ANNUAL REPORT 2007

GEOPARK

ASSETS CAPABILITIES OPPORTUNITIES PERFORMANCE

CONTENTS

DEAR SHAREHOLDERS,

Again in 2007, all of GEOPARK's basic value drivers improved: oil and gas production was up, revenues were higher, and reserves were increased.

The year also represented another active period of achievement with important groundwork laid to anchor future growth: an aggressive multi-year drilling and investment program was initiated; two new oil and gas fields were discovered and put on production; a new, creative capital funding source was established; critical infrastructure and equipment was acquired and put into operation; new seismic results indicated an increase in oil and gas reserve potential; the management team was strengthened; and a new long term gas sales contract secured significantly higher gas prices and de-risked further activities on our Chile project.

As a result, GEOPARK's market value increased and outpaced many of our peers. We are pleased, therefore, to report that your Company is financially stronger, more capable and more highly valued than when we wrote to you last year.

Importantly, the Company also expanded its overall acreage position by the recent acquisition of an interest in the Tranquilo block, a large new attractive exploration area (over 6,600 square kilometres) in Chile near the Company's Fell Block. Subject to Chilean regulatory approval, GEOPARK will acquire a 30% working interest and be named operator of the new joint venture. Entry into the Tranquilo block substantially builds our opportunity portfolio, and further enhances our position as the leading private-sector oil and gas company in Chile.

GEOPARK has set ambitious growth targets – and despite our solid accomplishments during the year – some objectives were not achieved. Some causes were outside of our control (such as the half year delay in delivery of a drilling rig), but the Company continues to work on understanding and resolving the causes for these variances. GEOPARK's business plan remains focused on building and investing in the four basic components of long term value creation: our assets, capabilities, opportunities and performance. We believe that our steady improvement in each of these areas has strengthened our ability to consistently deliver value growth for Shareholders now and in the future.

AGAIN THIS YEAR, ALL OF GEOPARK'S BASIC VALUE DRIVERS IMPROVED: OIL & GAS PRODUCTION WAS UP, REVENUES WERE HIGHER, PROVEN OIL RESERVES INCREASED AND ACREAGE EXPANDED.

2007 PERFORMANCE

During 2007, specific results include:

- **Revenue Increase** – up 83% to US$11.0 million vs. 2006
- **Production Increase** – up 56% to approximately 2,300 barrels of oil per day equivalent (boepd) at year-end
- **Reserves Increase** – proven reserves up 41% to 16.8 million barrels of oil equivalent (boe), probable reserves up 9% to 18.8 million boe, and possible reserves up 231% to 91.9 million boe (independent preliminary appraisal of May 2008 compared to independent appraisal of May 2006)
- **Earnings Loss** – net loss after tax of US$13.8 million (Cash and available facilities at year end were US$35.0 million)
- **Market Value Increase** – up 52% during the year

Other accomplishments during 2007 and to date include:

- **Drilling Program Success** – In June 2007, the Company began its drilling program in Chile and Argentina which, to date, has resulted in five new producing wells, including two new field discoveries. Two other new wells tested hydrocarbons but require further testing or remedial operations before being put on stream. One well is scheduled for sidetracking operations and two wells have been drilled and cased and await testing operations. Two exploration wells drilled in Argentina were unsuccessful. GEOPARK currently has two rigs (one drilling and one workover) operating in Chile with another drilling rig being transported to Chile to begin operations in Q3 2008. The 2008 drilling program envisages drilling 17-20 new wells in Chile and Argentina.

- **New Fields on Production** – During 2007, GEOPARK added production from five new gas fields in Chile (San Miguel, Dicky, Dicky Oeste, Kimiri Aike and Kimiri Aike Norte) and now has twelve producing oil and gas fields in Argentina and Chile.

- **Oil and Gas Reserve Growth** – Based upon the results of only 7 months of drilling operations, DeGolyer & MacNaughton, the independent petroleum engineering firm, has provided figures for its preliminary May 2008 report which demonstrate an overall increase in all reserve categories. Proven reserves up 41% to 16.8 million barrels of oil equivalent (boe), probable reserves up 9% to 18.8 million boe, and possible reserves up 231% to 91.9 million boe (independent preliminary appraisal of May 2008 compared to independent apparaisal of May 2006). In Argentina, where little investment activity took place and where new reserve definitions reduced forecasted production life, the reserves declined.

- **New Long Term Gas Sales Contract** – The Company entered into a new 10 year sale and purchase agreement with the Methanex Corporation of Canada ("Methanex") for its Chilean gas production which provides a secure long term market for the Fell Block gas reserves and an overall increase in the gas sales price. This agreement underpins the long term economic development of GEOPARK's Fell Block project. During December 2007, GEOPARK's gas sales price, which is dependent on the world price of methanol, exceeded US$5.00 per thousand cubic feet (mcf), representing more than a doubling of the gas price in January 2007 under the previous contract.

- **New Tranquilo Block** – In April 2008, GEOPARK entered into an agreement (subject to Chilean government approval) to operate and acquire a 30% working interest in the Tranquilo Block in southern Chile. This high potential acreage position (over 6,600 square kilometres) is located near GEOPARK's Fell Block and may be managed from GEOPARK's existing facilities. Other joint venture partners in the project include: Pluspetrol Resources (30%) from Buenos Aires, Argentina, IPR (20%) from Dallas, Texas and Manas Petroleum (20%) from Zurich, Switzerland.

WE ARE PLEASED TO REPORT THAT GEOPARK IS FINANCIALLY STRONGER, MORE CAPABLE, BETTER POSITIONED AND MORE HIGHLY VALUED THAN WHEN WE WROTE TO YOU LAST YEAR.

- **Investment Capital Secured** – GEOPARK entered into an agreement with Methanex during Q4 2007 which provides for a US$40 million financing of GEOPARK's development and investment activities on the Fell Block. The financing is structured as a gas pre-sale agreement with a six year pay-back period at an interest rate of LIBOR ("London InterBank Offered Rate"). As of 31 December 2007, approximately US$13 million of this fund had been drawn down by GEOPARK. During January 2007, the Company received the final US$3 million tranche of the US$20 million loan from the International Finance Corporation (IFC), the World Bank subsidiary. IFC is also a GEOPARK shareholder.
- **Expanded Infrastructure** – New pipelines and plants were constructed on the Fell Block in Chile providing a platform to enable a quick cycle time for any new production to be connected to the regional gas infrastructure and market. Construction of the Kimiri Aike Dew Point and Compression Plant in Chile was completed and brought on line in November 2007. Initial plant capacity was 24 million cubic feet per day (mmcfpd) – which was expanded to 35 mmcfpd with the installation of an additional compressor in Q1 2008. GEOPARK also constructed approximately 30 kilometres of new gas pipelines in Chile during 2007 to tie-in new fields.
- **Increased Potential** – A US$7 million 3D seismic program in Chile (covering 472 square kilometres) was concluded during Q1 2007. In Q4 2007, an additional 203 square kilometres of 3D seismic was performed in Chile at a cost of US$ 2.5 million. Following processing and interpretation, additional new prospects and opportunities were delineated which had not been previously available from the 2D seismic information. In addition, new structures were identified containing bright spot anomalies which suggest the presence of gas in these structures and which will assist in the location of new drilling opportunities.

Please see the Year in Review for further detailed results.

2008 OUTLOOK

Supported by 2007 results, GEOPARK is pursuing a US$57 million capital investment program in 2008 in Chile and Argentina with the following objectives:

1. Increase oil and gas production and reserves
   - Drill 17-20 new wells to explore for new fields and to appraise and develop existing fields
   - Optimize reservoir performance by hydraulic fracturing and stimulation
   - Prioritize projects with short cycle time to production
   - Perform geological and geophysical studies to increase inventory of drilling opportunities
2. Improve performance and project economics
   - Increase efficiency and reduce operating and administrative expenses
   - Reduce capital expenditure costs by technological and design improvements
   - Construct additional production facilities
3. Manage risk
   - Balance risk exposure in work program between production, development and exploration projects
   - Farm-out higher risk / non-core areas
4. Growth
   - Increase acreage and acquire new projects to regenerate and expand portfolio

FOUNDATION

GEOPARK has continued to invest in and recruit a team of people which we believe will prove to be the differentiating factor in our future success. We have been fortunate in being able to assemble a collection of successful oil and gas professionals and dedicated employees whose capacities exceed the norm for companies of our size.

In less than six years, we have grown from a start-up into a company operating multiple projects in two countries and over large distances, sometimes in harsh environments with limited resources, while carrying out a large and technically challenging investment program. In Chile, GEOPARK pioneered the first private-sector oil and gas production. The capacities, spirit and persistence required of our management and employees during our early growth remain an important asset of our Company and can give us confidence that we are prepared and able to meet the continuous challenges endemic to our industry and our efforts to deliver value.

We appreciate the active support and counsel from our Board of Directors which has resulted in improved corporate governance and shareholder accountability. The Board's involvement and its variety and depth of experience have increased our day-to-day discipline and our opportunities for the future.

GEOPARK engages safety, health, environmental and social responsibilities with a market-based integrated approach which we believe enhances our goal of building a successful and profitable company. We see our commitments to shareholders, employees, the environment and our local communities as fundamental and interdependent elements of our overall business plan. This is not just a "box-ticking" exercise for us, but one where we expect to reap real dividends for all our constituents. If we are the true performer, the best place to work, the preferred partner and the cleanest operator, our future will be bigger, better and more secure.

