACE, GEOPARK IS POSITIONED TODAY TO AGGRESSIVELY DEVELOP ITS ASSETS AND BUILD ITS PORTFOLIO.

operating company provides a competitive advantage in acquiring additional exploration blocks. Chile has announced a new ten block tender to be carried out in 2007. The IFC also has been a supportive partner in introducing GEOPARK to prospective acquisitions and opportunities throughout the region.



2007 OUTLOOK

Our outlook for 2007 is to accelerate production and reserve growth by an active drilling and investment program. Building on our platform and supported by the capital, people and infrastructure now in place, GEOPARK is positioned to more aggressively develop its assets and build its portfolio.

For 2007, we have initiated a US$35 million capital investment program with the following objectives and challenges:

- Production and development of the existing oil and gas reserve base by the drilling of 5-7 new development wells; workover and repair of 5-8 wells; and construction of new gas processing and transportation facilities.
- Discovery of new oil and gas fields and further extension of known fields (including the conversion of contingent resources into proved and probable reserves) by the drilling of 3-4 new exploration and appraisal wells and expanding the 3D seismic survey.
- Reserve valuation increase and improvement in project economics by completing the new long term gas purchase contract.
- Growth through the acquisition of new acreage and new hydrocarbon blocks.
- Continued investment to extend the Company's reach and capabilities.

Although the risk of delay is ever-present in the international oil business today, the actions required to achieve each of these objectives are now underway. The new drilling rig was several months late in its arrival to Chile, but it is now on site and drilling began in June 2007.

Importantly, we are fortunate to have attracted an exceptional and committed group of oil and gas professionals, with proven records of success in the region, who are working relentlessly to create a successful company. This team brings decades of experience in finding and producing oil and gas – and forms a nucleus for attracting and retaining other qualified people. Our intention has been to build the human resource capability necessary

to achieve long term growth, and we believe this investment will continue to differentiate GEOPARK from other energy companies. We manage with a belief in the inherent capabilities of good people which, in our experience, creates increased accountability and improved results based upon individual responsibility and initiative. We also believe in rewarding outstanding performance and were pleased to implement our IPO Stock Award and Option Program in 2006 which successfully awarded shares of GEOPARK to every employee throughout the Company.

We welcome the addition of non-executive directors Sir Michael Jenkins and Mr. Peter Ryalls to the Company this year and the continued support of non-executive director Mr. Christian Weyer. Their experience, depth of perspective, and active and engaged support have been invaluable to the development of our management and the continuing improvement of our corporate governance and accountability to shareholders.

Our motto of "Creating Value and Giving Back" is a reflection of our experience with successful projects that have provided substantial financial rewards. We believe GEOPARK's long term success will be determined by the value created for our critical constituents – that is, our shareholders, employees, communities and environment. We treat these as essential, compatible, integrated, and reinforcing elements of the GEOPARK enterprise.

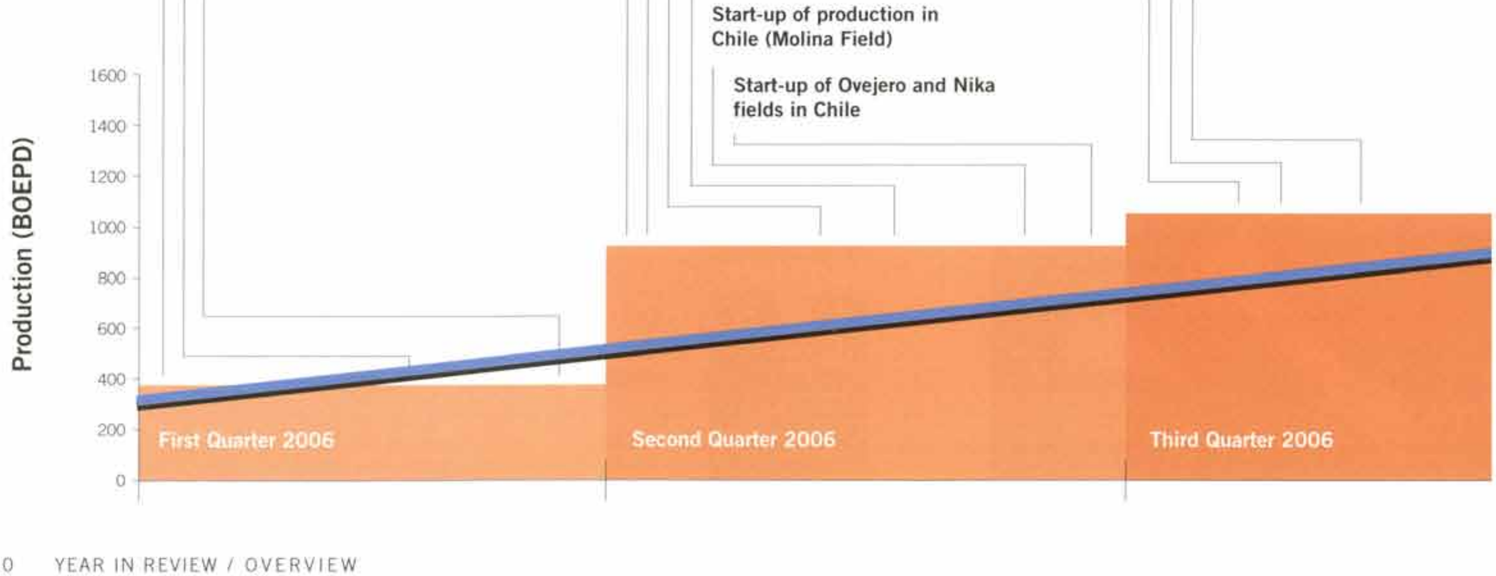
Thank you to our Shareholders for your continued support during 2006. Your directors and employees remain committed to and confident in our vision and effort to build GEOPARK into a successful company. We look forward to working together in 2007 and demonstrating our performance and achievements throughout the year.

Sincerely,

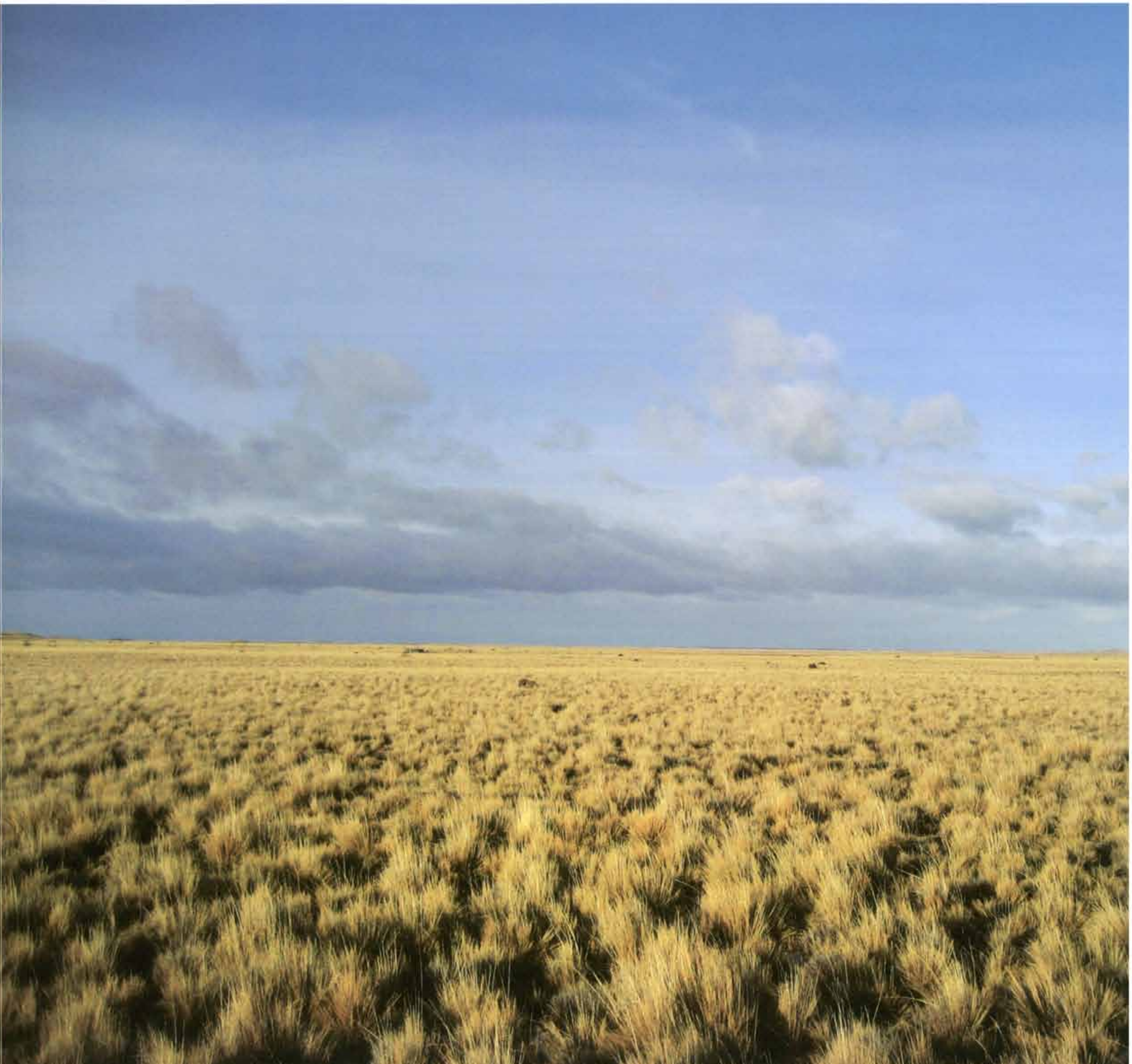
Gerald E. O'Shaughnessy , Chairman

James F. Park, Chief Executive Officer

GEOPARK IS A LATIN AMERICAN OIL AND GAS PRODUCER AND EXPLORER WITH PRODUCING ASSETS AND EXPLORATION OPPORTUNITIES IN ARGENTINA AND CHILE. THE 2006 PERIOD WAS A TRANSFORMATIONAL YEAR FOR GEOPARK WITH TANGIBLE ACCOMPLISHMENTS REALIZED THROUGHOUT THE COMPANY.




Start-up of 3D seismic program in Chile
Hanover gas plant LOI
Began workover program in Chile
IFC US $20 MM loan funds recieved
TEG plant completed
Start-up of Santiago Norte field in Chile
Completion of 3D seismic program (473 sq. km) in Chile
Drilling rig arrived in Chile
Construction started at Hanover gas plant
Signed MOU with Methanex (gas sales & financing)
Fourth Quarter 2006
First Quarter 2007



GEOPARK'S PORTFOLIO OF OIL AND GAS ASSETS CONSISTS OF FOUR HYDROCARBON BLOCKS (THREE BLOCKS IN ARGENTINA AND ONE BLOCK IN CHILE) – TOTALLING OVER 705,000 ACRES WITH ASSOCIATED INFRASTRUCTURE, PRODUCTION FACILITIES, OPERATING LICENSES AND VALUABLE TECHNICAL DATA BASE.

The properties represent high potential blocks (with multiple play types and objectives that are offset by major oil and gas fields) with a risk-balanced basket of opportunities including well reactivation, stranded field development and new exploration projects. All blocks have been appraised with proven and probable reserves. Three blocks have established oil and gas production. DeGolyer & MacNaughton, independent petroleum engineers, estimated a total of 29 million barrels oil equivalent (boe) of proven and probable reserves on the four blocks in its report dated May 2006. In its report of May 2006, DeGolyer & MacNaughton also appraised 27.8 million boe of possible reserves, 48.3 million boe of contingent resources (best estimate) and 39.2 million boe of prospective resources (best estimate).

FELL BLOCK

Located in the Magallanes region (Austral Basin) in southern Chile, the Fell Block is a large exploration, development and production block (440,000 acres) in a proven oil and gas producing basin and on trend with recent discoveries to the north in Argentina and to the south in Tierra del Fuego. The Magallanes region currently produces all of Chile's oil and gas production and, although it has been producing for over 50 years, the basin remains sparsely developed with new exploration frontiers being opened.

Substantial technical data (seismic, drilling and production information) provides a good base for technical re-evaluation. Log interpretations by engineers experienced in the region indicate by-passed oil and gas production zones in certain existing wells. Shut-in and abandoned fields also have the potential to be put back on production by constructing new pipelines and plants. Geophysical interpretations by GEOPARK, following new 3D seismic surveys, suggest additional development potential in known fields and exploration potential in new un-drilled prospects. Five fields are currently in production and DeGolyer & MacNaughton has appraised proven, probable and possible reserves and contingent and prospective resources on the Fell Block. There is an existing market for oil and gas production and good infrastructure throughout the block including oil and gas pipelines, facilities and terminals, and access roads. GEOPARK is the operator of the Fell Block and, during 2006, GEOPARK's ownership interest increased from 90 to 100 per cent after acquiring a 10 per cent interest from ENAP (the Chilean State Oil Company).

In May 2006, GEOPARK became the first private-sector oil and gas producer in Chile when it initiated gas and condensate production from the Molino field following the construction of gas pipelines and processing facilities. After further infrastructure construction (gas plants and gas pipelines), the Nika, Ovejero, Pampa Larga and Santiago Norte fields were added to production during 2006 bringing year-end Fell Block production to approximately 1,250 boepd.

IN 2006, GEOPARK BECAME THE FIRST PRIVATE-SECTOR OIL AND GAS PRODUCER IN CHILE WITH THE START-UP OF PRODUCTION FROM THE MOLINO, OVEJERO, NIKA AND SANTIAGO NORTE FIELDS.

The Fell Block workover and testing program was initiated during the Fourth Quarter 2006 with the arrival of GEOPARK's workover rig and with the objective to repair and test existing wells for oil and gas production. (The rig was originally scheduled to begin working in the Second Quarter 2006.) An oil test was conducted in well Pampa Larga 11 and, after installing a mechanical beam pump, the well was put on production. During the Fourth Quarter 2006 and First Quarter 2007, successful gas tests were carried out on wells Kimiri Aike 1, Kimiri Aike Norte 1, Monte Aymond 4, Dicky 2 and Dicky Oeste 3. Two fields (Kimiri Aike and Kimiri Aike Norte) will be put on stream following pipeline construction targeted for completion in the Third Quarter 2007. Other tests will be conducted in the Monte Aymond, Dicky and Dicky Oeste fields prior to designing and constructing the facilities to bring these fields on stream. During the workover operations, certain wells encountered mechanical problems that prohibited further testing or resulted with high water production such that they were not put on stream. Continuing testing of existing well bores will be carried out through 2007 to identify available production opportunities. In addition to adding production, the workover program helps verify and reduce the risk of the development drilling program.