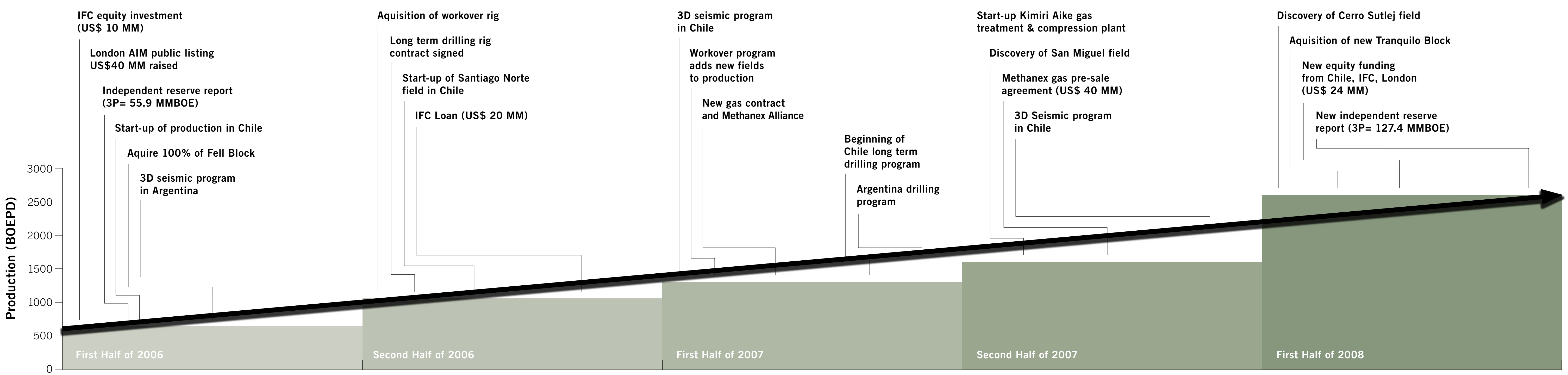
Again, thank you, our Shareholders, for your continued support during 2007. Your management and employees look forward to the exciting opportunities of 2008 and to further demonstrating our performance, improvements and achievements throughout the year.

Sincerely,

Gerald E. O'Shaughnessy , Chairman

James F. Park, Chief Executive Officer

GEOPARK IS A LATIN AMERICAN OIL AND GAS PRODUCER AND EXPLORER WITH PROPERTIES IN ARGENTINA AND CHILE. GEOPARK'S FOUR BASIC COMPONENTS OF LONG TERM VALUE CREATION ARE ITS ASSETS, CAPABILITIES, OPPORTUNITIES AND PERFORMANCE.



GEOPARK'S PORTFOLIO OF OIL AND GAS ASSETS CONSISTS OF FIVE HYDROCARBON BLOCKS (THREE BLOCKS IN ARGENTINA AND TWO BLOCKS IN CHILE) TOTALLING APPROXIMATELY 1.2 MILLION NET ACRES – AND THE ASSOCIATED INFRASTRUCTURE, PRODUCTION FACILITIES, OPERATING LICENSES AND A VALUABLE TECHNICAL DATABASE.

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. (Aquisition of the Tranquilo Block is subject to Chilean government approval.)

RESERVES

Four of GEOPARK's blocks have been appraised with proved and probable reserves and three blocks have established oil and gas production. DeGolyer & MacNaughton, independent petroleum engineers, have estimated in its preliminary report of May 2008 a total of 16.8 million barrels oil equivalent (boe) of proved reserves, a total of 18.8 million boe of probable reserves, and a total of 91.9 million boe of possible reserves on the four blocks. DeGolyer & MacNaughton also appraised 45.6 million boe of contingent resources (best estimate).

Country	Reserve Classification	Oil and Condensate (MMBBL)	Gas (BCF)	BOE (MMBOE)
Chile	Proven	2.0	82.0	15.7
	Probable	3.3	81.9	17.0
	Possible	7.1	485.5	88.0
Argentina	Proven	0.9	1.0	1.1
	Probable	1.8	–	1.8
	Possible	3.9	–	3.9
Total (1)	Proven	2.9	83.1	16.8
	Proven plus Probable	8.0	164.9	35.5
	Proven plus Probable plus Possible	19.0	650.4	127.4

	Contingent Resources (Best Estimate) (1)			Prospective Resources (Best Estimate) (2)		
Hydrocarbon	Oil (MMBBL)	Gas (BCF)	Total (MMBOE)	Oil (MMBBL)	Gas (BCF)	Total (MMBOE)
Chile	1.4	248.4	42.8	17.5	320.4	70.9
Argentina	2.3	2.8	2.8	29.9	–	29.9
Total	3.7	251.2	45.6	47.4	320.4	100.8

(1) DeGolyer & MacNaughton Preliminary May 2008 (2) GEOPARK - Internal Estimate December 2007

ACREAGE

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. 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 an excellent 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 undrilled prospects and plays such as the Tobifera, Tertiary and Estratos con Favrella formations.

Ten oil and gas fields are currently being produced by GEOPARK on the Fell Block and DeGolyer & MacNaughton has appraised proven, probable and possible reserves and contingent resources. There is an existing market for oil and gas production and good infrastructure throughout the block including oil and gas pipelines, facilities, terminals, and access roads. GEOPARK is the operator of the Fell Block and has a 100 per cent ownership interest.

GEOPARK became the first private-sector oil and gas producer in Chile when it put five oil and gas fields into production in 2006, following the rehabilitation of selected wells and the construction of new gas pipelines and processing facilities. These fields included: Ovejero, Nika, Molino, Santiago Norte and Pampa Larga.

GEOPARK IS THE FIRST PRIVATE SECTOR OIL AND GAS PRODUCER IN CHILE. IN 2007, AFTER DRILLING NEW WELLS, REHABILITATING EXISTING WELLS AND BUILDING NEW PIPELINES AND PROCESS FACILITIES, GEOPARK PRODUCED OIL AND GAS FROM 10 FIELDS IN CHILE.

In 2007, after further infrastructure construction, workovers and the drilling of new wells, GEOPARK brought five additional oil and gas fields on-stream (Kimiri Aike, Kimiri Aike Norte, Dicky, Dicky Oeste and San Miguel).

During Q1 2007, a 563 square kilometre (US$7 million) 3D seismic program was completed on the block. This survey, which has been processed and interpreted by GEOPARK, provides the basis for the current Fell Block drilling program. Results from the 3D survey have expanded the number of potential drilling targets previously identified by the 2D seismic coverage. During Q4 2007, another 3D seismic survey was initiated covering an area of 203 square kilometres (US$ 2.5 million).

In June 2007, GEOPARK began its drilling program in Chile which, to date, has resulted in five new producing wells, including two new field discoveries. Two other new wells tested hydrocarbons but require further testing or remedial operations before being put on stream. One well is scheduled for sidetracking operations and two wells have been drilled and cased and await testing operations.

GEOPARK plans to drill a total of 15-18 wells on the Fell Block in 2008. Development wells to be drilled include locations in the Pampa Larga, Nika Oeste, Ovejero, San Miguel, Monte Aymond and Santiago Norte fields. Wells to test new prospects include Cerro Sutlej, Zunilda, Bump Hill, and Aonikenk. GEOPARK currently has two rigs (one drilling and one workover) operating in Chile with another drilling rig being transported to Chile to begin operations in Q3 2008.

DEL MOSQUITO BLOCK

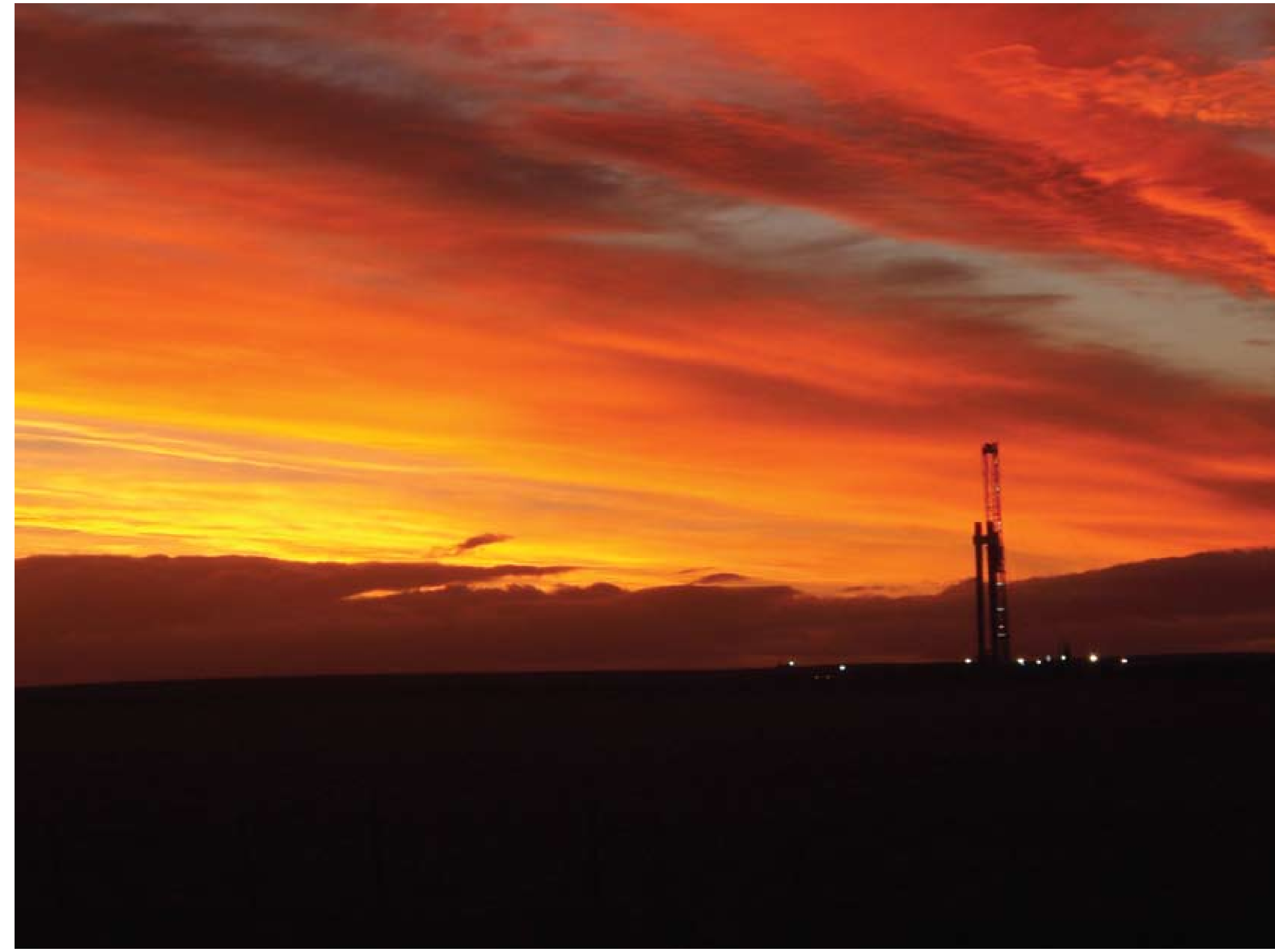
The Del Mosquito Block is located in the Austral basin in southern Argentina. The Austral Basin produces nearly ten per cent of Argentina's total oil production and nearly twenty per cent of its total gas production. Although the Fell and Del Mosquito Blocks are located in different countries, they are situated in the same geological basin and, at their closest point, are less than 20 kilometres 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 have 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 currently only one 600 square kilometre area covered by eight wells. Three 3D seismic surveys, totalling an area of 562 square kilometres, cover almost 65 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 underexplored. There is good infrastructure, nearby gas plants and pipelines and an easily accessible crude oil market (40 kilometres by truck). GEOPARK is the operator of the Del Mosquito Block and has a 100 per cent working interest.

GEOPARK established oil production on the bock in 2002 by rehabilitating the abandoned Del Mosquito field. In 2004, GEOPARK discovered a new field – Del Mosquito Norte – which currently has two 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.

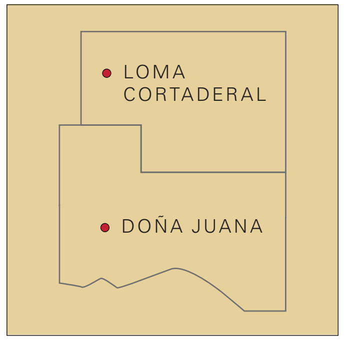
Based on a 400 square kilometre (US$3.5 million) 3D seismic survey carried out and processed in 2006, GEOPARK's geoscience team performed geological and geophysical interpretations during 2007 which identified and delineated over 15 potential hydrocarbon-bearing prospects.

During 2007, two unsuccessful exploration wells were drilled in the southern portion of the block on prospects delineated by 3D seismic but which proved to have inadequate reservoir conditions. GEOPARK has budgeted two wells to be drilled during 2008 on Del Mosquito and is evaluating the option of bringing a partner into the project to increase investment activity.



THE CAPACITIES, SPIRIT AND PERSISTENCE REQUIRED OF OUR TEAM DURING OUR EARLY GROWTH REPRESENT A KEY ASSET OF GEOPARK AND GIVE US CONFIDENCE THAT WE ARE PREPARED AND ABLE TO MEET THE CHALLENGES AHEAD.

INDEPENDENTLY-APPRAISED OIL AND GAS RESERVES SHOWED SUBSTANTIAL INCREASES SINCE THE IPO, THEREBY GIVING FURTHER CONFIDENCE AND SUPPORT TO THE AGGRESSIVE WORK AND INVESTMENT PROGRAM SCHEDULED FOR 2008.



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. DeGolyer & MacNaughton have 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.

Crude oil production was established on Loma Cortaderal Block following a light repair workover on well Loma Cortaderal 2 and installation of a mechanical beam-pumping unit. Further geological studies were performed on the blocks during 2007 with the expectation of developing a future exploration and development program and providing a basis to potentially farm-out the blocks.

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, GEOPARK 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. GEOPARK believes that its success in building these capabilities represents an important differentiating factor which will provide it with a competitive advantage over the longer term.

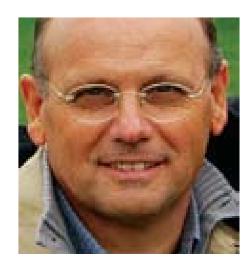
PEOPLE

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 technical and commercial performance in frontier and complex projects in Latin America and around the world as well as in the specific geological basins where the Company operates.

During 2007, GEOPARK continued to add key managers and employees in all departments – Geoscience, Operations and Support – to ensure its ability both to effectively develop existing assets and to operate new assets. During Q1 2008, Dr. Carlos Gulisano joined the Company in a new position of Managing Director (reporting to the CEO) to coordinate and supervise the Geoscience, Production, Drilling, Service and Finance departments.

GEOPARK is managed from its head office in Buenos Aires, Argentina – with legal offices located in Santiago, Chile and Hamilton, Bermuda and a representative office in London, England. In order to ensure a more efficient and hands-on operation, field offices and administrative centres have been established close to and on the Company's blocks, including field offices in Punta Arenas and on the Fell Block in Chile and in Rio Gallegos and on the Del Mosquito Block in 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 1990s) 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.



EQUIPMENT & INFRASTRUCTURE

In order to carry out its 2008 work program, GEOPARK requires two drilling rigs and a completion/workover rig. To market its gas production forecasted for 2008, the Company also requires a gas processing and compression facility to permit direct access to the main regional gas pipeline. To satisfy these requirements, GEOPARK carried out the following in 2007:

- Operated a workover rig which it had assembled and rebuilt with a local Argentine partner (including both the purchase and lease of equipment) during 2006. This rig will form part of GEOPARK's new service company: Southern Cross.
- Initiated 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 is being operated by a US/ Argentine drilling contractor.
- Initiated the acquisition of a second drilling rig to be operated by its Southern Cross service company. A portion of the rig was used during 2007 for the Del Mosquito Block drilling program in Argentina and the remainder shall be assembled and delivered to the Fell Block in Chile during Q3 2008. The rig is expected to have a depth capacity of 10,000 feet.
- Completed the construction and installation of a gas production plant (dew point and compression facility) on the Fell Block. This facility (the "Kimiri Aike Plant"), which originated in Bolivia and is being leased from the Hanover Compression Company under a long term contract, was put into operation during Q4 2007 after an investment (including the construction of associated tank batteries) of US$6.5 million. The plant provides direct access to the main regional gas pipeline and allows rapid commercialization of new gas production from the drilling program. During 2008, the plant's capacity of 24 million cubic feet per day of gas was increased to 35 million cubic feet per day with the addition of another compressor.
- Constructed an additional 30 kilometres of gas pipelines on the Fell Block to connect new oil and gas fields to production. Approximately 50 kilometres of gas pipelines have been built on the Block since 2006.

CAPITAL

To successfully participate in the capital-intensive oil and gas business, GEOPARK is continuously developing potential funding sources to ensure the efficient development of its assets. To date, over US$135 million has been raised by GEOPARK – demonstrating its ability to attract the capital and strong shareholders needed to facilitate its future growth. Furthermore, the cost of financing, which is currently LIBOR + 1%, is attractive for a company of GEOPARK's size.

GEOPARK has made continuous progress in strengthening its balance sheet 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 Group.

- 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 GEOPARK'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 GEOPARK.

- Methanex Pre-Sale Loan Facility for US$40 million in 2007. This agreement provides for GEOPARK to borrow up to US$40 million from Methanex with conditions which include:
  - Pay back in gas production over six years
  - An interest rate paid on borrowed funds of LIBOR flat

- New equity funding of approximately US$24 million in 2008 from a strategic block of Chilean investors and pension funds, the IFC and certain London institutional investors. The placing, which was limited to 10% of the current issued share capital of the Company, was significantly oversubscribed. (This placing occurred following the date of the independent auditor's report and was not reviewed by them for this report.)