During the Fourth Quarter 2006, a 463 square kilometer (US$7 million) 3D seismic program was carried out on the block. This survey, which is currently being processed and interpreted by GEOPARK, provides the basis for the 2007 Fell Block drilling program – which is expected to include 5-8 new wells. Preliminary indications from the 3D survey suggest an expansion of the targets previously identified by the 2D seismic coverage. Final processing and interpretation of the new 3D seismic are scheduled for the Second Quarter 2007.

The first well in the 2007 drilling program is a development well on the Santiago Norte gas field that began drilling in June 2007. DeGolyer & MacNaughton assigned contingent resources of 173 billion cubic feet of gas (best estimate) to Santiago Norte in May 2006. Since that time, GEOPARK has built a new TEG production facility and put the field on production (well Santiago Norte 1) in December 2006, completed the 3D seismic survey during the First Quarter 2007 and successfully fractured and tested the well Santiago Norte 2 in May 2007. These activities on Santiago Norte will help determine the amount of contingent resources which can be migrated into proven and probable reserves during 2007.

Subsequent wells to be drilled on the Fell Block in 2007 include locations in the Pampa Larga, Nika, Ovejero, Kimiri Aike, Kimiri Aike Norte, and Santiago Norte fields.

DEL MOSQUITO BLOCK

The Del Mosquito Block is located in the Austral basin in southern Argentina. The Austral Basin produces nearly ten per cent of Argentina's total oil production and nearly twenty per cent of its total gas production. Although the Fell and Del Mosquito Blocks are located in different countries, they are situated in the same geological basin and, at their closest point, are less than 20 kilometers apart.

The Del Mosquito block (190,000 acres) is surrounded by producing oil and gas fields to the north, south, east and west. There is oil production currently from two fields and DeGolyer & MacNaughton has appraised proven, probable and possible reserves and prospective resources on the Del Mosquito Block. Eighty per cent of the block is at an early stage of exploration with one 600 square kilometer area covered by only eight wells. Three 3D seismic surveys, totaling an area of 562 square kilometers, cover almost 70 per cent of the block. The geological setting of the southern portion of the block is equivalent to the big adjacent oil and gas fields including the Condor field with over 300 million barrels of oil equivalent. The potential of the Lower Magallanes and Tobifera geological formations has been under-explored. There is good infrastructure, nearby gas plants and pipelines and an easily-accessible crude oil market (40 kilometers by truck). GEOPARK is the operator of the Del Mosquito Block and has a 100 per cent working interest.

GEOPARK established oil production in 2002 by rehabilitating the abandoned Del Mosquito field. In 2004, GEOPARK discovered a new field – Del Mosquito Norte – which currently has three producing wells. The discovery well on Del Mosquito Norte was the first well drilled on the block since the 1980's. During 2006, a production facility and tank battery were constructed at the Del Mosquito Norte field. Oil production from the Del Mosquito Norte field declined during the year to approximately 50 bopd and a new development well is scheduled for this year.

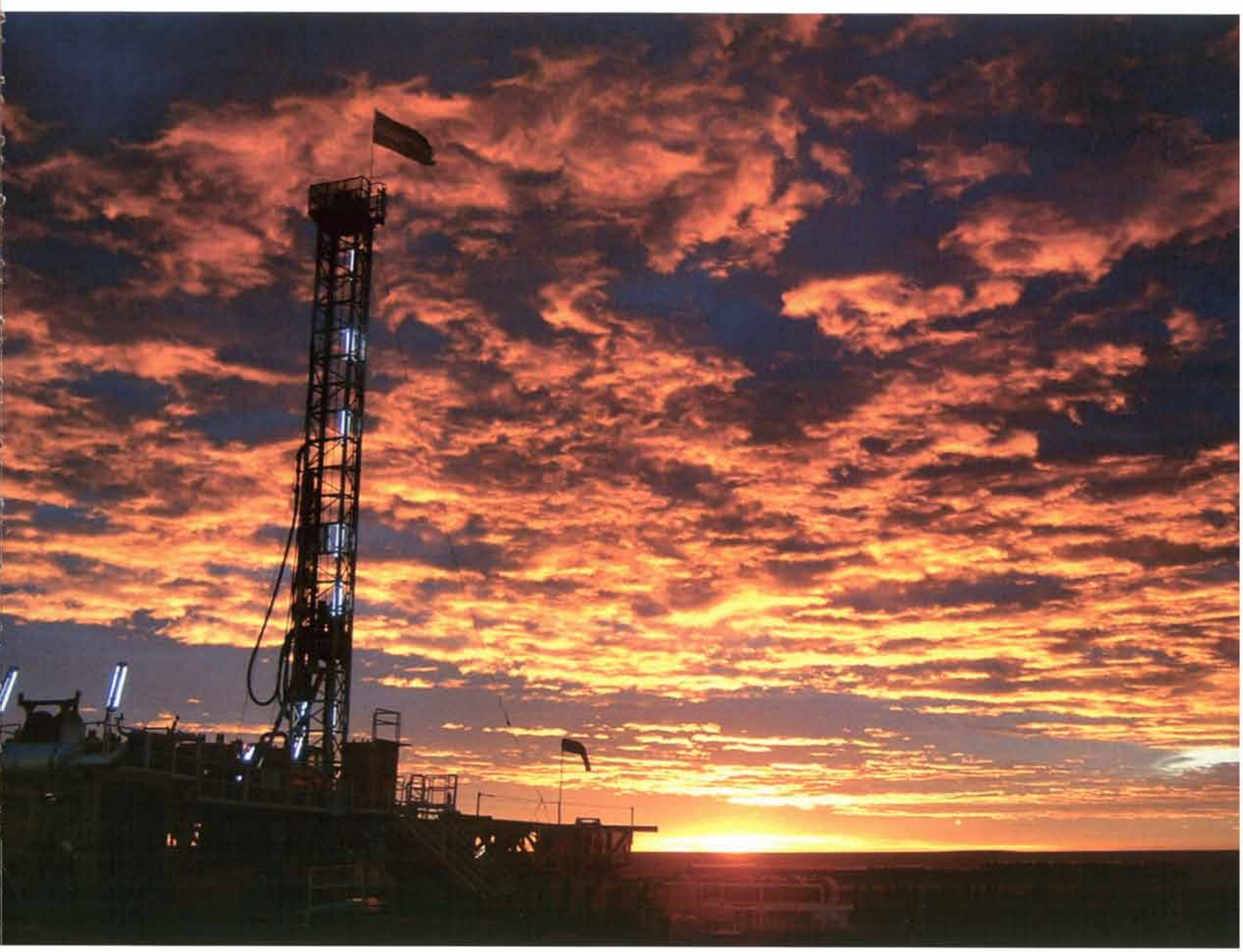
During the first half of 2006, a new 400 square kilometer (US$3.5 million) 3D seismic survey was carried out and processed. Following geological and geophysical interpretations of the new survey and re-interpretation of the previous surveys, GEOPARK's geoscience team has identified and delineated over 30 potential hydrocarbon-bearing prospects.

The 2007 drilling program, scheduled to begin during the Third Quarter 2007, provides for 3 new wells on the Del Mosquito Block – including 2 exploration wells to test new prospects (Zanja Dinero and Campo Leandro) and 1 appraisal well to extend a known oilfield (Del Mosquito Norte). Access road and well site construction for the new exploration wells began during the Second Quarter 2007.

CERRO DOÑA JUANA & LOMA CORTADERAL BLOCKS

The Cerro Doña Juana and Loma Cortaderal Blocks (75,664 combined acres) are located in the Neuquén Basin. The Neuquén Basin, located in west-central Argentina, is the most prolific hydrocarbon producing basin in Argentina, accounting for over forty per cent of its total oil production and over sixty per cent of its total gas production. The blocks are located in the Andean fold and thrust belt, along a proven producing fairway, where large hydrocarbon accumulations exist. There are excellent source rocks, multiple reservoir objectives and large structural traps. The oil potential on the blocks can be characterized as high risk with potentially high associated costs. One field is currently in production and DeGolyer & MacNaughton has appraised proven, probable and possible reserves on the blocks. GEOPARK is the operator of the Cerro Doña Juana and Loma Cortaderal Blocks and has a 100 per cent working interest in each block.

During 2006, crude oil production was established on the blocks following a light repair workover on well Loma Cortaderal 2 and installation of a mechanical beam-pumping unit. The 2007 program provides for the re-evaluation of existing seismic, well and geological information and preparation of a future 3D seismic program and development program.



ALL OF GEOPARK'S BLOCKS HAVE BEEN APPRAISED WITH PROVEN AND PROBABLE RESERVES. THREE BLOCKS HAVE ESTABLISHED OIL AND GAS PRODUCTION.

THE UNDERLYING PRINCIPLE OF GEOPARK'S LONG TERM STRATEGY IS TO ATTRACT AND INVEST IN THE BEST PEOPLE, AND SUPPORT THOSE PEOPLE WITH THE NECESSARY TOOLS AND RESOURCES TO ACHIEVE SUCCESS.

With current tight markets for people and equipment in the global oil and gas business, the Company deems it critical to develop creative and long term solutions to build its capabilities and acquire the capital, tools and people necessary to achieve its growth plans.

For example, as higher technology costs continue to commoditize, the same interpretive processes and tools which are utilized by the major oil companies are now economically accessible to smaller companies. GEOPARK has exploited this opportunity by acquiring state-of-the-art seismic, geological and engineering technology and software – thereby enabling its technical team to match the capabilities of larger companies while overall maintaining a lower cost structure than its larger competitors.

CAPITAL

GEOPARK is continuously developing potential funding sources to ensure the efficient development of its assets. To date, over US$70 million has been raised by GEOPARK. New financings during 2006 further demonstrate GEOPARK's ability to attract the capital and strong shareholders needed to facilitate its future growth.

During 2006, the balance sheet was restructured and strengthened through equity issuance, debt repayment and new loans. Key financings included:

- International Finance Corporation of the World Bank ("IFC") equity investment in February 2006 for US$10 million following a thorough technical, financial and environmental review of the Company.

- Admission to the London Stock Exchange Alternative Investment Market (AIM) in May 2006 which resulted in:
    - US$35 million for new capital investment
    - Access to the capital markets
    - A base of strong institutional shareholders
    - Improvement in Company's ability to attract, recruit and retain key employees
    - Potential acquisition currency

- IFC loan in December 2006 for US$20 million to accelerate the development program and which reconfirmed the IFC's long term support for the Company.

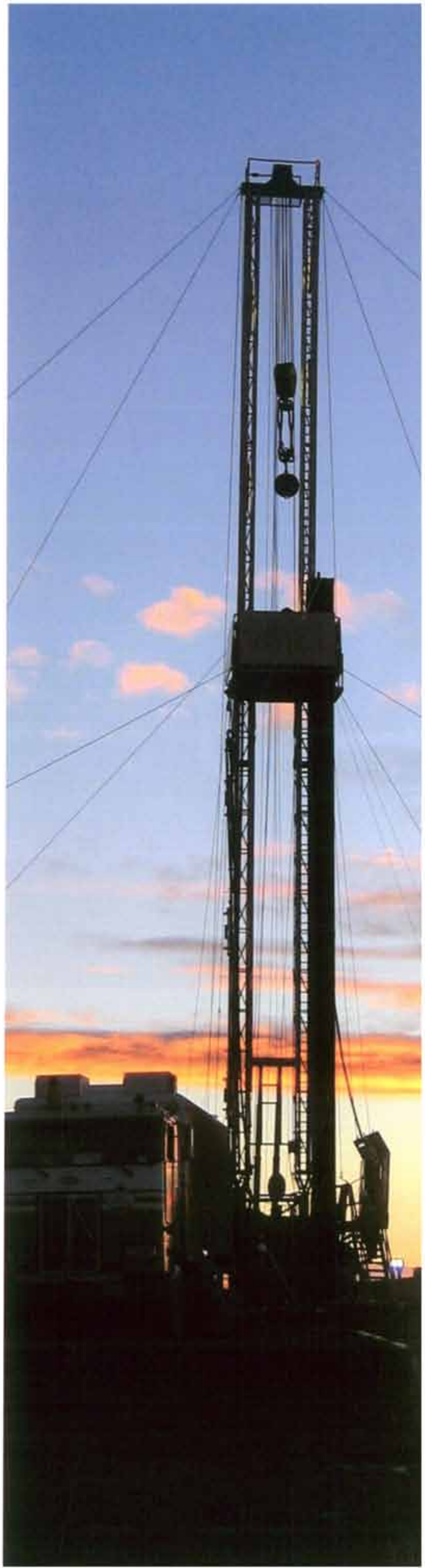
At the end of 2006, GEOPARK had US$37 million of cash and available facilities, providing sufficient capital to fully fund GEOPARK's 2007 work program.

IFC International Finance Corporation World Bank Group

London STOCK EXCHANGE

METHANEX A Responsible Care Company

Importantly, for future capital requirements, GEOPARK signed a Memorandum of Understanding ("MOU") with the Methanex Corporation of Canada in February 2007 for the long term supply and purchase of Fell Block gas production. The MOU provides an economic underpinning for the Company's Chilean gas reserves and the opportunity for the pre-sale of gas to Methanex. This creates a mechanism to generate investment capital for the further development of the properties. The agreement, once completed, would provide long term capital security for the development of the Fell Block.