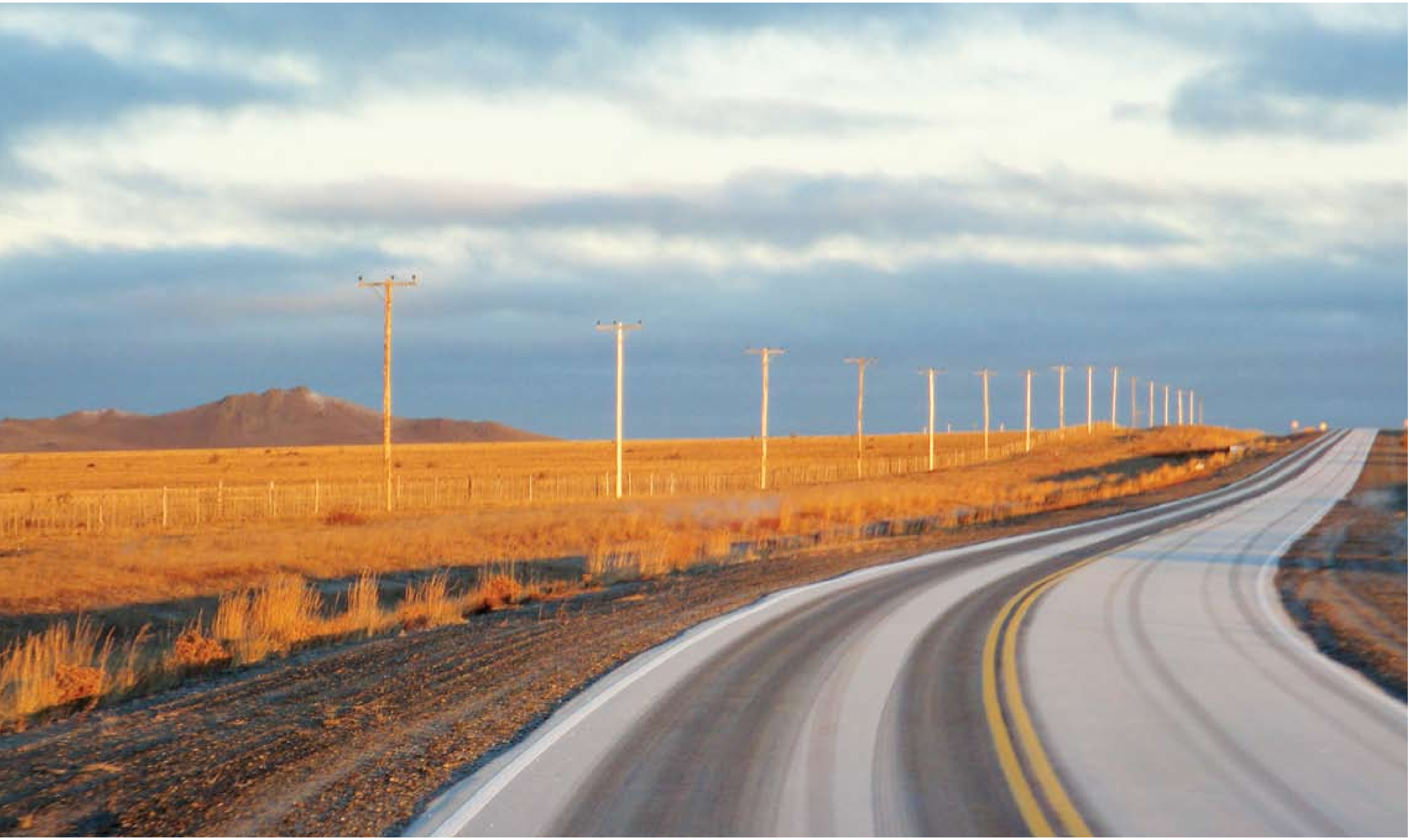
At the end of 2007, GEOPARK had US$35 million of cash and available facilities.

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 favours smaller companies

In Chile, GEOPARK is currently the only private-sector oil and gas operator – although it is expected during 2008 to include three new operators. In Argentina, GEOPARK is also one of only approximately 50 approved oil and gas operators.

GEOPARK IS FOCUSED ON THE SOUTHERN CONE OF LATIN AMERICA – WHICH IS A RICH UNDEREXPLORED HYDROCARBON REGION WITH AN ECONOMIC FUTURE DEPENDENT ON THE DEVELOPMENT OF SECURE ENERGY SUPPLIES.



GEOPARK'S FULL CYCLE WORK PROGRAM, CONTAINING REHABILITATION, DEVELOPMENT, EXPLORATION AND ACQUISITION PROJECTS, ALLOWS THE COMPANY 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.

GEOPARK's business plan includes a portfolio of multiple in-house projects and a strategic base from which to pursue a targeted acquisition plan, which is expected to include both asset and corporate targets. Its full-cycle exploration and production work program allows the Company to move forward along different lines simultaneously and independently. This available mix of rehabilitation, development and exploration opportunities allows GEOPARK to balance its risk exposure and ensure continuous growth.

In 2008, GEOPARK will pursue an aggressive US$57 million investment program to drill 17-20 new wells and to expand its production facilities and infrastructure in Chile and Argentina. The program is targeted to develop existing fields and discover new fields in order to both increase oil and gas production and increase oil and gas reserves. Efforts also will be focused on improving reservoir performance, expanding the prospect inventory, acquiring new drilling and workover equipment and growing through the acquisition of new projects and blocks.

MARKET

As a result of increased gas demand in Argentina and newly imposed export restrictions and duties on Argentine 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 currently in Chile, this market shift has substantially increased the value of GEOPARK's Chilean gas reserves.

Located approximately 100 kilometres from GEOPARK's Fell Block, Methanex operates a US$1.2 billion plant in Chile which has the capacity to consume 350 million cubic feet per day of gas and produce 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 cut off by the recent Argentina export duties and restrictions; thereby creating an important market opportunity for GEOPARK. GEOPARK seized this opportunity and entered into a strategic alliance 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. As a result of these agreements, GEOPARK was able to realize gas prices of over US$5.00 per mcf at the end of 2007 and to begin to draw down on a US$40 million loan facility.

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 Argentina retention tax adjustments.

Methanex Plant

GROWTH

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 favour 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.

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).

The recent acquisition by GEOPARK of the new Tranquilo Block (subject to Chilean regulatory approval) resulted from this strategy and the need of the original block owners to bring in an experienced Chilean operator and partner.

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.

CREATING VALUE & GIVING BACK

Long term success for international resource companies depends upon solving complex logistical and operational challenges, overcoming fierce competition for new opportunities and good people, and meeting a broadening set of demands and standards from local governments and core constituencies. Meeting these challenges and performing to these new standards are what differentiate a successful company from the rest of the pack.

"Creating Value and Giving Back" represents GEOPARK's integrated and market-based approach for meeting these challenges and achieving our business plan through the alignment of our values, responsibilities and business goals.

GEOPARK's overall business plan is to create long term value by finding and producing energy, based on good science and efficient operations, and to return that value to our core constituencies, which we define as our: Shareholders, Employees, Communities and Environment.

- GEOPARK is committed to delivering 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.
- GEOPARK is committed to creating a safe and motivating workplace for employees. With today's shortage of capable energy professionals, the company which is able to attract, retain and train the best team with the best attitude will always prevail.

- GEOPARK is committed to being the preferred neighbor and partner by creating a mutually beneficial exchange with the local communities where we work. Unlocking valuable local knowledge contributes an important asset to our projects – and if our efforts enhance local goals and customs, we will be invited to do more.
- GEOPARK is committed to minimizing the impact of our projects on the environment. As our footprint becomes cleaner and smaller – the more areas and opportunities will be opened up for us to work in. Our long term well-being requires us to properly fit within our natural surroundings.

GEOPARK's specific methodology is focused on undertaking realistic and practical programs based on best world practices. Our emphasis is on building key principles and company-wide ownership and then expanding programs from within as we continue to grow. Our comprehensive in-house designed EHSS management program, entitled S.P.E.E.D. (for Safety, Prosperity, Employees, Environment and Community Development), is being developed in accordance with: ISO 14001 for environmental management issues; OSHAS 18001 for occupational health and safety management issues; SA 8000 for social accountability and worker rights issues; the Development Standards of the World Bank; and the Quoted Companies Alliance standards for good corporate governance.

"Creating Value and Giving Back" represents GEOPARK's underlying value system which provides us the leadership, internal confidence, opportunities and foundation required for long term success. It is our competitive advantage. And, it reflects our pride in achieving an important mission in the right way.

The Directors submit their report together with the audited consolidated financial statements of GeoPark Holdings Limited for the year ended 31 December 2007.

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. The Company has a representative office at 35 Picadilly, W1J ODW, London, United Kingdom.

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 Block in (Chile) and the Del Mosquito, Cerro Doña Juana and Loma Cortaderal Blocks in Argentina.

Business Review
The Chairman's and Chief Executive's Letter to Shareholders and the Year in Review on pages 4 to 35 describe in more detail the significant developments in the Group during 2007 and its risks, uncertainties and future prospects.

Results and Dividends
The Group's loss after tax for the year was US$13,808,000 (2006: US$11,349,000). The Directors do not recommend payment of any dividend (2006: nil).

Events since the Balance Sheet Date
The Group entered into a farm-in agreement in April 2008 to acquire a 30% working interest in the Tranquilo Block in southern Chile. DeGolyer & MacNaughton, the independent petroleum engineering firm, has provided preliminary figures for its report to be issued in May 2008 which demonstrate an overall increase in all reserve categories.

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	Renumeration	31 December 2007
Gerry O'Shaugnessy Executive Chairman	19 November 2007 (*)		†		6,611,425
James F. Park Chief Executive Officer	19 November 2007 (*)				6,936,568
Sir Michael Jenkins Non-Executive Director	19 November 2007 (*)	†	† ±		19,235 (**)
Christian Weyer Non-Executive Director	19 November 2007 (*)	† ±		†	217,194
Peter Ryalls Non-Executive Director	19 November 2007 (*)		†	† ±	19,235 (**)

† Committee Member ± Committee Chairman (*) Most recent reappointment date (**) Not issued

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 2007 were equivalent to 62 days' purchases (2006: 48), based on the year end balance.

Charitable and Political Donations
During 2007, the Group made charitable donations of US$14,285 (2006: US$7,421). The Company encourages the development of small businesses by contracting services and people for its needs and work program where it operates.

No political donations are made by the Group.

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

Auditors
Grant Thornton UK LLP offer themselves for reappointment as auditor.

Nomad
In April 2007, Oriel Securites replaced GEOPARK's former Nomad, 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
28 April 2008

GEOPARK is committed to maintaining high standards of corporate governance, which it defines as managing the Group in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term. The Directors strongly intend, as is feasible given the Group's size and the constitution of the Board, to comply with the guidelines on corporate governance of the Quoted Companies Alliance for AIM companies.

GEOPARK's goals for good corporate governance include:

- **Efficiency** – a governing body of an appropriate size to permit efficient decision-taking with transparency for major decisions, clear definition of responsibilities and performance targets, and procedures in place to protect and ensure protection of the Company's assets.

- **Effectiveness** – a governing body with the required skills, provided with the proper information and collectively involved to make the best decisions for the Company.

- **Entrepreneurial** – definition of a vision for the Company with an understanding of goals, timing and necessary resources.

- **Shareholder Common Good** – decisions taken which consider the good of all shareholders and which, if they involve management, major shareholders and other related parties, are reported in a transparent manner.

GEOPARK's corporate governance guidelines include:

- **Board Matters** – the Board meets at least quarterly and when issues arise – and has a schedule of matters reserved for decisions of the Board. 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.

- **Timely Information** – regular operating and financial management information in a form appropriate to enable the Board to take effective decisions and supervise the Company.

- **Internal Control Review** – review on an ongoing basis, inter alia, financial, operational, compliance matters and risk management, and approve the annual budget and monitor performance. The Board has the responsibility to establish and maintain the Group's system of internal controls and reviewing its effectiveness on an ongoing basis. 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 Members** – Chairman and Chief Executive roles are not exercised by the same individual and the Company has at least two independent non-executive directors. All directors are submitted to re-election at regular intervals. 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

- **Audit Committee** – comprised of two independent Non-Executive Directors (currently being Mr. Weyer and Sir Michael Jenkins), the committee is chaired by Mr. Weyer and meets at least twice a year. The Audit Committee will review the Group'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** – 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 Nomination 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** – 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. (As decribed in note 26, during 2007 Mr. Peter Ryalls provided operating consultancy to the Group. It is Board's opinion that his role as a consultant does not impair his effectiveness and performance as a director, nor does it affect Mr. Ryall's ability to exercise independent judgment in carrying out his duties as a director.)

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

The following information is not subject to audit.

Remuneration Committee
The Company has a Remuneration Committee. The members of the Committee during 2007 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 calibre 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.

2006 IPO Awards and Stock Options
In 2006, 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 Group's employees and certain consultants at the IPO date.

Nº of underlying common shares	% of issued common share capital	Grant date	Exercise price (US$)	Earliest exercise date	Expiry date
613,380	Approximately 2%	15May2006	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 Group has a total size of up to 613,380 share options (approximately two percent of the Company's outstanding common shares).

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

Nº of underlying common shares	% of issued common share capital	Grant date	Exercise price (US$)	Earliest exercise date	Expiry date
605,000	Approximately 2%	15May2006	4.00	15 May 2008	15 May 2013

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

Performance-based Employee Long Term Incentive Program – Key Terms
Intending to align the interests of its management, employees and key advisors with those of the Company and its shareholders, the Directors established a new Performance-based Employee Long Term Incentive Program ("the Plan"). At the Annual General Meeting on 19 November 2007, the maximum number of shares issuable pursuant to share awards granted under the 2006 IPO awards and stock options plan and this new program was increased to a maximum of 12% of the outstanding share capital of the Company. The Directors are authorised to amend the terms of the Plan to give effect to such overall limit.

The Board of Directors proposed the following employee incentive plans:

- **Stock Option Plans** – this plan is similar to the existent stock option plan, subject to continuing service, with an exercise price equal to the market value of the Company's shares at the time of grant.

- **Stock Awards Plan** – this plan rewards individuals in the form of free shares, subject to continuing service.

- **Stock Purchase Plan** – this plan allows individuals to buy Company shares from their salaries as part of a periodic scheme, with a free match to be determined by the Board. Participation in this plan is voluntary and will be open to all employees, including Directors.

- **Stock Appreciation Plan** – this is a cash-based plan which gives individuals the right to be paid in cash the equivalent of the appreciation in value of the shares subject to the award, after a defined period of time.

The Directors are evaluating the implementation of this new program, therefore no shares have been granted as of 31 December 2007.

Executive Directors' Contracts
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 Director's contracts are summarized below:

Gerald E. 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 F. 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 received the following options over Common shares of the Company, granted under the Executive stock option plan:

Name	No 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 2007 to the Executive Directors.

Non-Executive Directors' Contracts
At the AGM in November 2007, the Shareholders re-elected the Non-Executive Directors.

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

- Signing remuneration of £ 35,000 payable in shares at the placing price (i.e: £ 3.20).
- Annual salary of £35,000 payable quarterly in arrears; 50% in cash and 50% in shares. The share price to determine the quantity of shares is the simple average to daily closing price of the stock in the quarter prior to the payment date.
- Committee Chairman fee: annual remuneration of £ 5,750 payable quarterly in arrears in cash.
- Notice for contract termination: 2 Months.

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

	2007 Cash payment		Stock payment
	Non-Executive Director's fees	Committee Chairman fees	Director fees paid in shares
Sir Michael Jenkins (1)	£17,500	£5,750	5,279 (**)
Peter Ryalls (2)	£17,500	£5,750	5,279 (**)
Christian Weyer (3)	£17,500	£5,750	5,279

(1) Nomination Committee Chairman (2) Remuneration Committee Chairman (3) Audit Committee Chairman (**) Not Issued

Additionally, Mr. Peter Ryalls received US$ 124,000 corresponding to operating consultancy in 2007.

Approval
This report was approved by the Board of Directors on 28 April 2008 and signed on its behalf by:

Peter Ryalls
Chairman, Remuneration Committee
28 April 2008

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 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 responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is 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.

REPORT OF THE INDEPENDENT AUDITOR

We have audited the Group financial statements of GEOPARK Holdings Limited for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flows statement, and notes 1 to 28. 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 Directors 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 as adopted by the European Union.

In addition we report to you if, in our opinion, the Group has not kept proper accounting records, if 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 IFRS Consolidated Financial Statements and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Letter to Shareholders, 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 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 2007 and of its loss for the year then ended.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
GATWICK
UNITED KINGDOM

28 April 2008

Grant Thornton

1 JANUARY - 31 DECEMBER

Amounts in US$ '000	Note	2007	2006
REVENUE	3	**11,028**	**6,008**
Production costs		(7,827)	(4,025)
GROSS PROFIT		**3,201**	**1,983**
Other operating costs (loss)/income		(14)	68
Exploration costs	6	(6,616)	(1,751)
Administrative and other operating costs	7	(9,648)	(8,524)
Selling expenses		(503)	(621)
OPERATING LOSS		**(13,580)**	**(8,845)**
Financial income	8	2,036	1,687
Financial expenses	9	(2,262)	(4,175)
LOSS BEFORE TAX		**(13,806)**	**(11,333)**
Tax on loss	10	(2)	(16)
LOSS FOR THE YEAR		**(13,808)**	**(11,349)**
Loss per share (in US$) basic and diluted	12	**(0.45)**	**(0.44)**

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

The notes on pages 48 to 64 are an integral part of these consolidated financial statements.

31 DECEMBER

Amounts in US$ '000	Note	2007	2006
Intangible assets	13	23,833	13,475
Property, plant and equipment	14	31,707	8,236
Prepaid taxes	16	3,068	3,470
Legal deposit to mining authority		-	11
Deferred tax asset	11	15	15
NON CURRENT ASSETS		**58,623**	**25,207**
Inventory	17	2,082	868
Trade receivables	18	2,305	1,452
Prepayment and other receivables	18	574	543
Investments		2,079	-
Prepaid taxes	16	3,889	-
Cash and cash equivalents		8,710	34,194
CURRENT ASSETS		**19,639**	**37,057**
ASSETS		**78,262**	**62,264**
Share capital		31	31
Share premium		52,714	52,595
Other reserve		3,260	3,025
Reserve for exchange rate adjustment		938	57
Retained earnings		(24,337)	(14,601)
EQUITY		**32,606**	**41,107**
Borrowings	21	29,958	16,505
Provision for decommissioning	22	1,264	93
LONG-TERM LIABILITIES		**31,222**	**16,598**
Borrowings	21	4,783	24
Trade accounts payable	23	8,449	3,664
Other liabilities		1,202	871
CURRENT LIABILITIES		**14,434**	**4,559**
LIABILITIES		**45,656**	**21,157**
EQUITY AND LIABILITIES		**78,262**	**62,264**

The notes on pages 48 to 64 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 28 April 2008.

1 JANUARY - 31 DECEMBER

Amounts in US$ '000	Share capital	Share premium	Other reserve	Reserve for exchange adjustment	Retained earnings	Total
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	3	9,997	-	-	-	10,000
Preferred stock conversion	-	300	-	-	-	300
Conversion of notes payable	1	5,227	-	-	-	5,228
Proceeds from AIM	7	40,031	-	-	-	40,038
IPO costs	-	(2,960)	-	-	-	(2,960)
Share based payment	-	-	-	-	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**
Foreign currency translation	-	-	-	881	-	881
Loss for the year	-	-	-	-	(13,808)	(13,808)
Total loss for the year	**-**	**-**	**-**	**881**	**(13,808)**	**(12,927)**
Share based payment (note 20)	-	119	235	-	4,072	4,426
Equity movements in the year	**-**	**119**	**235**	**-**	**4,072**	**4,426**
Equity at 31 December 2007	**31**	**52,714**	**3,260**	**938**	**(24,337)**	**32,606**

The notes on pages 48 to 64 are an integral part of these consolidated financial statements.