EQUIPMENT AND INFRASTRUCTURE

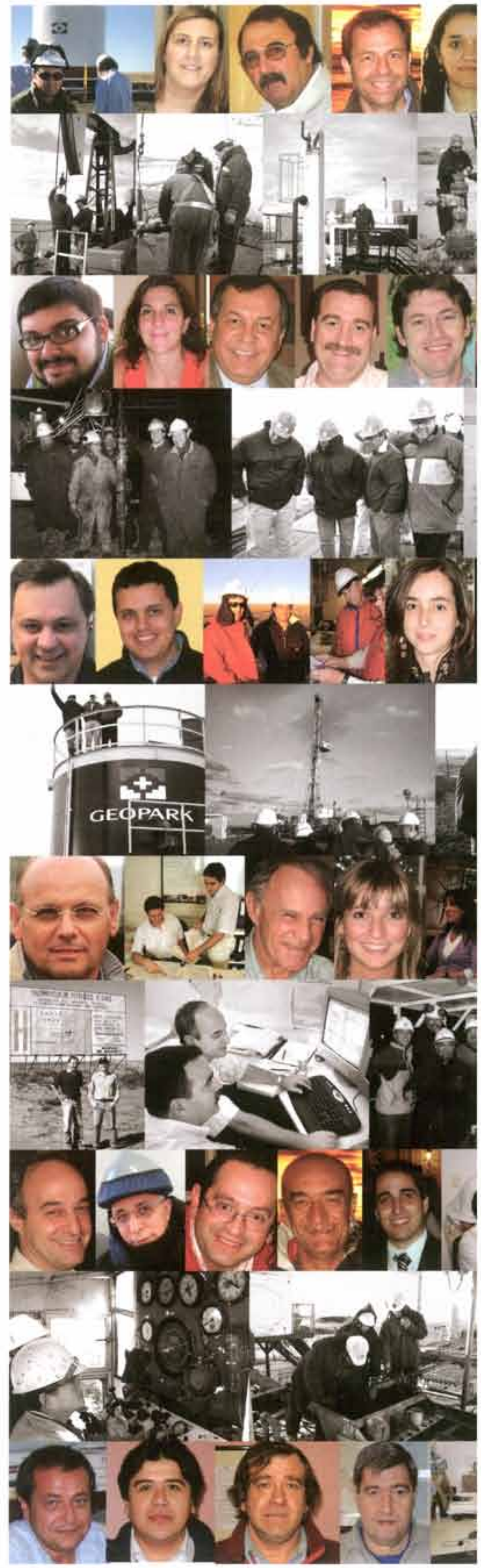
In order to carry out its 2007 work program, GEOPARK requires two drilling rigs and a completion/workover rig. To market its gas production forecasted for 2007, the Company also requires the construction and installation of a larger gas processing and compression facility that will permit direct access to the main regional gas pipeline. To satisfy these requirements, GEOPARK acquired the following:

- In 2006, GEOPARK entered into a three year contract (with an option for an additional two years) for a drilling rig with a depth capacity of 10,500 feet. This rig was imported from China as a result of the tight local rig market and will be operated by a US/Argentina drilling contractor. The rig has now been rigged up and began drilling on the Fell Block in Chile in June 2007.

- In 2006, GEOPARK assembled and rebuilt a workover rig with a local Argentina partner (including both the purchase and lease of equipment) which began working in the Fourth Quarter 2006. This rig is being operated by an association of GEOPARK and the local partner – and is expected to form part of a new planned service company: Southern Cross.

- In 2007, GEOPARK initiated the acquisition of a drilling package to convert its workover rig to have drilling capabilities (depth capacity of 7,000 feet). This rig is targeted for completion during the Third Quarter 2007 and will be used to carry out the 2007 drilling program on the Del Mosquito Block. This rig also is expected to be operated by the Southern Cross group.

- In 2006, GEOPARK signed a long term leasing and operating contract with Hanover Compression Company for a gas production plant (dew point and compression facility). This new facility (the "Kimiri Aike Plant"), which originated in Bolivia, is currently being constructed on the Fell Block at a budgeted cost of US$6 million and with an expected completion date during the Third Quarter 2007. The plant will initially have a capacity of 24 million cubic feet per day of gas – with the option to increase this capacity to 35 million cubic feet per day with the addition of another compressor. The plant will provide direct access to the main regional gas pipeline and eliminate current bottlenecks to increasing Fell Block production.



PEOPLE

GEOPARK's management, professional and field-operation teams provide an unusual mix of experience and depth for a company of its size – bringing with them the diverse range of tools and technical know-how necessary to create success in an international oil and gas venture. GEOPARK's team has a history of proven performance (technical and commercial) in frontier and complex projects in Latin America and around the world, as well as, in the specific geological basins where the Company operates.

In 2006, the Company continued to add key managers and employees in its Geoscience, Operations and Support departments – to ensure its ability both to effectively develop existing assets and to operate new assets. GEOPARK is managed from its head office in Buenos Aires, Argentina – with legal offices located in Santiago, Chile and Hamilton, Bermuda. During 2006, a management and administrative office was established in Punta Arenas, Chile and field operation bases were established in Bernardo O'Higgins, Chile and in Rio Gallegos, Argentina.

The team's history (including, for many, a time previously working together at Petrolera San Jorge which discovered over 600 million barrels of oil in Argentina in the 90's) enables GEOPARK to operate as a more seasoned company with a recognized stature throughout the region. It also represents an asset which can be leveraged by the Company in its efforts to expand. The team's participation endorses the value potential of GEOPARK's properties. It was this potential that originally attracted the team to the Company.

PEOPLE | CAPABILITIES

Specific advantages of GEOPARK's position in Argentina and Chile include:

- **Resource Base** – vast under-explored areas and opportunity for expansion
- **Regulatory Environment** – attractive regulatory and fiscal framework
- **Infrastructure** – existing oil and gas services, transportation and markets
- **Human Resources** – availability of qualified and experienced personnel
- **Security** – negligible security concerns
- **Economics** – easy access and low cost operating environment
- **Hedge** – multi-country position provides political balance
- **Market** – substantial immediate and long term energy requirements
- **Trends** – regional industry reorientation favors smaller companies

In Chile, GEOPARK is currently the only private-sector oil and gas operator and, in Argentina, GEOPARK is also one of only approximately 40 approved oil and gas operators.

GEOPARK IS FOCUSED ON THE SOUTHERN CONE OF LATIN AMERICA – A RICH UNDER-EXPLORED HYDROCARBON REGION WHOSE ECONOMIC FUTURE IS DEPENDENT ON THE DEVELOPMENT OF SECURE ENERGY SUPPLIES.

GEOPARK'S FULL CYCLE WORK PROGRAM, CONTAINING REHABILITATION, DEVELOPMENT, EXPLORATION AND ACQUISITION PROJECTS, ALLOWS US TO ADVANCE SIMULTANEOUSLY ON MULTIPLE OPPORTUNITIES – THEREBY BALANCING OUR RISK EXPOSURE AND ENSURING CONTINUOUS GROWTH.

PLAN

GEOPARK's value creation model is based on its technical strength in economically finding, developing and producing new and bypassed oil and gas reserves. GEOPARK's management believes shareholder value is increased most by the discovery and addition of new oil and gas reserves and that these reserves are most economically discovered and developed in areas in or nearby existing oil and gas fields.

The Company's business plan includes a portfolio of multiple in-house projects and a strategic base from which to pursue a targeted acquisition plan. Its full-cycle exploration and production work program allows the Company to move forward along different lines simultaneously and independently. For example, even though the Company did not drill a new well during 2006 while waiting to complete the 3D seismic survey and for the arrival of the drilling and workover rigs, total production was increased from approximately 300 boepd at the time of the IPO to approximately 1,400 boepd at year-end by well workover and infrastructure projects. This available mix of rehabilitation, development and exploration opportunities allows the Company to balance its risk exposure and ensure continuous growth.

To date, GEOPARK's approach has resulted in bringing eight fields into production – resulting from the rehabilitation of an abandoned field (Del Mosquito) in Argentina in 2002, the discovery of a new oil field (Del Mosquito Norte) in Argentina in 2004, the rehabilitation of a field (Loma Cortaderal) in Argentina in 2006 and the rehabilitation of five fields (Santiago Norte, Nika, Molino, Ovejero, and Pampa Larga) in Chile in 2006.

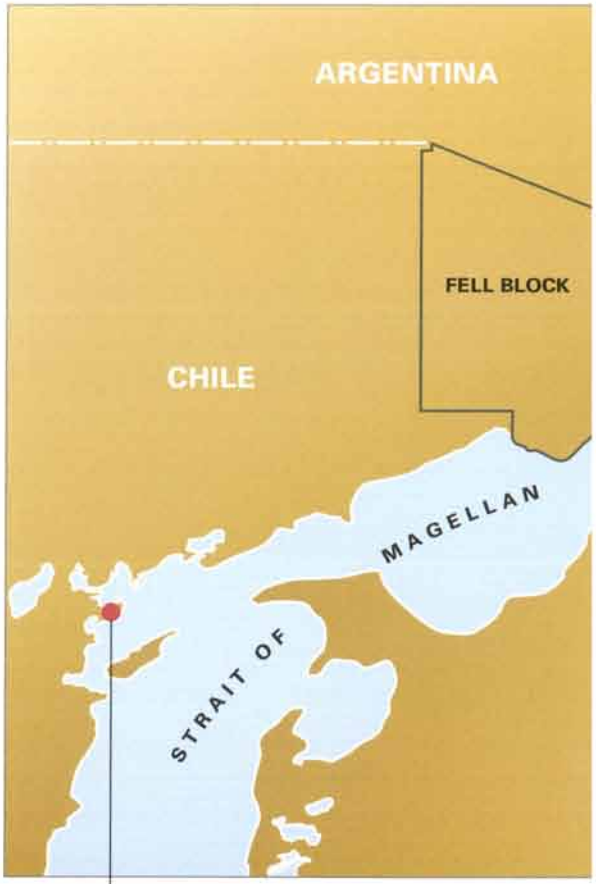
In 2007, drilling will begin in both Chile and Argentina with a targeted program of 8-11 wells – focused on the development of existing fields and exploration of new prospects. In Chile, seismic, workover and testing operations, and new infrastructure (pipeline and plant) projects as well will be carried out during the year.

MARKET

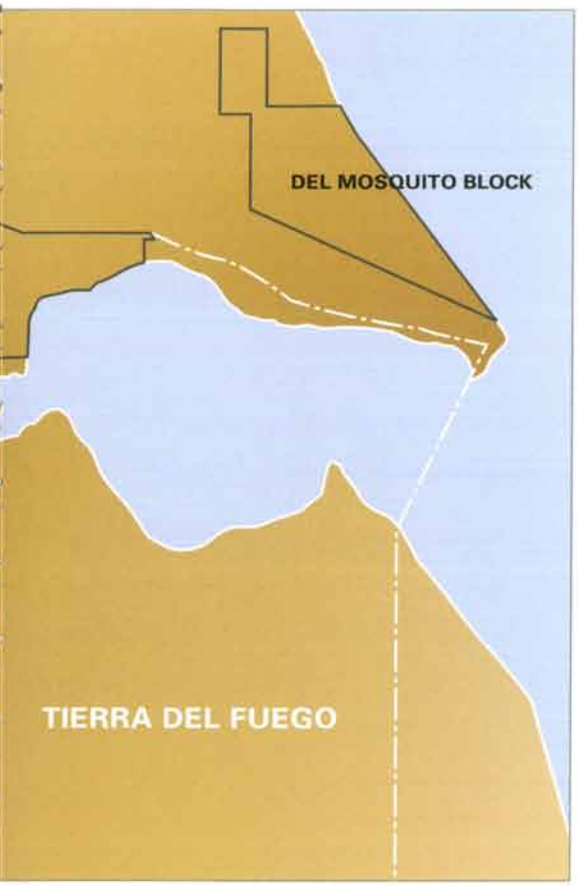
As a result of increased gas demand in Argentina and newly imposed export restrictions and duties on Argentina gas production, the regional gas markets are undergoing major changes. In particular, the supply of gas from Argentina to Chile has been severely impacted. As the only private-sector gas producer in Chile, this market shift has substantially increased the value of GEOPARK's Chilean gas reserves.

Located approximately 100 kilometers from GEOPARK's Fell Block, Methanex operates a US$1.2 billion plant in Chile which consumes 350 million cubic feet per day of gas and produces over 10 per cent of the world's methanol supply. Over sixty percent of the Methanex gas supply, which historically has originated in Argentina, has been put at risk by the recent Argentina export duties and restrictions, thereby creating an important market opportunity for GEOPARK. GEOPARK seized this opportunity and, in February 2007, entered into a Memorandum of Understanding with Methanex providing for a ten year gas purchase and supply contract at an improved gas price and with the opportunity to pre-sell gas to generate future work program funding and to jointly acquire new hydrocarbon blocks in Chile.

Crude oil markets in the region are both accessible and secure. In Chile, GEOPARK's oil production is sold to ENAP (the Chilean State Oil Company) at WTI less quality adjustments (based on degrees API and mercury content). In Argentina, GEOPARK's oil production is sold to Petrobras (the Brazilian State Oil Company) at WTI less quality and retention tax adjustments.



Methanex Plant



ACQUISITIONS

GEOPARK intends to leverage its strategic operating and management base and its technical and commercial capabilities to acquire new assets where suitable opportunities arise. The Company is targeting assets which bring a mix of production and development opportunities with attractive exploration acreage utilizing, where applicable, various forms of participation including block acquisitions, farm-ins, corporate transactions, work and investment commitments and/or operator-earned interests. To date, GEOPARK has reviewed over 100 potential opportunities throughout the region.

A merger wave in the late 1990's consolidated the Argentine industry into a relatively small group of large companies controlling the bulk of the country's oil and gas production. However, this trend is now being reversed as larger companies (including state-owned companies) are proposing to divest of non-core assets. Further influences are coming from:

- Governments pressing companies to invest in or sell idle properties.
- Manpower shortages which reduce focus and investment.
- Size of fields and projects favor smaller and technically-proficient low cost independents.

Repsol YPF, Petrobras, ENAP, the State of Chile and the Argentina provincial authorities have announced property sales and tenders in 2006 and 2007.