1 JANUARY - 31 DECEMBER

Amounts in US$ '000	2007	2006
Loss for the year	(13,808)	(11,349)
Adjustments for:		
Tax on loss	2	16
Depreciation of the year	2,084	682
Write off of unsuccessful efforts	4,522	249
Unrealised exchange gains/(losses)	380	(146)
Accrual of financial expenses	1,775	3,953
Accrual of stock options and stock awards	4,427	2,556
Change in prepaid taxes	(3,487)	(2,994)
Changes in working capital:		
Change in inventory	(1,214)	(650)
Change in trade receivables	(853)	(841)
Change in prepayments and other receivables	(31)	(519)
Change in legal deposit	11	124
Change in current liabilities (ex bank, tax and dividend)	5,114	1,540
Net cash used in operating activities	**(1,078)**	**(7,379)**
Cash flows from investing activities		
Purchase of intangible assets	(29,472)	(12,830)
Purchase of property, plant and equipment	(9,283)	(5,134)
Sale of property, plant and equipment	24	19
Sale/(Purchase) of short term financial assets	(2,000)	192
Net cash used in investing activities	**(40,731)**	**(17,753)**
Proceeds from the issue of common shares	-	47,068
Redemption from the issue of convertible debt	-	(109)
Redemption of preferred shares	-	(6,565)
Proceeds from borrowings	17,311	16,505
Interest paid	(962)	-
Net cash generated from financing activities	**16,349**	**56,899**
Net increase in cash, cash equivalents and bank overdrafts	**(25,460)**	**31,767**
Cash and cash equivalents at 1 January	34,170	2,403
Cash and cash equivalents at the end of the year	**8,710**	**34,170**
Ending Cash and cash equivalents are specified as follows:		
Cash at bank	8,707	34,191
Cash in hand	3	3
Bank debt, bank overdraft	-	(24)
Cash and cash equivalents	**8,710**	**34,170**

The notes on pages 48 to 64 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 28 April 2008.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in this note under the title "Accounting estimates and assumptions".

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.

(a) Standards, amendments and interpretations effective in 2007:
IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

(b) Standards, amendments and interpretations effective in 2007 but not relevant:
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- IFRS 4, 'Insurance contracts';
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies';
- IFRIC 8, 'Scope of IFRS 2';
- IFRIC 9, 'Re-assessment of embedded derivatives'; and
- IFRIC 10, 'Interim financial reporting and impairment'

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:
The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 8, 'Operating segments' (effective from 1 January 2009).
- IFRS 3 (Amendment), "Business Combinations" (effective from 1 January 2009).
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008).
- IAS 1 (Amendment), Presentation of financial statements (effective from 1 August 2009).
- IAS 27 (Amendment), "Consolidated and Separate Financial Statements" (effective for annual reporting periods beginning on or after July 1, 2009).

Management is currently assessing the impact of the amendment of IAS 1, IAS 23 and IFRS 8.

The Amendment to IAS 23 is likely to result in increased capitalization of borrowing costs related to the acquisition, construction and production of a qualifying asset compared with current treatment. This is because the option to expense borrowing costs attributable to the acquisition, construction or production of such an asset as incurred will no longer exist.

(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations:
The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

- IFRIC 11: 'Group and Treasury Share Transactions' (effective for annual periods beginning after 1 March, 2007). The interpretation addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or equity instruments of another entity in the same group (e.g. equity instruments of its parent). The adoption of IFRIC 11 is not expected to have a material impact on the presentation of GEOPARK's consolidated results of operations, financial position or cash flows.
- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.
- IFRIC 14 'Defined Benefit Assets and Minimum Funding Requirements' which is effective for pe-riods commencing on or after 1 January 2008. The application of this interpretation in 2008 would not have affected the financial statements given the rules of the Group's defined benefit schemes.

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.

Inter-company transactions, balances and 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.

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 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.

Work 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 on a straight line basis over the term of the contract. The Group's total liability relating to operating leases and rental agreements is disclosed in note 25.

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. Cost is determined using the first-in, first-out (FIFO) method. 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 ex-pensed 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 are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, prepayments and other receivables and cash and cash equivalents in the balance sheet. 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 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.

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.

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 Group 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.

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 and shares granted according to IFRS 2 but not issued at year end, 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). Functional currency of Bermuda's enterprises (included the parent company) is the US dollar.

For the Argentine and Chilean subsidiaries the functional currency is their local currency. Sales are predominantly based on US dollar pricing. However, a significant proportion of operating costs (particularly labour) arises in the local currency of the operations. Accordingly, changes in the exchange rates between these currencies and the US dollar will impact on the Group's reported results. Subsidiaries hold certain monetary financial liabilities denominated in currencies other than their functional currency, in particular US dollar denominated financial loans, and to a lesser extent, cash and cash equivalents. Monetary assets and liabilities are converted into local currencies at the closing rate. The resultant differences are accounted for in the income statement in accordance with IFRS.

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

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 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.

c) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to shareholders' equity. 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)
- Cash flow estimates for our impairment assessments require assumptions about two primary elements—future prices and reserves. Our estimates of future prices require significant judgments about highly uncertain future events. Historically, oil and gas prices have exhibited significant volatility. Our forecasts for oil and gas revenues are based on prices derived from future price forecasts amongst industry analysts and our own assessments. Our estimates of future cash flows are generally based on our assumptions of long-term prices and operating and development costs. Given the significant assumptions required and the possibility that actual conditions will differ, we consider the assessment of impairment to be a critical accounting estimate. The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. The estimation of economically recoverable oil and natural gas reserves and related future net cash flows was performed based on the Reserve Report dated April 2006 prepared by Degoyler and MacNaughton an international consultancy to the oil and gas industry based in Dallas and updated for subsequent changes by the Group's management. It incorporates many factors and assumptions including:

  - expected reservoir characteristics based on geological, geophysical and engineering assessments;
  - future production rates based on historical performance and expected future operating and investment activities;
  - future oil and gas prices and quality differentials;
  - assumed effects of regulation by governmental agencies; and
  - future development and operating costs.

  We believe these factors and assumptions are reasonable based on the information available to us at the time we prepare our estimates. However, these estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change.

- The advances received under the gas pre-sale agreement entered with Methanex Corporation bears interest at a rate of LIBOR (note 21). The Board of Directors considers that the advances are at fair value as a result of the security in the natural gas supply which Methanex have obtained through the agreement.
- 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 24.
- The total calculation of the decommissioning provision is estimated by the Group's engineers, based on individual well filling and coverage
- As detailed in the relevant accounting policies the selection of functional currencies for each entity in the Group is dependent on the primary economic environment in which they operate which is determined by considering a number of factors. As detailed the Board consider that the primary economic environment in which the susbsidiaries operate is their local currency. The Board considers this assessment to be a significant judgment as it gives rise to exchange risk to the assets and liabilities in US Dollars in those subsidiries as detailed in note 28.

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 networking capital, and corporation tax. Tax paid is presented as a separate item under operating activities.

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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.

Segment areas (geographical segments):

Amounts in US$ '000 2007	Argentina	Chile	Corporate	Total
2007				
Revenue	1,341	9,687	-	11,028
Gross profit (loss)	(767)	4,012	-	3,245
Loss before tax	(7,250)	(67)	(6,489)	(13,806)
Loss for the year	(7,250)	(69)	(6,489)	(13,808)
Capital expenditure	4,707	34,044	4	38,755
Depreciation	(564)	(1,452)	(68)	(2,084)
Total assets	14,752	58,620	4,890	78,262
Liabilities	(8,911)	(36,635)	(110)	(45,656)
Cash flows from operations	(2,824)	3,919	(3,219)	(2,124)
Cash flows from investing	(4,703)	(34,028)	(2,000)	(40,731)
Cash flows from financing	2,751	13,598	-	16,349
Employees (average)	49	22	1	72
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
Total assets	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

Note 3
Net revenue

Amounts in US$ '000	2007	2006
Sale of crude oil	3,123	3,466
Sale of gas	7,905	2,542
	11,028	**6,008**

Note 4
Depreciation

Amounts in US$ '000	2007	2006
Oil and gas properties	810	479
Furniture and equipment	192	132
Production facilities	965	37
Buildings and improvements	117	34
Depreciation, property plant and equipment	**2,084**	**682**
Profit or loss on sale	(38)	(68)
Depreciation total	**2,046**	**614**

Recognised as follows:

Production costs	1,882	581
Administrative expenses	164	33
Depreciation total	**2,046**	**614**

Note 5
Employees

	2007	2006
Average number of employees	72	41
Amounts in US$ '000		
Wages and salaries	6,645	3,048
Social security charges	492	336
Shared-based payment	2,047	1,232
	9,184	**4,616**

Board of Directors' and key managers' remuneration	2007	2006
Salaries and fees	1,569	1,071
Shared-based payment	1,728	1,218
Other benefits in kind	84	48
	3,381	**2,337**

Note 6
Exploration Costs

Amounts in US$ '000	2007	2006
Wages and salaries	1,410	1,025
Other services	684	477
Write off of unsuccessful efforts [a]	4,522	249
	6,616	**1,751**

[a] These write-offs correspond to three unsuccessful workovers in the Fell Block and two exploratory wells in Del Mosquito area during 2007. These have been included within Exploration costs within the Income Statement.

Note 7
Administrative and other operating costs

Amounts in US$ '000	2007	2006
Administrative expenses	5,129	3,737
Other operating costs	447	473
IPO costs	-	1,758 [1]
Stock awards and ESOP (note 24)	4,072	2,556
	9,648	**8,524**

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

Note 8
Financial income

Amounts in US$ '000	2007	2006
Exchange difference	1,077	900
Interest receivable	959	787
	2,036	**1,687**

In 2007, the exchange difference arise from the net exposure related to the existence of financial liabilities in US dollars mainly in Chile. In 2006, 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.

Note 9
Financial expenses

Amounts in US$ '000	2007	2006
Bank charges and other financial costs	(211)	(13)
Exchange difference	(197)	(36)
Finance charges accrued in respect of preferred shares and convertible loan notes (note 20)	-	(3,907)
Interest and amortisation of debt issue costs	(1,854)	(219)
	(2,262)	**(4,175)**

Note 10
Tax loss on ordinary activities

Amounts in US$ '000	2007	2006
Current tax	(2)	-
Deferred tax	-	(16)
	(2)	(16)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Amounts in US$ '000	2007	2006
Loss before tax	(13,806)	(11,333)
Results in countries where no income tax is paid	6,489	9,250
Inflation adjustment for tax purposes	770	18
Tax losses where no deferred income tax is recognised	7,307	2,343
Expenses not deductible for tax purposes	185	39
Utilisation of previously unrecognised tax losses	(774)	-
Non taxable income	(157)	(272)
Result subject to tax	**14**	**45**
Effective tax rate in respect of taxable profit.	15%	35%
Tax calculated at domestic tax rates applicable to profits in the respective countries	**2**	**16**

The tax rate in Bermuda where Geopark Holdings Limited is registered is 0%. Income tax rate in those countries where the Group operates ranges from 15% to 35%.

The Group has significant tax losses available which can be utilised against future taxable profit in those countries as set out below:

Amounts in US$ '000	2007	2006
Argentina	6,066	3,529
Chile	-	774
Total tax losses at 31 December	**6,066**	**4,303**

At the balance sheet date tax losses in Argentina has not been recognised as there is insufficient evidence of future taxable profits until the statute of limitation of these tax losses.

Note 11
Deferred tax asset

Amounts in US$ '000	2007	2006
Deferred tax at 1 January	15	32
Exchange rate adjustment	-	(1)
Movement in deferred tax	-	(16)
Deferred tax at 31 December	**15**	**15**
Deferred tax asset (liability) relates to:		
Property, plant and equipment	(17)	(17)
Other timing differences	32	32
	15	15

Note 12
Loss per share

Amounts in US$ '000	2007	2006
Numerator:		
Loss for the year	(13,808)	(11,349)
Denominator:		
Weighted average number of shares used in basic EPS	30,683,536	25,625,335 (*)
Loss after tax per share (US$) – basic	**(0.45)**	**(0.44)**
Weighted average number of shares used in basic EPS	30,683,536	25,625,335 (*)
Effect of dilutive potential common shares		
Stock awards to employees at US$0.001	613,380	613,380
Stock option at 4.00	1,218,380	1,218,380
Executive Directors stock option at 3.20	306,690	306,690
Non Executive Directors fees (note 20)	21,876	16,406
Stock awards to Non Executive Directors (note 20)	16,594	32,813
Weighted average number of common shares for the purposes of diluted earnings per share	32,855,578	27,004,539 (*)
Loss after tax per share (US$) – diluted	**(0.45)**	**(0.44)**

(*) 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
Carrying amount at 1 January 2006	**1,728**
Additions	12,830
Exchange rate adjustment	(27)
Write off of unsuccessful efforts	(249)
Transfers to property, plant and equipment	(807)
Carrying amount at 31 December 2006	**13,475**
Additions	29,472
Exchange rate adjustment	462
Write off of unsuccessful efforts (note 6)	(4,522)
Transfers to property, plant and equipment	(15,054)
Carrying amount at 31 December 2007	**23,833**

Included in the carrying amounts are 400 square kilometres of 3D seismic registered in Del Mosquito field for US$3,471,000, and 680 square kilometres of 3D seismic registered in the Fell Block for US$8,669,000.

In the carrying amount are included 2 wells for US$4,471,000 that form part of the drilling campaign in Chile, 1 well in Argentina for US$971,000 and 4 wells that formed part of the workover campaign in Chile for US$1,539,000. The engineers are planning to refracture or retest these wells, therefore, carrying amounts are maintained in Intangible Assets.

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 2007 net present value calculations were carried out using a discount factor of 10 per cent based on the Reserve Report dated April 2006 prepared by DeGolyer and MacNaughton and updated for subsequent changes by the Group's management. 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.

The exclusive right to produce, explore and develop hydrocarbons in Del Mosquito Block 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 2006	**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 intangible assets)	761	-	46	-	-	807
Cost at 31 December 2006	**4,631**	**634**	**3,683**	**330**	**717**	**9,995**
Exchange rate adjustment	(149)	(1)	221	3	4	78
Additions	1,357	229	3,370	79	5,419	10,454
Disposals	-	(37)	-	-	-	(37)
Transfers (from intangible assets)	10,164	-	4,890	-	-	15,054
Transfers	(505)	-	5,190	1,022	(5,707)	-
Cost at 31 December 2007	**15,498**	**825**	**17,354**	**1,434**	**433**	**35,544**
Depreciation and write-down at 1 January 2006	**(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)**
Depreciation (note 4)	(810)	(192)	(965)	(117)	-	(2,084)
Exchange rate adjustment	37	3	(45)	(2)	-	(7)
Disposals	-	13	-	-	-	13
Transfers	195	-	(195)	-	-	-
Depreciation and write-down at 31 December 2007	**(2,088)**	**(351)**	**(1,245)**	**(153)**	**-**	**(3,837)**
Carrying amount at 31 December 2006	**3,121**	**459**	**3,643**	**296**	**717**	**8,236**
Carrying amount at 31 December 2007	**13,410**	**474**	**16,109**	**1,281**	**433**	**31,707**

As of 31 December, 2007, the Company has secured assets in the amount of US$667,000 related to the operating base in Chile (note 21).

Note 15
Subsidiary undertakings

In September 2007, Geopark Holdings Limited established a new company located in Chile. As the Company started its operations in 2008, no movements have been accounted for, except for the recording of the assigned capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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%
	Servicios Southern Cross Limited	100%

Note 16
Prepaid Taxes

Amounts in US$ '000	2007	2006
V.A.T.	6,360	2,933
Other prepaid taxes	597	537
Total prepaid taxes	**6,957**	**3,470**

Classified as follows:

Current	3,889	-
Non Current	3,068	3,470
Total prepaid taxes	**6,957**	**3,470**

Note 17
Inventory

Amounts in US$ '000	2007	2006
Crude oil	351	149
Materials and Spares	1,731	719
	2,082	**868**

Note 18
Trade receivables

Amounts in US$ '000	2007	2006
Trade accounts receivable	2,305	1,452
Prepayments and other receivables	574	543
	2,879	**1,995**

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2007, trade receivables of US$50,000 were past due by less than 3 months, but not impaired. These relate to customers for whom there is no recent history of default.

The credit period for trade receivables is 30 days. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned in note 19. The Group does not hold any collateral as security.

The carrying value of trade receivables is considered to represent as a reasonable approximation of its fair value due to its short term nature.

Note 19
Financial instruments by category

Amounts in US$ '000	Loans and receivables	Available-for-sale	Total
2007			
Assets as per balance sheet			
Trade receivables	2,305	-	2,305
Prepayment and other receivables	574	-	574
Investments	-	2,079	2,079
Prepaid Taxes	6,822	-	6,822
Cash and cash equivalents	8,710	-	8,710
	18,411	**2,079**	**20,490**

	Other financial liabilities	Total
2007		
Liabilities as per balance sheet		
Trade payables	8,450	8,450
Borrowings	34,741	34,741
Other liabilities	1,202	1,202
	44,393	**44,393**

Amounts in US$ '000	Loans and receivables	Available-for-sale	Total
2006			
Assets as per balance sheet			
Trade receivables	1,452	-	1,452
Prepayment and other receivables	543	-	543
Prepaid Taxes	3,470	-	3,470
Cash and cash equivalents	34,194	-	34,194
	39,659	**-**	**39,659**

	Other financial liabilities	Total
2006		
Liabilities as per balance sheet		
Trade payables	3,664	3,664
Borrowings	16,505	16,505
Other liabilities	871	871
	21,040	**21,040**

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Amounts in US$ '000	2007	2006
Trade receivables		
Counterparties with external credit rating (Moody's)		
A2	297	266
Ba1	1,659	866
Baa1	144	261
Counterparties without external credit rating		
Group1	149	-
Group2	56	59
Total trade receivables	2,305	1,452

Cash at bank and investments		
Counterparties with external credit rating (Moody's)		
AAA	10,786	34,191

The rest of the balance sheet item 'cash and cash equivalents' is cash on hand.

Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past

Financial liabilities - contractual undiscounted cash flows

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Amounts in US$ '000	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2007				
Borrowings	13,448	11,149	13,543	301
Trade accounts payable	8,449	-	-	-
Other liabilities	1,202	-	-	-
	23,099	**11,149**	**13,543**	**301**
At 31 December 2006				
Borrowings	957	5,224	14,040	4,136
Trade payable	3,664	-	-	-
Other liabilities	871	-	-	-
	5,492	**5,224**	**14,040**	**4,136**

Note 20
Share capital

Issued share capital	2007	2006
Common Stock		
The share capital is distributed as follows:		
Common shares, of nominal US$0.001	31	31
Total common shares in issue	**30,688,202**	**30,668,967**
Authorised share capital	**30,688,202**	**30,668,967**
US$ per share	0.001	0.001
Number of common shares (US$0.001 each)	5,171,969,000	5,171,969,000
Amount in US$	5,171,949	5,171,949

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

Common shares
As of 31 December 2007 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	Dec 2005	-	.2	20
Share capital divided to par value of US$0.001	6 Feb 2006	-	20.0	20
Convertible debt conversion	6 Feb 2006	1.3	21.3	21
IFC equity subscription	6 Feb 2006	2.5	23.8	24
Private placement in conjunction with AIM listing	16 May 2006	6.8	30.6	31
Issue of shares for conversion of loan notes	16 May 2006	0.1	30.7	31
Shares outstanding at the end of 2006			30.7	31
Issue of shares to non-executive Directors	2007	0.01	30.7	31
Shares outstanding at the end of 2007			30.7	31

During 2007, the Company issued 19,235 shares to Non executive Directors. Shares are issued at average price for the period, generating a share premium of US$119,000.

All preferred shares and convertible debt were fully redeemed in May 2006 resulting in a redemption loss of US$3,907,000.