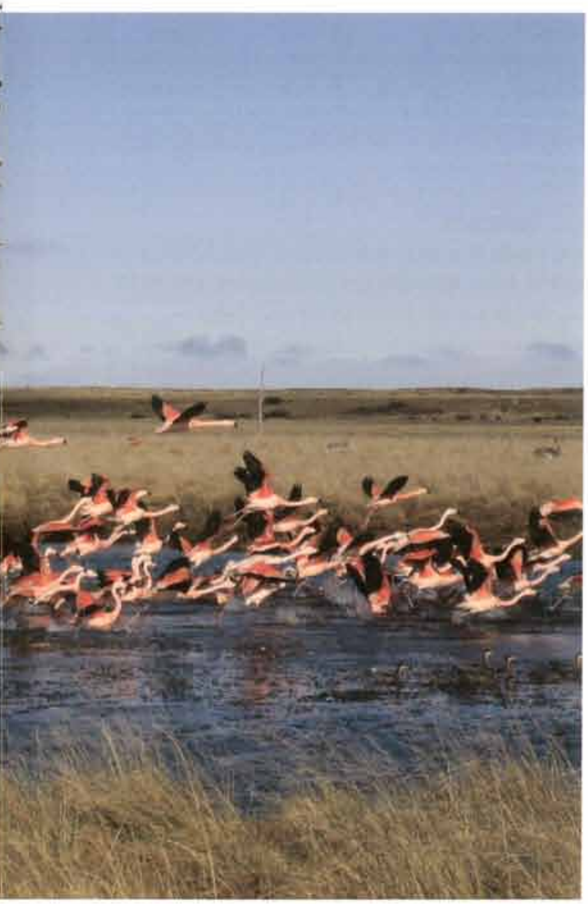
With its team and platform in Argentina and Chile, GEOPARK is well positioned to assess and participate in these opportunities. This position is further enhanced by GEOPARK's strategic relationships with the IFC (World Bank), ENAP (State Company of Chile), and Methanex (largest regional gas consumer).

CREATING VALUE & GIVING BACK

Increasingly complex challenges facing international resource companies have expanded the scope and range of demands required to successfully do business today. Similarly, fierce competition in the global energy industry for new opportunities means long term success is dependent on meeting responsibilities and making commitments beyond just the latest near-term financial result. Trying to address these needs in a manner divorced from a company's business plan can develop into a cumbersome, bureaucratic exercise. If approached proactively, however, these same responsibilities can become opportunities – opportunities which can differentiate a company and provide it with a competitive advantage.

"Creating Value and Giving Back" represents GEOPARK's program of uniting and aligning our values, responsibilities and business goals into one integrated approach. It is not intended to be a charitable program. It is part of our overall business plan to find and produce energy – built from experience operating around the world and compatible with fundamental market principles and the creation of long term market value. It also reflects our pride in achieving an important mission in the right way.

We define our principal constituencies to be our: Shareholders, Employees, Community and Environment. We work to continuously return significant bottom-line financial value to our shareholders because only a financially-healthy company can continue to grow, attract needed resources and create real long term benefits. Performing as promised and maintaining transparency will make us the favored investment. We work to create a motivated and safe workplace for employees. With today's shortage of capable energy professionals, the company



which can attract, retain and train the best team with the best attitude will prevail. We work to become the preferred neighbor and partner by creating a beneficial exchange with the local communities where we work. If our projects are compatible with or enhance the goals of the region, we will be invited to do more. We also gain an important asset if we can unlock valuable local knowledge. We work to minimize any impact of our projects on the environment because the smaller and cleaner our footprint – the larger and greater number of areas will be open for us to work in. Our long term well-being requires us to properly fit within our natural surroundings.

GEOPARK's experience in the Southern Cone and throughout the world, as well as the important guidance of the World Bank (which is a GEOPARK shareholder through the IFC), ensures a focus on best practices, as well as undertaking realistic and practical programs. Our emphasis is on building key principles and company-wide ownership of our program – and then expanding the programs from within as we continue to grow. Specific standards followed to design our comprehensive Environmental, Health, Safety and Social Responsibility (EHSS) Management System in 2006 include: ISO 140001 for environmental management issues; OSHAS 18001 for occupational health and safety management issues; SA 8000 for social accountability and worker rights issues; and the Development Standards of the World Bank.

By successfully meeting these basic challenges, GEOPARK's opportunity base and resource base become substantially larger. Demonstrating our underlying value system also helps provide direction and boost confidence. If we are the true performer, the best place to work, the preferred partner and the cleanest operator, our future is bigger, better and more secure.

The Directors submit their report together with the audited consolidated financial statements of GEOPARK Holdings Limited for the year ended 31 December 2006.

Addresses
The business address of the Group's Head Office is Florida 981, 4th Floor, 1005 Buenos Aires, Argentina.

The Registered office address is Milner House, 18 Parliament Street, Hamilton HM 12, Bermuda.

Principal Activity
The principal activity of the Group in the period under review was to produce, develop and explore for oil and gas reserves in the Fell (Chile) and Del Mosquito (Argentina) blocks in the Austral Basin and in the Cerro Doña Juana and Loma Cortaderal Blocks in the Neuquén Basin (Argentina).

Business Review
The Chairman's and Chief Executive's Letter to Shareholders and the Year in Review on pages 4 to 37 describe in more detail the significant developments in the Group during 2006 and its risks, uncertainties and future prospects.

Results and Dividends
The Group's loss after tax for the year was US$ 11,349,000 (2005: US$ 3,211,000). The Directors do not recommend payment of any dividend.

Events since the Balance Sheet Date
On 7 March 2007, GEOPARK signed a Memorandum of Understanding (MOU) with Methanex Corporation of Canada, the largest gas buyer in the region, which would provide for the long term supply, development and acquisition of new natural gas reserves in Chile. The MOU includes a ten year gas supply and purchase commitment from GEOPARK's Fell Block in southern Chile, commencing May 2007. The agreement provides incentives for volume growth up to 100 million cubic feet per day of natural gas, and includes provisions for the financing of development operations and the potential joint acquisition of new hydrocarbon blocks in Chile. This agreement is subject to a final contract and required Chilean government approvals.

Supplier Payment Policy
The Group makes payments to its suppliers in accordance with the agreed terms of each transaction. Trade creditors of the Group at 31 December 2006 were equivalent to 48 days' purchases (2005: 130), based on the year end balance. The larger portion of the unpaid balance (US$ 1,673,424) corresponds to the seismic survey carried out in the Fell Block in December 2006 and which was paid during January 2007.

Directors' Interests
The Directors who served the Company during the year and subsequently, together with their (and their families') beneficial interests in shares in the Company, were as follows:

		Committees			Ordinary Shares of USD 0.01 each
Name	**Appointment**	**Audit**	**Nomination**	**Remuneration**	**31 December 2006**
Gerry O'Shaughnessy Executive Chairman	6 February 2006 (*)		✓		6,611,425
James F. Park Chief Executive Officer	6 February 2006 (*)				6,936,568
Sir Michael Jenkins Non-Executive Director	18 April 2006	✓±	✓±		13,956 (**)
Christian Weyer Non-Executive Director	18 April 2006	✓±		✓	228,634
Peter Ryalls Non-Executive Director	18 April 2006		✓	✓±	13,956 (**)

✓ Committee member ± Committee chairman (*) Most recent reappointment date (**) shares accrued as directors renumeration; but not yet issued

Charitable and Political Donations
During 2006, the Group made charitable donations of US$ 4,921; and sponsored educational and social activities in the local communities for US$ 2,500. No political donations are made by the Company.

Directors' Remuneration
Executive and Non-executive remuneration is discussed in the Director's Remuneration Section.

Auditors
Grant Thornton UK LLP was appointed as auditor during 2006 and has audited the 2006 financial statements of the Group. They were also appointed as reporting accountants for the Admission to AIM and reported on the 2005 historical financial information which has been included in these financial statements as the comparative period.

Nomad
Canaccord Adams Limited was appointed as Nomad for GEOPARK in December 2005. In April 2007 Oriel Securities replaced Canaccord Adams.

Annual General Meeting
At the Annual General Meeting of the Company, resolutions will be proposed to re-elect the Directors, according to the Company's Bye Laws. Other resolutions may be proposed in accordance with the circular to be sent out. Further details will be set forth in the formal notice of meeting.

Going Concern
After making enquiries, the Directors have formed a judgment, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

James F. Park
Chief Executive Officer
9 May 2007

GEOPARK is committed to maintain high standards of corporate governance. The Directors strongly intend, as is feasible given the Company's size and the constitution of the Board, to comply with the Combined Code, as modified from time to time by the recommendations of the Quoted Companies Alliance.

A statement of Director's responsibilities in respect of the accounts is set out on page 42.

Internal Controls
The Board has the responsibility to establish and maintain the Group's system of internal controls and reviewing its effectiveness. The procedures which include inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The Board has approved the annual budget. Performance against budget is monitored and reported to the Board. The Group has defined an approval system for capital expenditures and expenses. This system includes different levels of authorisation based on functions and position of individuals. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need of an internal audit function but does not consider it necessary at the current time.

Board Structure
The Board is responsible to shareholders for the proper management of the Group. The Board comprises:

Executive Directors:
Gerald E. O'Shaughnessy - Chairman
James F. Park - Chief Executive Officer and Deputy Chairman

Non-Executive Directors:
Sir Michael Jenkins
Peter Ryalls
Christian Weyer

The Board meets at least quarterly and when issues arise. It has a formal schedule of matters specifically referred to its decision. In addition to those formal matters required by relevant local laws to be set before a Board of Directors, the Board will also consider strategy and policy, acquisition and divestment proposals, approval of major capital investments, risk management policy, significant financing matters and statutory shareholder reporting. During 2006, all Board meetings were attended by all its members in office. To enable the Board to perform its duties, all Directors receive appropriate and timely information and the Chairman ensures that the Directors take independent professional advice as required.

The Company has established Audit, Nomination and Remuneration Committees as set out below:

Audit Committee
The Audit Committee is comprised of two independent Non-Executive Directors (currently being Mr. Weyer and Sir Michael Jenkins), is chaired by Mr. Weyer and meets at least twice a year. The Audit Committee will review the Company's interim and annual financial statements before submission to the Board for approval. The Audit Committee also reviews regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the Audit Committee will monitor the progress of action taken in relation to such matters. The Audit Committee approves the fees and recommends the appointment of external auditors.

Nomination Committee
The Nomination Committee is comprised of three Directors (currently Sir Michael Jenkins, Mr. Ryalls and Mr. O'Shaughnessy), the majority of whom are independent Non-Executive Directors. The Committee is chaired by Sir Michael Jenkins and meets as required. The Committee considers the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors and makes appropriate recommendations to the Board.

Remuneration Committee
The Remuneration Committee is comprised of two independent Non-Executive Directors (currently being Mr. Ryalls and Mr. Weyer). The Committee is chaired by Mr. Ryalls and is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of Shareholders as a whole and the performance of the Group. The Committee meets as required during the year.

The following information is not subject to audit.

Remuneration Committee
The Company has established a Remuneration Committee. The members of the Committee during 2006 were Peter Ryalls (Chairman) and Christian Weyer who are Non-Executive Directors. No Director plays a part in any discussion about his own remuneration.

Executive remuneration packages are designed to attract, motivate and retain Directors of the caliber required to grow the business and enhance value to Shareholders. The performance measurement of the Executive Directors and the determination of their annual remuneration package are undertaken by the Committee.

The Company's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance related.

IPO Awards and Stock Options
The Company established an IPO award program and share option program. This scheme was established to incentivise the Directors, senior management and employees, who will benefit from the increased market capitalization of the Company. The Committee has responsibility for supervising the scheme and the grant of options under its terms.

IPO awards were granted to all of the Company's employees and certain consultants at the IPO date. The awards vest on the second anniversary of admission to IPO, and can be exercised up to the seventh anniversary of admission. The exercise price is US$ 0.001 (nominal value of the shares to be issued). They can be exercised as long as the holder continues to be an employee of the company or maintains the consultancy role they have at the grant date. These awards amount to 613,380 shares (approximately two percent of the Company's outstanding common shares). The awards give no voting rights to the holders until they are exercised and converted into common shares when they rank pari-passu with all existing common shares. The awards vest in full in the event of a takeover, change of control or winding up of the Company.

N° of underlying common shares	% of issued common share capital	Grant date	Exercise price (US$)	Earliest exercise date	Expiry date
613,380	Approx. 2%	15 May 2006	0.001	15 May 2008	15 May 2013

The stock option program created by the Company to incentivise Directors, senior management and eligible employees of the Company has a total size of up to 613,380 share options (approximately two percent of the Company's outstanding common shares). On admission to AIM the Company has granted 605,000 stock options to the senior management and some eligible employees. The exercise price of these stock options is £ 4.00 (125% of placing price), and they can be exercised as long as the holder continues to be an employee of the company or maintains the consultancy role they have at the grant date. The stock options give no voting rights to the holders until they are exercised and converted into common shares when they rank pari-passu with all existing common shares. The awards vest in full in the event of a takeover, change of control or winding up of the Company.

The Remuneration Committee has the ability to distribute stock options within 90 days of the publication of the financial statements of the Company, or whenever it deems appropriate.

N° of underlying common shares	% of issued common share capital	Grant date	Exercise price (£)	Earliest exercise date	Expiry date
605,000	Approx. 2%	15 May 2006	4.00	15 May 2008	15 May 2013

The Remuneration Committee has the authority to modify any of the programs at its sole discretion.

Executive Directors' Contract
It is the Group's policy that Executive Directors should have contracts of an indefinite term providing for a maximum of one year's notice. The details of the Directors' contracts are summarized below:

Gerald O'Shaughnessy:
Gerald O'Shaughnessy has a service contract with the Company which provides for him to act as Executive Chairman of the Company at a salary of £ 75,000 per annum. The agreement is stated to continue indefinitely, subject to it being terminable by either party by giving not less than 12 months' notice in writing at any time. The payment of any bonus to Mr O'Shaughnessy is at the Company's discretion. Mr. O'Shaughnessy's service agreement contains restrictive covenants which restrict him, for a period of 12 months following the termination of employment, from soliciting senior employees of the Company and, for a period of 6 months following the termination of employment, from being involved in any competing undertaking.

James Park:
James Park has a service contract with the Company which provides for him to act as Chief Executive Officer of the Company at a salary of £ 75,000 per annum. The agreement is stated to continue indefinitely, subject to it being terminable by either party by giving not less than 12 months' notice in writing at any time. The payment of any bonus to Mr. Park is at the Company's discretion. Mr. Park's service agreement contains restrictive covenants which restrict him, for a period of 12 months following the termination of employment, from soliciting senior employees of the Company and, for a period of 6 months following the termination of employment, from being involved in any competing undertaking.

On admission the Executive Directors have received the following options over common shares of the Company, granted under the Executive stock option plan:

Executive Directors Stock Options				
Name	N° of underlying common shares	Exercise price (£)	Earliest exercise date	Expiry date
Gerald O'Shaughnessy	153,345 306,690	3.20 4.00	15 May 2008 15 May 2008	15 May 2013 15 May 2013
James F. Park	153,345 306,690	3.20 4.00	15 May 2008 15 May 2008	15 May 2013 15 May 2013

No bonuses were awarded in 2006 to the Executive Directors.

Non-Executive Directors Contracts

Letters of appointment have been entered into between the Company and the Non-executive Directors, all of which are summarised below:

Name of Director	Date of contract	Notice period
Sir Michael Jenkins	18 April 2006	2 months
Peter Ryalls	18 April 2006	2 months
Christian Weyer	18 April 2006	2 months

The remuneration package approved for Non Executive Directors, which is detailed in the corresponding service contracts, contains the following components:

a) Signing remuneration of £ 35,000 payable in shares at the placing price (i.e: £ 3.20).
b) Annual salary of £ 35,000 payable quarterly in arrears; 50% in cash and 50% in shares. The share price to determine the quantity of share is the simple average to daily closing price of the stock in the quarter prior to the payment date.
c) Committee Chairman fee: annual remuneration of £ 5,750 payable quarterly in arrears in cash.

The following chart summarizes the detail of payments made to on-Executive Directors.

	Cash payments		Stock payments
	Non-Executive Director's fees	Committee Chairman fees	Director fees paid in shares (not issued)
Sir Michael Jenkins (1)			
2006	£10,208	£2,874	13,956
1stQ 2007	£4,375	£1,437	1,443
Peter Ryalls (2)			
2006	£10,208	£2,874	13,956
1stQ 2007	£4,375	£1,437	1,443
Christian Weyer (3)			
2006	£10,208	£2,874	13,956
1stQ 2007	£4,375	£1,437	1,443

Approval

This report was approved by the Board of Directors on 9 May 2007 and signed on its behalf by:

Peter Ryalls

Peter Ryalls
Chairman, Remuneration Committee

9 May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have elected to prepare financial statements for the Company and Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's and Group's financial positions, financial performances and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standard Board's "Framework for the preparation and presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

The Directors are also required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group's financial position and financial performance; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume the company will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are not aware of any relevant audit information of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

We have audited the Group financial statements of Geopark Holdings Limited for the year ended 31 December 2006 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and notes 1 to 29. These Group financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with International Auditing Standards. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Director and Auditors
The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only Chairman's and Chief Executive's statements, the Year in review, the Directors' Report, Corporate Governance, the Directors' remuneration report and the Statement of Directors' responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion
We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion
In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its loss for the year then ended.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
GATWICK
UNITED KINGDOM

9 MAY 2007

Grant Thornton

CONSOLIDATED INCOME STATEMENT

1 JANUARY - 31 DECEMBER

Amounts in US$´000	Note	2006 Excluding IPO, Stock Options and Exceptional Costs	2006 IPO, Stock Options and Exceptional Costs	2006 Total	2005 Total
NET REVENUE	**3**	**6,008**	**-**	**6,008**	**2,841**
Production costs		(4,025)	-	(4,025)	(2,091)
GROSS PROFIT		**1,983**	**-**	**1,983**	**750**
Other operating income	6	68	-	68	85
Exploration costs		(1,751)	-	(1,751)	(1,203)
Selling and administrative expenses	7	(4,831)	(4,314)	(9,145)	(2,089)
OPERATING LOSS		**(4,531)**	**(4,314)**	**(8,845)**	**(2,457)**
Financial income	8	832	855	1,687	-
Financial expenses	9	(268)	(3,907)	(4,175)	(743)
LOSS BEFORE TAX		**(3,967)**	**(7,366)**	**(11,333)**	**(3,200)**
Tax on loss	10	(16)	-	(16)	(11)
LOSS FOR THE YEAR		**(3,983)**	**(7,366)**	**(11,349)**	**(3,211)**
Loss per share (in US$) basic and diluted	**12**	**-**	**-**	**(0.44)**	**(0.16)**

The loss of the year is entirely attributable to the shareholders.

31 DECEMBER

Amounts in US$ ´000	Note	2006	2005
Intangible assets	13	13,475	1,728
Property, plant and equipment	14	8,236	3,000
Prepaid taxes	16	3,470	476
Legal deposit to mining authority		11	135
Deferred tax asset	11	15	32
NON CURRENT ASSETS		**25,207**	**5,371**
Inventory	17	868	218
Trade receivables	18	1,452	611
Prepayments and other receivables		543	24
Other short term financial assets		-	192
Cash and cash equivalents		34,194	2,403
CURRENT ASSETS		**37,057**	**3,448**
ASSETS		**62,264**	**8,819**
Share capital	20	31	20
Share premium		52,595	-
Other reserve	21	3,025	3,134
Reserve for exchange rate adjustment		57	178
Retained earnings		(14,601)	(5,617)
EQUITY		**41,107**	**(2,285)**
Convertible debt	21	-	5,112
Preferred shares	21	-	2,904
Borrowings	22	16,505	-
Provision for decommissioning	23	93	71
LONG-TERM LIABILITIES		**16,598**	**8,087**
Overdrafts		24	-
Trade accounts payable	24	3,664	2,715
Other liabilities		871	302
CURRENT LIABILITIES		**4,559**	**3,017**
LIABILITIES		**21,157**	**11,104**
EQUITY AND LIABILITIES		**62,264**	**8,819**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY - 31 DECEMBER

Amount in US$ '000	Share capital	Share premium	Other reserve	Reserve for exchange adjustment	Retained earnings	Total
Equity at 1 January 2005	20	-	3,025	204	(2,406)	843
Foreign currency translation	-	-	-	(26)	-	(26)
Loss for the year	-	-	-	-	(3,211)	(3,211)
Total loss for the year	**-**	**-**	**-**	**(26)**	**(3,211)**	**(3,237)**
Assigned capital	-	-	109	-	-	109
Equity movements in the year	**-**	**-**	**109**	**-**	**-**	**109**
Equity at 31 December 2005	**20**	**-**	**3,134**	**178**	**(5,617)**	**(2,285)**
Equity at 1 January 2006	20	-	3,134	178	(5,617)	(2,285)
Foreign currency translation	-	-	-	(121)	-	(121)
Loss for the year	-	-	-	-	(11,349)	(11,349)
Total loss for the year	**-**	**-**	**-**	**(121)**	**(11,349)**	**(11,470)**
Equity component of convertible debt	-	-	(109)	-	-	(109)
Proceeds from IFC Investment (Note 20)	3	9,997	-	-	-	10,000
Pref.stock conversion (Note 20)	-	300	-	-	-	300
Conversion of notes payable (Note 20)	1	5,227	-	-	-	5,228
Proceeds from AIM (Note 20)	7	40,031	-	-	-	40,038
IPO costs (Note 7)	-	(2,960)	-	-	-	(2,960)
Share based payment (Note 20)	-	-	-	-	2,365	2,365
Equity movements in the year	**11**	**52,595**	**(109)**	**-**	**2,365**	**54,862**
Equity at 31 December 2006	**31**	**52,595**	**3,025**	**57**	**(14,601)**	**41,107**

1 JANUARY - 31 DECEMBER

Amounts in US$ '000	2006	2005
Loss for the year	(11,349)	(3,211)
Depreciation of the year	682	637
Write off of unsuccessful efforts	249	635
Unrealised exchange gains	(146)	(4)
Tax on loss for year	16	11
Accrual of financial expenses	3,953	678
Accrual of stock options and stock awards	2,556	-
Change in prepaid taxes	(2,994)	(123)
Provision for decommissioning	22	30
Change in inventory	(650)	(11)
Change in trade receivables	(841)	(34)
Change in prepayments and other receivables	(519)	(24)
Change in legal deposit	124	(135)
Change in current liabilities (ex bank, tax and dividend)	1,518	2,236
Cash flows from operating activities	**(7,379)**	**685**
Purchase of intangible fixed assets	(12,830)	(1,234)
Purchase of property, plant and equipment	(5,134)	(2,250)
Sale of property, plant and equipment	19	3
Sale/(Purchase) of short term financial assets	192	(192)
Cash flows from investing activities	**(17,753)**	**(3,673)**
Proceeds from the issue of common shares	47,068	-
(Redemption) / Proceeds from the issue of convertible debt	(109)	5,027
Redemption of preferred shares	(6,565)	-
Proceeds from borrowings	16,505	-
Cash flows from financing activities	**56,899**	**5,027**
Change in cash and cash equivalents	**31,767**	**2,039**
Cash and cash equivalents at 1 January	2,403	364
Cash and cash equivalents at 31 December	**34,170**	**2,403**
31 December are specified as follows:		
Cash in banks	34,191	2,401
Cash in hand	3	2
Bank debt, bank overdraft	(24)	-
Cash and cash equivalents	**34,170**	**2,403**

Note 1
General information

GEOPARK Holdings Limited (the Company) is a limited company incorporated under the law of Bermuda. The addresses of its registered office and principal places of business are disclosed in the introduction to the Directors' Report. The principal activities of the Company and its subsidiaries (the Group) are described in the Directors' Report.

The Company has its listing on the AIM London Stock Exchange.

These consolidated financial statements were authorised for issue by the Board of Directors on 9 May 2007.

Note 2
Summary of significant accounting policies

Basis of preparation
The consolidated financial statements of GEOPARK Holdings Limited are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements are presented in United States dollars and all values are rounded to the nearest thousand (US$'000), except where otherwise indicated.

The consolidated financial statements for the year ended 31 December 2006 are the Group's first full financial statements under IFRS. The Group's date of transition to IFRS for the purposes of IFRS 1 was 1 January 2005. The comparative information used in these consolidated financial statements was extracted from the historical financial information included in the Group's AIM Admission document.

The consolidated financial statements have been prepared on a historical cost basis, modified by the recording of inventories at net realisable value.

GEOPARK Holdings Limited was incorporated on 3 February 2003, under the laws of Bermuda. During 2002, the founder shareholders of GEOPARK Holdings Limited, (The Globe Resources Group Inc. and Energy Holdings LLC), acquired concessions to extract oil and gas in certain blocks in Argentina and Chile. This was accomplished through GEOPARK Argentina Limited and GEOPARK Chile Limited and subsequently began trading in the same year. Once GEOPARK Holdings Limited had been incorporated, the shares in these companies were legally transferred to GEOPARK Holdings Limited.

The Group has adopted the principles of merger accounting as the most appropriate way to record these transactions because of the common ownership of GEOPARK Argentina Limited and GEOPARK Chile Limited and, following the Group reorganisation, GEOPARK Holdings Limited. This transaction was outside the scope of IFRS 3 and therefore in the absence of specific guidance under IFRS the Group has referred to alternate GAAP and adopted UK Accounting Standard FRS 6 'Acquisitions and Mergers' as the most appropriate accounting treatment.

These financial statements include those transactions which reflect the acquisition of the assets in November 2002 and subsequent trading in order to disclose the history of the Group's business under its current ownership.

Standards, amendments and interpretations effective in 2006 but not relevant:

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 19 (Amendment), Employee Benefits;
- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast IntraGroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;
- IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective:

- IFRS 7 - Financial Instruments disclosure - effective from 1 January 2007
- IFRIC 7 - Applying the restatement approach IAS 29 Financial reporting under hyperinflationary economies - effective from 1 March 2006
- IFRIC 8 - Scope of IFRS 2 - effective from 1 May 2006
- IFRIC 9 - Reassessment of embedded derivatives - effective from 1 June 2006
- IFRIC 10 - Interim financial reporting and impairment - effective from 1 November 2006
- IFRIC 11 - IFRS 2 Group and treasury share transactions - effective from 1 March 2006

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

Consolidated financial statements
The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the Balance Sheet date. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

As detailed in the basis of preparation the Group has adopted merger accounting as the most appropriate way in which to record its formation.

Joint venture
Entities whose economic activities are controlled jointly by the Group and by other ventures independent of the Group are accounted for using proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

Revenue
Revenue from the sale of crude oil and gas is recognised in the Income Statement if supply and risk transfer to the purchaser has taken place before the end of the year, and if the income can be measured reliably and is expected to be received. Revenue is recognised exclusive of VAT and excluding discounts related to the sale.

Production costs
The Group applies IFRS 6 "Exploration and Evaluation of Mineral Resources". Oil and gas exploration, production properties and assets are accounted for as detailed below.

Production costs include wages and salaries and write-off incurred to achieve the net revenue for the year. Direct and indirect costs of raw materials and consumables, rentals and leasing, property, plant and equipment depreciation and royalties are also included within this account.

Production costs also recognise the development costs that do not fulfil the criteria for capitalisation.

Financial costs
Financial costs include interest expenses, realised and unrealised gains and losses arising from transactions in foreign currencies and the amortisation of financial assets and liabilities. No finance costs have been capitalised.

Costs of exploration and appraisal
The Group applies IFRS 6 "Exploration and Evaluation of Mineral Resources". Oil and gas exploration and production properties and assets are accounted for in accordance with the "successful efforts" method of accounting for exploration and appraisal costs.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, undepleted, within exploration until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered. Costs will either be transferred to the development/producing assets or expensed in the Income Statement depending upon the success of the exploration and appraisal drilling.

Licence acquisition costs are included in the total exploration cost to be tested for impairment should any indicators exist.

Exploration expenditure incurred in the process of determining exploration targets and other exploration costs not directly relating to drilling of exploratory wells are written off as incurred.

Drilling costs of the exploratory wells, including wells for stratigraphical tests and 3D seismic are capitalised as intangible fixed assets in cost centres by field or exploration area as appropriate, pending the determination of commercial reserves. If those reserves are not found, these costs are written off. Following the discovery of a commercially viable field, the attributable costs are transferred to property, plant and equipment in single field cost centres.

Works costs that increase the total commercially recoverable reserves or speed up the extraction of reserves are included in the carrying amount of the asset and are depreciated using the unit of production method. Workovers that merely restore production to its original level are charged to the Income Statement during the fiscal period in which they are incurred.

Commercial reserves are proven and probable oil and gas reserves as defined in chapter 19 of the listing rules of the UKLA.

Development and property acquisition costs incurred in development wells (including seismic surveys for development purposes) and production facilities and machinery are capitalised within property plant and equipment.