Other Reserve
The Directors of the Company considered that preferred shares and convertible debt constituted compound financial instruments under IAS 32, and as a result that the financial liability attributable to these instruments US$3,024,000 is recognized as other reserve.

As it is stated above, the Company has issued 19,235 shares regarding non executive Directors fees paid in shares. Additionally, 38,470

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

shares have been granted to Non-Executive Directors and have not been issued as of 31 December, 2007 resulting in an amount of US$235,000 being included within Other reserve.

Note 21
Borrowings

Amounts in US$ '000	2007	2006
Outstanding amounts as of 31 December		
International Finance Corporation	20,373	16,505
Methanex Corporation	13,675	-
Banco de Crédito e Inversiones	693	-
Others	-	24
	34,741	**16,529**
Classified as follows		
Non current	29,958	16,505
Current	4,783	24

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 in January 2007. This loan facility has a one year grace period and it is payable in ten consecutive half year installments 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 Group has committed to comply with some financial covenants. Failure to comply with those covenants may result in total or partial acceleration of any outstanding amount under the loan agreement.

During the year the Group requested and was granted a waiver for some of the financial covenants. This waiver was requested pursuant the agreement entered with Methanex and the acquisition of a facility through a mortgage as explained below.

In 2007, the Group, through its subsidiary Geopark Chile Limited, entered into an agreement with Methanex Corporation (the largest world wide methanol producer), which provides for a US$40,000,000 financing facility for development and investing activities on the Fell Block.

The financing is structured as a gas pre-sale agreement with a six year payback period and a interest rate of LIBOR flat.

As of 31 December 2007, US$13,681,000 have been drawn-down (which according to IAS 32 has been recorded net of transaction costs at US$13,618,000).

Additionally, Geopark Chile had acquired a facility to establish its operation base in the Fell Block. This facility was acquired though a mortgage loan granted by the Banco de Crédito e Inversiones (BCI), a private Chilean bank (note 14).

The loan was granted in Chilean pesos with a payback period of 8 years. The interest rate applicable to this loan is 6.6%.

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

Note 22
Provision for decommissioning

Amounts in US$ '000	US$'000
At 1 January 2006	**71**
Increase in environmental remediation costs	22
At 31 December 2006	**93**
Additional provisions	1,143
Unwinding of discount	28
Exchange differences	-
At 31 December 2007	**1,264**

The provision for decommissioning relates to the estimation of future disbursements related to the abandonment and decommissioning of oil and gas wells. This provision will be utilised when the related wells are fully depleted.

Note 23
Trade accounts payable

Amounts in US$ '000	2007	2006
Trade payables	8,450	3,664

The average credit period (expressed as creditor days) during the year ended 31 December 2007 was 62 days (2006: 48 days)

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 24
Share based payments
During the 2006, 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 Group'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 Group 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 Group 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 Group 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 nontransferability, exercise restrictions and behavioural 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	2007	2006
Stock option plan	2,077	1,206
Stock awards	1,995	1,159
	4,072	2,365
Stock awards to Non executive Directors (at IPO)	-	191
	4,072	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. Costs for these stock option plans have been expensed in the selling and administrative costs in the Income Statement for the fiscal year 2007 for a total of US$2,077,000 (US$1,206,000 for 2006). No stock options have been granted during 2007.

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$1,966,000 has been expensed in the administrative expenses included in the Income Statement for the fiscal year 2007 (US$1,159,000 for 2006).

IPO Stock Awards to Non-Executive Directors (32,813 shares) have been directly expensed in the administrative expenses line for US$191,000 in 2006.

At the 2007 Annual General Meeting, the Directors presented a new Performance-based Employee Long Term Incentive Program and the maximum number of shares issuable pursuant to share awards granted under the Executive Stock Option Plan and any new share based plan established by the Director was increased to a maximum of 12% of the outstanding share capital of the Company. The Directors are authorised to amend the terms of the Plan to give effect to such overall limit. Further details of the Plan can be found in Directors' remuneration report on Page 40.

Other share based payments
As it is mentioned in note 20, the Company granted 15,837 shares at average price for each three months period for services rendered by Non-Executive Directors of the Company. Fees paid in shares were directly expensed in the administrative expenses line in the amount of US$105,000.

Note 25
Commitments

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 oil revenues up to a total amount of US$3,250,000.

Capital commitments
The Group has committed to drill two exploratory wells in Del Mosquito Block in 2008. The Group estimates a cost of US$3,200,000 for these two wells. This commitment has been undertaken as a compensation of the obligation of a cash payment for the exploratory annual cannon payable in Argentina in respect of the Del Mosquito concession. This annual cannon is levied by the Provincial authorities and gives the right to maintain the concession.

Operating lease commitments – Group company as lessee
The Group leases various plant and machinery under cancellable operating lease agreements.

The Group also leases offices under non-cancellable operating lease agreements. The lease terms are between 2 and 3 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

Note 26
Related parties

Amounts in US$ '000	2007	2006
Operating lease commitments		
Falling due within 1 year	2,253	126
Falling due within 1 – 5 years	5,483	85
Falling due after 5 years	1,680	-
Total minimum lease payments	9,416	211

Controlling interest
The main shareholders of Geopark Holdings Limited, a company registered in Bermuda, are:

23 per cent of share capital, by Energy Holdings LLC, controlled by James Park (founder)
22 per cent of share capital, by GP Investments and the Globe Resources Group, both companies controlled by Gerald O'Shaughnessy (founder)
8 per cent of share capital, by IFC (International Finance Corporation)

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

Account	Transaction	Balances	Related Party	Relationship
2007				
Borrowings	1,814	(20,740)	IFC	Shareholders
Administrative expense	36	-	Lario Enterprises	(*)
Administrative expense	124	-	Peter Ryalls	Non Executive Director (**)
2006				
Borrowings	16,505	(16,505)	IFC	Shareholders
Administrative expense	36	-	Lario Enterprises	(*)
Administrative expense	50	-	Christian Weyer	Non Executive Director (***)

(*) The Company paid US$36,000 during 2007 and US$36,000 during 2006 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 operating consultancy during 2007.

(***) Corresponding to consultancy provided upon IPO.

There have been no other transactions with the Board of Directors, 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.

Note 27
Fees paid to Auditors

Amounts in US$ '000	2007	2006
Fees payable to the Group's auditors for the audit of the consolidated financial statements	161	151
Fees payable to the Group's auditors for the audit of the Group's subsidiaries pursuant to legislation	56	36
Fees paid to auditors	217	187

These fees relate entirely to audit services.

Note 28
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
- Capital risk management

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency risks
There are activities in foreign countries in which its functional currency is its local currency (Argentine Peso and Chilean Peso). The main exposure of the Group to currency changes are related to the financial loans denominated in US dollars, and to a lower extent to receivables and cash balances held in US dollars. As currency rate changes between the U.S. Dollar and the Argentine and Chilean Peso, the Group recognize gains and losses in the consolidated income statement.

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 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.

Exchange adjustments in respect of investments in subsidiary undertakings are recognised directly in equity.

At 31 December 2007, the Argentine peso had weakened by 3% against the US dollar and the Chilean peso has strengthened by 7%. If both the Argentine and Chilean peso had weakened by 5% against the US dollar with all other variables held constant, post-tax loss for the year would have been US$1,734,000 higher.

Market price risks
The price collected for the oil produced by the Group is dependant on the 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 this statement, the Board did not consider it 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 & gas 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.

If the market prices of the WTI and methanol would have fallen by 10% compared to actual prices during 2007, with all other variables held constant, the post tax Group's net loss would have been higher by US$877,000.

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 credit 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, the Brazilian-state 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 oil produced in Chile is sold to ENAP, the State-owned oil and gas company. Both companies have a good credit standing and, despite the concentration of sales, they do not represent a significant collection risk.

Funding risk
The Company has put together an aggressive development program for its blocks for 2008. The funding for this program comes from undisbursed amounts under the Methanex facility, the Company's operating cash flow and potential sources which the Company is continually working on. These sources include the potential farm out of the blocks in Argentina, the issuance of new shares and the expansion of the existing financing program.

Interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The loans from the IFC and Methanex Corporation accrue variable interest rates which depends on the rate of LIBOR. For the period covered by these financial statements, the Group has decided not to buy any coverage for this risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At 31 December 2007, if interest rates on currency-denominated borrowings had been 1% higher with all other variables held constant, post-tax loss for the year would have been US$178,000 higher, mainly as a result of higher interest expense on floating rate borrowings.

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

During 2007, the Group's strategy, which was unchanged from 2006, was to take the gearing ratio within the 45% to 55% range. The gearing ratios at 31 December 2007 and 2006 were as follows:

Amounts in US$ '000	2007	2006
Net Debt	34,741	16,505
Total Equity	32,606	41,107
Total Capital	67,347	57,612
Gearing Ratio	52%	29%

The increase in the gearing ratio during 2007 resulted primarily from the accelerated investment program for developing the Fell Block in Chile.

Gerald E. O'Shaughnessy I 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 to date, 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.

Sir Michael Romilly Heald Jenkins I 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.

Peter Ryalls I 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.

Christian Maurice Weyer I Non-Executive Director

Christian 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 growth and 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.

James F. Park I Chief Executive Officer and Deputy Chairman

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, SECRETARY & ADVISORS

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
Solicitors to the Company as to Argentine Law	Maciel, Norman & Asociados San Martin 323, Piso 19 C1004AAG Buenos Aires Argentina
Solicitors to the Company as to Chilean Law	Aylwin Abogados Avenida Isodora Goyenechea 3162 Of. 801 Las Condes, Santiago Chile
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Petroleum Consultant	DeGolyer and MacNaughton 5001 Spring Valley Road Suite 800 East Dallas, Texas 75244 USA
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