Depletion
All expenditure carried within each field is amortised from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial developed reserves at the end of the period plus the production of the period on a field by field basis. A field is an area consisting of a single reservoir or multiple reservoirs which are grouped or related to the same individual geographical structural feature and/or stratigraphic condition.

Decommissioning
Provision for decommissioning is recognised to the extent that an obligation has arisen which is usually at the start of oil and gas production. A corresponding asset of an amount equivalent to the provision is also created and depreciated as part of the capital costs of the production facilities, on a unit of production basis.

Impairment testing for exploration and appraisal assets
Where there are indicators that an exploration asset may be impaired, the exploration and appraisal assets are grouped with all development/producing assets belonging to the same geographic segment to form the Cash Generating Unit (CGU) for impairment testing. The combined cost of the CGU is compared against the CGU's net present value and any resulting impairment loss is written off to the Income Statement. No impairment has been recognised during the year.

Other property, plant and equipment
Furniture, equipment and vehicles are measured at cost less accumulated depreciation and write-down. The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready for use.

The cost of an asset is divided into separate components which are depreciated individually if the useful lives are not identical.

Subsequent costs of replacement of components are recognised as a tangible fixed asset when it is likely that they will lead to future economic benefits. The carrying amount of the replaced components are recognised in the Income Statement. All other costs of repair and maintenance are recognised in the Income Statement when incurred.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value, as follows:

	Useful life
Communication and EDP equipment	3 years
Furniture and fixtures	10 years
Vehicles and production facilities	5 years

Depreciation is recognised in the Income Statement as production and selling and administrative expenses, respectively.

Profit or loss on the disposal of property, plant and equipment is calculated as the difference between the net proceeds on disposal and the carrying amount at the time of sale. Profit or loss is recognised as other operating income or operating expenses in the Income Statement.

Lease contracts
All current lease contracts are considered to be operating leases on the basis that the lessor bears substantially all the risks and rewards related to the ownership of the leased asset. Payments related to operating leases and other rental agreements are recognised in the Income Statement straight line over the term of the contract. The Group's total liability relating to operating leases and rental agreements is disclosed in a note.

Inventories
Inventories comprise crude oil and materials.

Crude oil is measured at net realisable value. The net realisable value of inventories is stated at sales price less costs incurred to execute the sale.

Materials are measured at cost. The cost of materials and consumables is calculated at acquisition price with the addition of transportation and similar costs.

Tax payable and deferred tax
Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is neither provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or it affects tax or accounting profit.

The principal temporary differences mainly arise from:
- Exploration costs that have been capitalized for accounting or tax purposes and have been expensed for tax or accounting purposes, respectively.
- Differences in depreciation rates on property, plant and equipment for tax and accounting purposes.
- Differences in the valuation of inventories for tax and accounting purposes.

In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land), in which case the related deferred tax is also charged or credited directly to equity.

Financial assets
Financial assets, other than hedging instruments, are divided into the following categories: loans and receivables; financial assets at fair value through the profit or loss; available-for-sale financial assets; and held-to-maturity investments. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs, unless they are classified as at fair value through profit or loss.

Derecognition of financial assets occurs when the rights to receive Cash Flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at each balance sheet date.

Interest and other Cash Flows resulting from holding financial assets are recognised in the Income Statement when receivable, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Income Statement.

Provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future Cash Flows.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Financial liabilities
Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group has no Financial liabilities categorised as at fair value through profit or loss at the reporting date. Therefore, all other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement.

All interest-related charges are recognised as an expense in "finance cost" in the Income Statement. Preferred shares and convertible loan notes have been raised for support of long term funding of the Group's operations. They were recognised at fair value, net of direct issue costs and subsequently measured at amortised cost. Any equity element connected with these instruments through conversion rights or in the instrument issued represents the residual of the proceeds received after assessment of the fair value of the liability component of these instruments.

Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the Income Statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Compound instruments
Compound instruments comprise both a liability and an equity component. At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument. The liability component is accounted for as a financial liability.

The residual is the difference between the net proceeds of issue and the liability component (at time of issue). The residual is the equity component, which is accounted for as an equity instrument.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the liability in the balance sheet.
If a company revises its estimates of payments or receipts, the entity shall adjust the carrying amount of the financial asset or financial liability (or group of financial instruments) to reflect actual and revised estimated cash flows. The company recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised as income or expense in profit or loss.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Equity
An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Equity comprises the following:

- Share capital" representing the nominal value of equity shares.
- "Share premium" representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserve" representing the equity element attributable to compound or linked financial instruments as noted above.
- "Reserve for exchange adjustment " representing the differences arising from translation of investments in overseas subsidiaries.
- "Retained earnings" representing retained profits.

Stock options plan and stock awards
The Group operates a number of equity-settled, share-based compensation plans comprising share awards payments and stock options plans to certain employees and other third party contractors. Fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be

expensed over the vesting period is determined by reference to the fair value of the options granted calculated using the Black-Scholes model, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Foreign currency translation

a) Functional and presentational currency:
   Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in US dollars, which is the Group's presentational currency.

b) Transactions and balances:
   Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in other operating income or other operating expenses.

On disposal of a foreign operation the cumulative translation differences (including, if applicable, gains and losses on related hedges) are transferred to the Income Statement as part of the gain or loss on disposal.

Accounting estimates and assumptions

It should be noted that accounting estimates and assumptions are used in preparing the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from them.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and assumptions used in these consolidated financial statements are noted below:

- The Group adopts the successful efforts basis of accounting. The Board of Directors of the Company makes assessments and estimates regarding whether an exploration asset should continue to be carried forward as an intangible asset not yet determined or when insufficient information exists for this type of cost to remain as an asset. In making this assessment the Directors take professional advice from qualified independent experts (note 13).
- The fair value of the stock option rights were determined based upon the Black-Scholes model. For this purpose the Group has used appropriate risk free rates and volatilities of comparable oil and gas companies traded on AIM. Details of these assumptions and the result charged to the Income Statement are provided in note 25.
- As of December 2005, the Group had certain compound financial instruments. The Board of Directors has made estimates of the fair value of the liability of the compound instruments to calculate the liability and equity components thereof (note 20).

Cash Flow Statement

The Cash Flow Statement shows the Group's cash flows for the year for operating, investing and financing activities and the change in cash and cash equivalents during the year.

Cash flows from operating activities are computed from the results for the year adjusted for non-cash operating items, changes in net working capital, and corporation tax. Tax paid is presented as a separate item under operating activities.

Cash flows from investing activities include payments in connection with the purchase and sale of property, plant and equipment and cash flows relating to the purchase and sale of enterprises.

Cash flows from financing activities include changes in Shareholders' equity, and proceeds from borrowings and repayment of loans.

Cash and cash equivalents include bank overdraft and liquid funds with a term of less than three months.

Segment information

The Group explores and operates in two different countries: Argentina and Chile. As operations are similar in both countries, the primary segments of the Group have been made on a geographical basis, based on the location of the assets (which is similar to the location of the customers).

Segment revenue and costs include items that are attributable directly to the relevant segment and items that can be distributed among the segments. Non-distributed items include the Group's administration, financial income, expenses and taxes.

The property, plant and equipment of a segment include the assets that are used directly in the segment.

The current assets of a segment include assets that are related directly to the operation of the segment, including inventory and accounts receivable.

The liabilities of a segment include liabilities that are related directly to the operation of the segment, including trade payables and other debts.

Note 3
Net revenue

Amounts in US$ '000	2006	2005
Sale of crude oil	3,466	2,841
Sale of gas	2,542	-
	6,008	**2,841**

Segment Information
Segment areas (geographical segments)

Amounts in US$'000	Argentina	Chile	Holding Company	Total
2006				
Revenue	3,168	2,840	-	6,008
Gross profit	706	1,277	-	1,983
Loss before tax	(1,927)	(156)	(9,250)	(11,333)
Loss for the year	(1,943)	(156)	(9,250)	(11,349)
Capital expenditure	6,116	11,646	202	17,964
Depreciation	577	37	68	682
Assets, total	12,196	29,569	20,499	62,264
Liabilities	3,796	17,089	272	21,157
Cash flows from operations	(2,086)	(734)	(4,559)	(7,379)
Cash flows from investing	(5,874)	(11,646)	(233)	(17,753)
Cash flows from financing	7,951	25,893	23,055	56,899
Employees (average)	34	7	-	41

Amounts in US$'000	Argentina	Chile	Holding Company	Total
2005				
Revenue	2,841	-	-	2,841
Gross profit	750	-	-	750
Loss before tax	(1,191)	(804)	(1,205)	(3,200)
Loss for the year	(1,202)	(804)	(1,205)	(3,211)
Capital expenditure	3,237	245	2	3,484
Depreciation	635	1	1	637
Assets, total	5,323	1,291	2,205	8,819
Liabilities	2,512	296	8,296	11,104
Cash flows from operations	1,540	(791)	(64)	685
Cash flows from investing	(2,934)	(724)	(15)	(3,673)
Cash flows from financing	1,419	1,513	2,095	5,027
Employees (average)	21	2	-	23

Note 4
Depreciation

Amounts in US$ '000	2006	2005
Oil and gas properties	479	598
Furniture and equipment	132	33
Vehicles	0	4
Production facilities and machinery	37	2
Buildings and improvements	34	-
Depreciation, property plant and equipment	**682**	**637**
Profit or loss on sale	(68)	(17)
Depreciation total	**614**	**620**
Recognised as follows:		
Production costs	581	604
Selling and administrative expenses	33	16

Note 5
Employees

	2006	2005
Average number of employees	41	23
Amounts in US$ '000		
Wages and salaries	3,048	944
Social security charges	336	132
Share-based payment	1,232	-
	4,616	**1,076**

Board of Directors and key managers remuneration	2006	2005
Salaries and fees	1,071	430
Shares based payments	1,218	-
Other benefits in kind	48	-
	2,337	**430**

Note 6
Other operating income

Amounts in US$ '000	2006	2005
Profit on sale of property, plant and equipment	68	17
Others	-	68
	68	**85**

Note 7
Exceptional selling and administrative expenses

In accordance with the requirements of IAS 32, costs associated with the admission of the Company to AIM of US$ 2,960,000 which relate to the issue of new shares have been deducted from equity.

Costs which do not qualify to be charged directly to equity as issue costs of US$ 1,758,000 are included within selling and administrative expenses.

Total IPO costs include investment banking costs in the amount of US$ 2,697,000; consultant, legal, accounting, and other fees in the amount of US$ 1,906,000 and other costs in the amount of US$ 115,000.

As it is described in note 25, under the employee share option scheme, expenses to the value of US$ 2,556,000 are included within exceptional selling and administrative expenses.

The Group defines 'exceptional costs' to be those of a non-recurring nature.

Note 8
Financial income

Amounts in US$ '000	2006	2005
Exchange difference	900	-
Bank interest	787	-
	1,687	**-**

The main portion of the exchange difference gain, corresponds to the difference between the IPO proceeds in GBP converted to US$ on the day offered and the actual total amount received when the proceeds were transferred.

This gain of US$ 855,000 has been reported as exceptional within the financial statements.

Note 9
Financial expenses

Amounts in US$ '000	2006	2005
Bank charges	(13)	(10)
Interest	(219)	-
Exchange difference	(36)	(55)
Finance charges accrued in respect of preferred shares and convertible loan notes (note 21)	(3,907)	(678)
	(4,175)	**(743)**

Note 10
Tax on profit on ordinary activities

Amounts in US$ '000	2006	2005
Current tax	-	-
Deferred tax	16	11
	16	**11**

The tax rate in Bermuda where GEOPARK Holdings Limited is registered is 0%. The Group has significant tax losses available in the countries where it operates (Argentina and Chile) which can be utilised against future taxable profits in those countries as set out below:

Amounts in US$ '000	2006	2005
Argentina	3,529	1,865
Chile	774	625

At the balance sheet date the Group had a deferred tax asset relating to tax losses of US$ 1,235,000 in Argentina and US$ 116,000 in Chile that has not been recognised as there is insufficient evidence of future taxable profits (US$ 653,000 and US$ 94,000 respectively in 2005).

Note 11
Deferred tax asset

Amounts in US$ '000	2006	2005
Deferred tax at 1 January	32	44
Exchange rate adjustment	(1)	(1)
Movement in deferred tax	(16)	(11)
Deferred tax at 31 December	**15**	**32**
Deferred tax asset (liabilities) relates to		
Property, plant and equipment	(17)	6
Other timing differences	32	26
	15	**32**

Note 12
Loss per share

Amounts in US$ '000	2006	2005
Numerator:		
Loss for the year	(11,349)	(3,211)
Loss for the year excluding IPO, stock options and exceptional costs	(3,983)	(3,211)
Denominator:		
Weighted average number of shares used in basic EPS	25,625,335	20,000,000 (*)
Loss after tax per share (US$) – basic	**(0.44)**	**(0.16)**
Loss after tax per share (US$) – basic (Excluding IPO, stock options and exceptional costs)	**(0.16)**	**(0.16)**
Effect of dilutive potential common shares		
Stock awards to employees at £0,001:	613,380	-
Stock option at £4,00:	1,218,380	-
Executive Directors stock option at £3,20	306,690	-
Non Executive Directors fees:	16,406	-
Stock awards to Non Executive Directors:	32,813	-
Weighted average number of common shares for the purposes of diluted earnings per share	27,004,539	20,000,000 (*)
Loss after tax per share (US$) – diluted	**(0.44)**	**(0.16)**

(*) The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted to reflect the subdivision of shares on the basis of 1 for 100 as required by IAS 33 "Earning per Share".

Note 13
Intangible assets

Amounts in US$ '000	Exploration and evaluation assets
Cost at 1 January 2005	**1,144**
Additions	1,234
Exchange rate adjustment	(15)
Write off of unsuccessful efforts	(635)
Carrying amount at 31 December 2005	**1,728**
Additions	12,830
Exchange rate adjustment	(27)
Write off of unsuccessful efforts	(249)
Transfers to propert , plant and equipment	(807)
Carrying amount at 31 December 2006	**13,475**

During 2005 a settlement payment of US$ 250,000 was agreed with the 'finders' who assisted the Group in the acquisition of the concession in Chile in 2002.

Included under the 2006 additions are 400 square kilometres of 3D seismic registered in Del Mosquito field for US$ 3,538,000 and 473 square kilometres of 3D seismic registered in the Fell Block for US$ 6,326,000.

As detailed in the Group's accounting policies where there are indicators that an exploration asset may be impaired, the exploration and appraisal assets are grouped with all development/producing assets belonging to the same geographic segment to form the Cash Generating Unit (CGU) for impairment testing. The combined cost of the CGU is compared against the CGU's net present value and any resulting impairment loss is written off to the Income Statement.

Net present value is based upon calculations carried out by independent experts commissioned by the Group. On 31 December 2006 net present value calculations were carried out using a discount factor of 10 per cent based on the Reserve Report prepared by DeGolyer and MacNaughton, an international consultancy to the oil and gas industry based in Dallas, Texas, USA. No impairment was considered necessary as a result of these calculations.

The Group has the exclusive right to explore and exploit the fell Block for a period of 35 years commencing on August 1997. The exploration period ends in May 2011. Once the Group discovers and brings into production a new field it has the right to exploit it until the end of the concession period.

The exclusive right to produce, explore and develop hydrocarbons in Del Mosquito field was granted for a period of 25 years, commencing in April 1991, with a possible extension of 10 years. This possible extension was not considered to impact the calculation of the net present value of the CGU's related to Del Mosquito field.

Note 14
Property, plant and equipment

Amounts in US$'000	Oil & gas properties	Furniture, equipment and vehicles	Production facilities and machinery	Buildings and improvements	Construction in progress	TOTAL
Cost at 1 January 2005	**1,816**	**72**	**4**	**-**	**-**	**1,892**
Exchange rate adjustment	(25)	-	-	-	-	(25)
Additions	1,925	87	238	-	-	2,250
Disposals	-	(5)	-	-	-	(5)
Transfers	(1)	1	-	-	-	-
Cost at 31 December 2005	**3,715**	**155**	**242**	**-**	**-**	**4,112**
Exchange rate adjustment	(38)	(1)	23	-	-	(16)
Additions	193	522	3,372	330	717	5,134
Disposals	-	(42)	-	-	-	(42)
Transfers (from intang. fixed assets)	761	-	46	-	-	807
Cost at 31 December 2006	**4,631**	**634**	**3,683**	**330**	**717**	**9,995**
Depreciation and write-down at 1 January 2005	(462)	(32)	(2)	-	-	(496)
Depreciation	(598)	(37)	(2)	-	-	(637)
Exchange rate adjustment	18	1	-	-	-	19
Disposals	-	2	-	-	-	2
Depreciation and write-down at 31 December 2005	**(1,042)**	**(66)**	**(4)**	**-**	**-**	**(1,112)**
Depreciation	(479)	(132)	(37)	(34)	-	(682)
Exchange rate adjustment	11	-	1	-	-	12
Disposals	-	23	-	-	-	23
Depreciation and write-down at 31 December 2006	**(1,510)**	**(175)**	**(40)**	**(34)**	-	**(1,759)**
Carrying amount at 31 December 2005	**2,673**	**89**	**238**	**-**	**-**	**3,000**
Carrying amount at 31 December 2006	**3,121**	**459**	**3,643**	**296**	**717**	**8,236**

Note 15
Subsidiary undertakings

Details of the subsidiaries of the Company are set out below:

	Name and registered office	Ownership interest
Subsidiaries	GEOPARK Argentina Ltd. - Bermuda	100%
	GEOPARK Argentina Ltd. - Argentine Branch	100%
	GEOPARK Chile Ltd. - Bermuda	100%
	GEOPARK Chile Ltd. - Chilean Branch	100%

Note 16
Prepaid taxes

Amounts in US$ '000	2006	2005
V.A.T. and other taxes	3,470	476

Note 17
Inventory

Amounts in US$ '000	2006	2005
Crude Oil	149	185
Materials and Spares	719	33
	868	**218**

Note 18
Trade receivables

Amounts in US$ '000	2006	2005
Trade accounts receivable	1,452	611

The carrying value of these short term financial instruments is considered to represent as a reasonable approximation of fair value.

Note 19
Joint venture

In 2006, the Group acquired the outstanding 10 per cent in a joint venture at the Fell Block, in the south of Chile, which has been accounted for by proportional consolidation.

On 12 June 2002, AES Gener S.A. transferred to the Group its participation in the Fell Block CEOP (special operation contract for the exploration and exploitation of hydrocarbons). As of 31 December 2004, GEOPARK Chile Ltd's participation in the CEOP was 55 per cent. The other participant in the agreement was ENAP.

On 4 July 2005, ENAP transferred to the Group 35 per cent of its rights in the CEOP.

On 16 May 2006, ENAP transferred to the Group the remaining 10 per cent of its rights in the Fell Block CEOP. As of 31 December 2006, the Group owns 100 per cent interest in the Fell Block.

Note 20
Share capital

Issued share capital	2006	2005
Common stock	31	20
The share capital is distributed as follows:		
Founders' shares, of nominal US$ 0.10	-	133,500
Class A - Common shares, of nominal US$ 0.10	-	66,500
Common shares, of nominal US$ 0.001	30,668,967	-
Total common shares in issue	**30,668,967**	**200,000**
US$ per share	0.001	0.1
Preferred shares		
3,325,000 class A shares, of nominal US$ 1	-	3,325,000
1,824,924 class B shares, of nominal US$ 1	-	1,824,924
Authorized capital as of 31 December		
Number of common shares (US$ 0.1 each)	-	200,000
Number of preferred shares (US$ 1 each)	-	5,149,924
Number of common shares (US$ 0.001 each)	5,171,949,000	-
Amount in US$	5,171,949	5,169,924

Details regarding the share capital of the Company are set out below:

Common shares
As of 31 December 2006 the outstanding common shares confer the following rights on the holder:
- the right to one vote per share;
- ranking pari-pasu, the right to any dividend declared and payable on common shares provided that no dividends shall be declared or paid on Common shares;

GEOPARK common shares history	Date	Change	Shares closing (millions)	US$('000) Closing
Beginning of the period at US$ 0.10 [1]	Dec 2005	-	0.2	20
Share capital divided to par value of US$ 0.001 [1]	6 Feb 2006	-	20.0	20
Convertible debt conversion [2]	6 Feb 2006	1.3	21.3	21
IFC equity subscription [3]	6 Feb 2006	2.5	23.8	24
Private placement in conjunction with AIM listing [4]	16 May 2006	6.8	30.6	31
Issue of shares for conversion of loan notes [5]	16 May 2006	0.1	30.7	31
Shares outstanding at the end of the period			**30.7**	**31**

1) The common shares outstanding at 31 December 2005 consisted of founders' common shares and Class A common shares.

   By resolutions passed on 6 February 2006:
   (a) the 133,500 founders shares and 66,500 class A common shares in the capital of the Company were redesignated as 200,000 common shares of US$ 0.10 each in the Company; and
   (b) each of the common shares of US$ 0.10 in the Company were sub-divided into 100 common shares of US$ 0.001 each.

2) By an amendment agreement dated 6 February 2006 GEOPARK Funding agreed to convert the convertible debt into common shares. This was effected on 6 February 2006 and 1,310,868 common Shares were allotted to GEOPARK Funding, which has in turn transferred the common shares to the participants pro rata with their participation. Further details of this debt can be found in note 21.

3) By a resolution passed on 27 February 2006 the Company allotted and issued to the IFC 2,507,161 common shares at a price of US$ 3.99 per share pursuant to the agreement dated 7 February 2006 between the Company and the IFC in respect of the IFC Investment.

4) On 16 May, 2006, the Company issued and placed 6,800,000 subscription shares on the Alternative Investment Market of the London Stock Exchange (AIM) at £ 3.20 per share.

5) In May 2006, US$ 300,000 of the A notes and B notes, issued after redemption of preferred shares, were converted immediately after admission to AIM into common shares at the placing price of £ 3.20 per share (50,938 shares).

Preferred shares
All preferred shares were fully redeemed in May 2006. The Preferred Shares, outstanding on December 2005, were divided into Class A Preferred Shares and Class B Preferred Shares. These Preferred Shares were issued in a package with Common Shares. Details regarding the accounting for these instruments in accordance with IAS 32 are found in note 21.

Class A and B Preferred Shares conferred on the holders no voting rights. They were redeemable at a redemption price of US$ 1.333 per Preferred Share.

Scheduled redemptions of Class A Preferred Shares should be paid prior to redemptions of Class B Preferred Shares and before the payment of any dividends and are subject to: EBITDAX during the previous fiscal year must exceed US$ 5,000,000 - otherwise the scheduled redemption should accrue until the next year when the EBITDAX requirement is fulfilled.

EBITDAX was defined as revenue less any costs and expenditures but before interest, taxes, depreciation and capital expenditure.

Note 21
Financial liabilities

Preferred shares
The preferred shares detailed in note 20 which were fully redeemed with proceeds from the IPO in May 2006, were originally issued in combination with common shares during 2003 and 2004. As of December 2005, the Directors of the Company consider that in substance these preferred shares and common shares should be regarded as one financial instrument and that the financial liability attributable to this instrument should be measured at fair value in accordance with IAS 32.

The Directors consider the fair value of the interest rate attributable to the liability component of this instrument to be 20 per cent, and have discounted the expected future cashflows in connection with this instrument (the redemption of the preferred shares) at this rate, in order to calculate the amount attributable to the financial liability component of the instrument. The residual amount is classed as equity in accordance with IAS 32.

As mentioned in Note 20, by resolutions passed on 6 February 2006, class A preferred shares and class B preferred shares were converted to new unsecured convertible A and B notes. In May 2006, US$ 300,000 of the A notes and B notes were converted immediately after admission o AIM into common shares. The outstanding US$ 4,132,000 of A notes and all of the US$ 2,433,000 of B notes were repaid out of the proceeds of the placing. In accordance with IAS 32, this redemption relates solely to the conversion of the debt element of the instrument and therefore expenses to the value of US$ 3,907,000 are included within exceptional financial expenses.

Convertible debt

The convertible debt outstanding on 31 December 2005 was converted into common shares on 6 February 2006. Further details of this conversion can be found in note 20.

A loan agreement dated 21 September 2005 existed between GEOPARK Funding Company, LLC ("GEOPARK Funding") and the Company, pursuant to which GEOPARK Funding had lent the company US$ 5,027,000.

The loan was unsecured and was subject to a simple interest rate of 10 per cent. All sums lent were evidenced by promissory notes. At 6 February 2006 the total principal loan outstanding was US$ 5,228,000 including interest.

By an amendment agreement dated 6 February 2006 GEOPARK Funding agreed to convert the loan into common shares. This was effected on 6 February 2006 and 1,310,868 common shares were allotted to GEOPARK Funding, which has in turn transferred the common shares to the participants pro rata with their participation. Consequently there are no amounts currently outstanding under the loan.

GEOPARK Funding was set up specifically to act as a conduit for financing the Company. Each individual entered into a private participation agreement with GEOPARK Funding, pursuant to which the individual would lend money to the Company (via GEOPARK Funding) and have a pro rata share of the relevant promissory note issued by the Company.

The Directors of the Company consider that this agreement constituted a compound financial instrument under IAS 32, and as a result that the financial liability attributable to this instrument should be measured at fair value in accordance with IAS 32. It is considered the fair values of these financial liabilities were not materially different from their carrying values in the Balance Sheet at that date.

As of 31 December 2005, the Directors considered the fair value of the interest rate attributable to this liability component of this instrument to be 15 per cent and discounted the expected future cashflows in connection with this instrument (the redemption of the preferred shares) at this rate in order to calculate the amount attributable to the financial liability component of this instrument. The residual amount was classed as equity in accordance with IAS 32.

Proceeds from issue of financial instrument	Amounts in US$'000
Attributable to:	
Equity	109
Financial liabilities	4,918
Finance charge accrued	194
Total financial liability as of 31 December 2005	**5,112**
Finance charge accrued	116
Conversion to shares	(5,228)
Total financial liability as of 31 December 2006	-

The Board considers the fair values of these financial liabilities not to be materially different from their carrying values in the Balance Sheet at each period end.

Note 22
Borrowings

On 12 December 2006, the Group entered into a loan agreement for an amount of US$ 20,000,000 with the International Finance Corporation ("IFC"), the private sector arm of the World Bank Group, to partially finance the 2007 Group's investment program. The IFC is also a shareholder in the group.

Loan disbursements made on 27 December 2006 were US$ 17,000,000 (which according to IAS 39 has been recorded net of transaction costs at US$ 16,505,000). The remaining US$ 3,000,000 were disbursed by the IFC during January 2007. This loan facility has a one year grace period and it is payable in ten consecutive half year instalments commencing on January 2008.

The interest rate applicable to this loan is LIBOR plus 3 per cent.

In relation with this loan, the Company has pledged the shares of GEOPARK Argentina Ltd. and GEOPARK Chile Ltd.

Under this facility the Company has committed to comply with some financial covenants. Failure to comply with those covenants may result in total or partial acceleration of any outstanding amounts under the loan agreement.

Note 23
Provision for decommissioning

Amounts in US$ '000	
At 1 January 2005	**41**
Exchange adjustment	(1)
Increase in environmental remediation costs	31
At 31 December 2005	**71**
Increase in environmental remediation costs	22
At 31 December 2006	**93**

The provision for decommissioning relates to the estimation of future disbursements related to the abandonment and decommissioning of oil wells. The total calculation of the provision is estimated by the Group's engineers, based on individual well filling and coverage. This provision will be utilised when the related wells are fully depleted.

Note 24
Trade accounts payable

Amounts in US$ '000	2006	2005
Trade payables	3,664	2,715

The fair value of these short term financial instruments is not individually determined as the carrying amount is a reasonable approximation of fair value.

Note 25
Share based payments

During the year, the Company established an IPO award program and Executive Stock Option plan. These schemes were established to incentivise the Directors, senior management and employees, and enable Directors and employees to benefit from the increased market capitalization of the Company.

IPO awards were granted to all of the Company's employees and certain consultants at the IPO date. The awards vest on the second anniversary of admission to IPO, and can be exercised up to the seventh anniversary of admission. The exercise price of these awards is US$ 0.001 (nominal value of the shares to be issued), and they can be exercised as long as the holder continues to be an employee of the company or maintains the consultancy role they had at the grant date. These awards represent an aggregate amount of 613,380 shares (approximately 2 per cent of the Company's outstanding common shares). The awards give no voting rights to the holders until they are exercised and converted into common shares when they will rank pari-passu with all existing common shares. The awards will vest in full in the event of a takeover, change of control or winding up of the Company.

The Executive stock option plan created by the Company to incentivise Directors, Senior Management and eligible employees of the Company has a total size of 613,380 share options (approximately 2 per cent of the Company's outstanding common shares). On admission to AIM the Company granted 605,000 stock options to the senior management and some eligible employees. The exercise price of these stock options is £ 4.00 (125 per cent of placing price), and they can be exercised as long as the holder continues to be an employee of the company or maintains the consultancy role they had at the grant date. The vesting period of these stock options is two years from granting date and the expiry is five years after the vesting date. The stock options give no voting rights to the holders until they are exercised and converted into common shares when they will rank pari-passu with all existing common shares. The awards will vest in full in the event of a takeover, change of control or winding up of the Company.

The fair value of the options granted is calculated using the Black-Scholes model. Due to the very short trading history of the Company, expected volatility was determined by comparison to a sample of AIM listed oil and gas companies with a similar market capitalisation to the Group but a longer trading history. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The main inputs used in the model are the following:

	Executive Directors	Directors, Senior Management and Eligible Employees
Grant date share price	£3.20	£3.20
Exercise price	£3.20	£4.00
Expected volatility	55%	55%
Vesting period	2 years	2 years
Expected life	4 years	4 years
Risk free interest rate	4.73%	4.73%
Fair value of the option	£1.50	£1.25
Number of options	306,690	1,218,380

The charge arising from these share options is as follows:

Amounts in US$ '000	2006	2005
a) Stock option plan	1,206	-
b) Stock awards	1,159	-
	2,365	**-**
c) Stock awards to Non executive Directors	191	
	2,556	

A total of 1,525,070 stock options were granted during May 2006 and have been accounted for in accordance with IFRS 2 as detailed in note 25. Costs for these stock option plans have been expensed in the selling and administrative exceptional costs in the Income Statement for the fiscal year 2006 for a total US$ 1,206,000

Costs for IPO awards to officers, employees and certain consultants (613,380 shares) granted in May 2006 will be accrued over the vesting period. An amount of US$ 1,159,000 has been expensed in the selling and administrative exceptional costs included in the Income Statement for the fiscal year 2006.

Stock awards to Non Executive Directors (32,813 shares) have been directly expensed in the selling and administrative expenses line for US$ 191,000 and recorded as other liabilities.

Note 26
Commitments and contingencies

Royalty commitments

In Argentina, crude oil production accrues royalties payable to Provinces of Santa Cruz and Mendoza (Argentina) equivalent to 12 per cent on estimated value at mouth of well of those products. This value is equivalent to final sales price less transport, storage and treatment costs.

In Argentina crude oil sales accrue private royalties payable to EPP Petróleo S.A. (2.5 per cent on invoiced amount of crude oil obtained from wells at "Del Mosquito", Province of Santa Cruz, Argentina) and to Occidental Petroleum Argentina INC, formerly (Vintage Argentina Ltd.). (8 per cent on invoiced amount of crude oil obtained from wells at "Loma Cortaderal" and "Cerro Doña Juana", Province of Mendoza, Argentina).

In Chile, royalties are payable to the Chilean Government, which is calculated at 5 per cent of crude oil production and 3 per cent of gas production. Additionally, GEOPARK Chile Ltd - Chilean Branch - is committed to pay private royalties, calculated at 3 per cent on hydrocarbon revenues up to a total amount of US$ 3,250,000.

Amounts in US$ '000		
Operating lease commitments	**2006**	**2005**
Falling due within 1 year	126	70
Falling due within 1 – 5 years	85	88
Falling due after 5 years	-	

Note 27
Related parties

Controlling interest

GEOPARK Holdings Limited, a Company registered in Bermuda, is owned:

a) 22 per cent of share capital, by Energy Holdings LLC, controlled by James Park (founder)
b) 21 per cent of share capital, by The Globe Resources Group controlled by Gerald O'Shaughnessy (founder),
c) 8 per cent of share capital, by IFC (International Finance Corporation),
d) 31 per cent of share capital, quoted on AIM London Stock Exchange,
e) 18 per cent of share capital, by other initial shareholders.

Balances outstanding and transactions with related parties (Amounts in '000)

Account	Transaction in 2006	Balances in 2006	Related Party	Relationship
2006				
Borrowings	16,505	(16,505)	IFC	Shareholders
Selling and administrative expenses	36	-	Lario Enterprises	(*)
Selling and administrative expenses	50	-	Christian Weyer	Non Executive Director (**)
2005				
Selling and administrative expenses	36	-	Lario Enterprises	(*)

* The Company paid US$ 36,000 during 2006 and US$ 36,000 during 2005 for services provided by Lario Enterprises LLC. Gerald O'Shaughnessy is a shareholder and director of GEOPARK Holdings Limited, and is the beneficial owner of Lario Enterprises LLC through trusts.

** Corresponding to consultancy provided upon IPO.

There have been no other transactions with the Board of Directors, Executive Board, executive officers, significant shareholders or other related parties during the year besides the intercompany transactions which have been eliminated in the consolidated financial statements, and normal remuneration of Board of Directors and Executive Board.

Note 28
Fees paid to Auditors

Amounts in US$ '000	2006	2005
Fees	187	149

These fees relate entirely to audit services.

Note 29
Financial instruments-risk management

The Group is exposed through its operations to one or more of the following financial risks:

- Foreign currency risk
- Market price risk
- Credit risk - concentration
- Funding risk
- Interest rate risk

The policy for managing these risks is set by the Board. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

Foreign currency risks
As there are activities in foreign countries, the Group's cash flows are influenced by the exchange rate of the Argentine and Chilean Peso. Sales receipts from Group production and funding are in US dollars. The Board do not consider there to be significant foreign exchange risks but manage them as follows:

The Group minimises the local currency positions in Argentina and Chile by seeking to equilibrate local and foreign currency assets and liabilities. However, local VAT receivable is stated in local currencies and it is unavoidably exposed to inflation and currency fluctuation.

Most of the Group's assets are associated with oil and gas productive assets. Such assets in the oil and gas industry even in the local markets are usually settled in local currency US$ equivalents.

Proceeds from the IPO were originally contributed in UK Sterling and then converted into US dollars, generating an exchange gain of approximately US$ 855,000. Some expenses are committed and paid in UK Sterling. The group does not engage in any currency hedging operations to cover this risk due to the low materiality of these transactions.

Exchange adjustments in respect of investments in subsidiary undertakings are recognised directly in equity. Related exchange risks are generally not hedged because it is the Group Directors' opinion that currently hedging of such long-term investments will not be optimal from an overall risk and cost perspective.

The US$ 20,000,000 loan was disbursed directly into the Argentinean and Chilean subsidiaries with the following split: US$ 14,000,000 was disbursed in the Chilean branch and US$ 6,000,000 to the Argentina branch (of which US$ 3,000,000 were disbursed in December 2006). These amounts are held in US dollars in Chile in time deposits at Citibank and in local currency in Argentina according to local regulations. These funds will be spent during 2007 to finance the investment programme, therefore the local currency risk is minimised.

Market price risks
The price collected for the oil produced by the Group is dependendant on WTI which is settled in the international markets in US dollars. The market price of these commodities is subject to significant fluctuation but during the time covered by these statements the Board did not consider appropriate to manage the Group's risk to such fluctuation through futures contracts or similar because to do so would not have been economical at the achieved production levels.

The long term gas supply contract in Chile is indexed to the methanol price, adding a different risk to the traditional oil and gas market exposure.

The sale of oil is subject to certain marketing and quality discounts such as, inter alia, API quality and mercury content. In the case of the oil sold in Argentina it is also subject to the impact of the retention tax on oil exports defined by the Argentine government.

The Board will adopt a hedging policy when it deems appropriate according to the size of the business and market implied volatility.

Credit risks - concentration
The Group's credit risk relates mainly to accounts receivable where the credits risks correspond to the recognised values. There is not considered to be any significant risk in respect of the Group's major customer. Substantially all oil production in Argentina is sold to Petrobras, a Brazilian oil and gas company, which has good credit standing.

In Chile all gas production is sold to the local subsidiary of the Methanex Corporation (a Canadian public company). All the oil produced in Chile is sold to ENAP, the State owned oil and gas company. Both companies have a very good credit standing and despite the concentration of the sale they do not represent a significant collection risk.

Funding risk
With the proceeds from the IPO and the loan from IFC, the Company has fully funded its 2007 capital expenditures programme. Management is currently negotiating the extension of some clients' financing to cover the 2008 needs.

Interest rate risk
The loan from the IFC accrues variable interest rate which depends on LIBOR rate. For the period covered by these financial statements the Group has decided not to buy any coverage for this risk.

BOARD OF DIRECTORS

Sir Michael R. H. Jenkins – Non-Executive Director

After graduating from Cambridge University in 1959, Sir Michael joined the British Diplomatic Service and served in several European capitals, including ten years in the European Commission in Brussels with terms as Chef de Cabinet to the Commissioner for Regional Policy, Principal Adviser to the EC President Roy Jenkins and Deputy Secretary-General of the Commission. Sir Michael was Assistant Under-Secretary of State at the Foreign & Commonwealth Office responsible for European affairs and East/West relations before becoming Minister and deputy head of mission at the British Embassy in Washington D.C from 1986 to 1988. From 1988 to 1992, he was British Ambassador to The Netherlands. Sir Michael joined the board of investment bank Kleinwort Benson in 1993 as an executive director and became Vice-Chairman of Dresdner Kleinwort Wasserstein in 1996 with particular focus on the investment bank's continental European activities. Sir Michael was a non-executive director of the Dutch insurance group AEGON from 1995 to 2001; Chairman of the British Group of the Trilateral Commission from 1996 to 1998; and President of Boeing UK from 2003 to 2005 (where he remains as an advisor). Sir Michael joined GEOPARK in April 2006.

Christian M. Weyer – Non-Executive Director

Mr. Weyer is an international banker and financier with over 50 years of experience. Mr. Weyer began his banking career with Chase Manhattan Bank as a senior credit officer in Paris and Geneva and subsequently worked as an executive at Banque Paribas until becoming President of Banque Paribas (Suisse) in 1984-5. During his career, Mr. Weyer has been credited with innovating new forms of trade finance and lines of credit and was instrumental in the growth of several large oil trading firms; as well as supporting the development of oil and gas exploration companies. From 1988 to 1992, Mr. Weyer was special adviser to Banque Indosuez for energy matters. Since 1992, he has been President of ENERFIN in Geneva, Switzerland, an advisory firm providing investment banking services to junior oil and gas companies. Mr. Weyer joined GEOPARK in 2002 as an advisory board member and in 2003 as a Director. In April 2006, he was appointed as a Non-executive Director.

Peter Ryalls – Non-Executive Director

Mr. Ryalls, who joined GEOPARK in April 2006, obtained a Master's Degree in Petroleum Engineering from Imperial College in London and began working in the oil industry in 1972 with oil service company Schlumberger in Angola, Gabon and Nigeria. Mr. Ryalls then joined Mobil North Sea and later Unocal where he worked in increasingly senior positions, including Managing Director in Aberdeen, and where he developed extensive experience in offshore production and drilling operations in the North Sea and internationally. In 1994, Mr. Ryalls represented Unocal in the Azerbaijan International Operating Company (AIOC) as Vice President of Operations based in Baku and was responsible for production, drilling, reservoir engineering and logistics. In 1998, Mr. Ryalls moved to Buenos Aires, Argentina as General Manager for Unocal in Argentina. He subsequently moved to Louisiana as Vice President of Unocal's Gulf of Mexico oil and gas business and then Vice President Global Engineering & Construction of Unocal – responsible for the implementation of all major capital projects ranging from deepwater developments in Indonesia and the Gulf of Mexico to conventional oil and gas projects in Thailand. Mr. Ryalls strengths are in risk management across the project development cycle with a strong focus on health, safety and environment.

Gerald E. O'Shaughnessy – Executive Chairman

Mr. O'Shaughnessy graduated from the University of Notre Dame with degrees in government and law, and thereafter practiced law until joining Lario Oil and Gas (his family company and one of the oldest independent oil and gas companies in the USA) as Senior Vice President. From 1986 until present, Mr. O'Shaughnessy has focused on private venture capital investment activities, including international oil and gas exploration and development through the Globe Resources Group. In 1992, Mr. O'Shaughnessy acquired a geophysical service company which co-founded the first energy sector joint venture in Russia during perestroika and from 1992 to 1995 he initiated and managed the largest well servicing and rehabilitation project in Western Siberia, involving sophisticated logistical operations and the rehabilitation of 700 wells (increasing production from 0 to 100,000 bpd). Mr. O'Shaughnessy's participation in this project made him the first western partner of OAO Lukoil, and he subsequently entered into other partnerships with OAO Lukoil including building and managing one of the world's largest oilfield pump repair facilities. Mr. O'Shaughnessy co-founded GEOPARK in 2002.

James F. Park – Chief Executive Officer

Mr. Park has extensive experience in all phases of the upstream oil and gas business – with a strong background in the acquisition, implementation and management of international joint ventures, including assignments in North America, Latin America, Asia, Europe and the Middle East. He graduated from the University of California at Berkeley with a degree in geophysics, following which he worked as a research scientist in earthquake and tectonic studies. In 1978, Mr. Park joined an oil and gas exploration project in Guatemala (Basic Resources International Limited) which pioneered the development of commercial oil and gas production in Central America and, as a senior executive, was closely involved in the development of the company (including grass-roots exploration activities, drilling and production operations, surface and pipeline construction, legal and regulatory issues, crude oil marketing and transportation, and raising substantial investment funds). He remained as a member of the board of directors until the company was successfully sold in 1997. Mr. Park has also participated in projects in California, Louisiana, Argentina, Yemen, and China. Mr. Park has lived in Argentina and Chile since co-founding GEOPARK in 2002.

Directors	Gerald Eugene O'Shaughnessy (Executive Chairman) James Franklin Park (Chief Executive Officer and deputy Chairman) Sir Michael Romily Heald Jenkins (non-executive Director) Peter Ryalls (non-executive Director) Christian Maurice Weyer (non-executive Director)
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Solicitors to the Company as to Bermuda Law	Cox Hallett Wilkinson Milner House 18 Parliament Street PO Box HM 1561 Hamilton HMFX Bermuda
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