

## **Year 2009 – Final Results**

### **Operational Results**

**100% Drilling Success:** GeoPark's technical and operational strength was demonstrated by drilling 9 productive wells out of 9 wells drilled and completed during 2009 and the rapid monetization of this production. The drilling program, which was focused on the Fell Block in Chile, represented a balance of exploration, appraisal and development wells – and included three new field discoveries. Two of these discoveries resulted from testing new geological formations in Chile – Tobifera (Jurassic) and El Salto (Tertiary) – and which are expected to deliver new development opportunities and new reserves.

**Oil and Gas Production Up 86%:** Average annual oil and gas production increased by 86% from 3,390 barrels of oil equivalent per day (boepd) during 2008 to 6,320 boepd during 2009. Year-on-year crude oil production increased by 287% and natural gas production increased by 55%, thereby helping GeoPark to rebalance its mix of oil versus gas production. Since 2005, GeoPark has increased its oil and gas production approximately 25 times with an average annual growth rate of 124% per year.

**2P Reserves Up 27%:** In its report dated 31 July 2009, and after deducting production during the period, independent engineering consultants DeGolyer & MacNaughton reported a 27% increase in GeoPark's 2P (proved and probable) reserves to 42.3 million barrels of oil equivalent (mmboe). This includes a 16% increase in P1 (proved) reserves to 16.7 mmboe; a 35% increase in P2 (probable) reserves to 25.6 mmboe; and an 8% increase in P3 (possible) reserves to 98.8 mmboe. In Chile, where the Company currently concentrates its investment activities, 2P crude oil reserves grew by 67% to 8.4 mmboe and 2P natural gas reserves grew by 23% to 188.2 billion cubic feet (bcf). These figures do not include results between 31 July 2009 and 31 December, which the Company estimates (internally) to represent an additional 5 mmboe of 2P reserves.

**Improved Economics - Reduced Operating and Capital Costs:** Operating costs were reduced to an average of less than US\$6 per boe representing a 30% reduction compared to 2008. Drilling operations were improved resulting in a 32% reduction in drilling times per well drilled – including safer operations and better quality well-bores.

**Expanded Production and Market Infrastructure:** During 2009, the Company expanded its oil and gas processing, storage and transporting facilities on the Fell Block in Chile to accommodate the new production and enable the rapid hook-up and commercialisation of new wells. This included the construction of 10 kilometres of new oil and gas pipelines and new oil treatment and storage facilities. GeoPark's natural gas processing and selling capacity in the Fell Block was increased to 60 million cubic feet per day (mmcfpd) – with plans to further expand this capacity to 88 mmcfpd during 2010.

### **Financial Results**

**Total Revenue Up 17%:** Despite severe commodity price erosion (44% reduction in crude oil prices and 54% reduction in natural gas prices), oil and gas production revenue increased by approximately 17% to US\$44.8 million in 2009 from US\$38.4 million in 2008.

**Operating Cashflow Up 12%:** During 2009's depressed oil and gas price environment, operating cashflow was increased by 39% to US\$21.2 million compared to US\$15.2 million in 2008.

Net Loss and Positive Adjusted EBITDA: Impacted by the oil and gas price decline (and despite increases in oil and gas production and reductions in unitary operating costs), Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) in 2009 was US\$17.7 million (which remained unchanged from Adjusted EBITDA of US\$17.7 million in 2008). After considering the effect of non-cash items, GeoPark had a US\$8.0 million net loss for 2009 (compared to a net income of US\$ 3.7 million for 2008). Non cash items include depreciation, exchange differences, stock awards and impairments and write-offs of approximately US\$6.0 million for previous activity and certain assets in Argentina and Chile. The net loss included a depreciation charge of US\$14.9 million (compared to US\$7.4 million in 2008) which resulted principally from the increase in oil and gas production.

Year-End Debt and Cash Position: The Company's year-end cash position was US\$23.8 Million. Year-end debt was US\$60.4 million – approximately 75% of which represents gas pre-sale funding from Methanex Corporation which is repaid in gas deliveries to Methanex's methanol plant in southern Chile.

Strategic Equity Placings: During 2009, GeoPark carried out two equity placings. In May 2009, GeoPark raised US\$11.8 million from UK and Chilean institutional investors, the International Finance Corporation of the World Bank (IFC) and certain GeoPark Board members and shareholders. In November 2009, GeoPark raised US\$20.5 million from a new strategic US investor, UK and Chilean institutional investors, the IFC and certain GeoPark Board members. The strong interest from the Chilean investment community provides regional long term security for the Company's activities and growth plans. The IFC continues to provide long term financial and advisory support to the Company as both a shareholder and lender.

Gas Pre-Sale Funding: To help fund its development activities, the Company agreed to a new US\$18.3 million facility with the Methanex Corporation of Canada – which is in addition to its previous US\$40 million gas pre-sale facility with Methanex (US\$30 million outstanding). The financing is structured in two parts: US\$15.0 million as a gas pre-sale facility with a six year pay-back period; and US\$3.3 million to fund GeoPark's exploration investments on the Otway Block. GeoPark has a ten year supply agreement with Methanex to provide natural gas to Methanex's large methanol plant located in Punta Arenas, Chile. (Methanex's plant, which has a demand of 350 million cubic feet of gas per day, is currently operating at approximately 40% capacity.)

Debt Rescheduling: In order to free-up funds for additional investment activities in Chile during 2009, the IFC agreed to reschedule approximately US\$14 million of outstanding debt owed by GeoPark to the IFC. The rescheduling provided a grace period and longer principal repayment period.

### **Growth and New Projects**

New Strategic Partnership: In March 2010, LG International ("LGI"), the Korean conglomerate, and GeoPark entered into a new strategic partnership to jointly acquire and develop upstream oil and gas projects in Latin America. The objective of the LGI-GeoPark partnership is to build a risk-balanced portfolio of upstream opportunities across Latin America – initially targeting upstream projects in the US\$100-500 million range size. GeoPark will be the manager of the partnership and Operator of any acquired projects. GeoPark will also have the right to earn additional equity interests in each project, over and above its initial working interest, in accordance with a formula based upon the financial performance of each acquired project. The initial term of the partnership is three years and the target for closing the first acquisition is during 2010.

**Operational Start-Up and Restructuring of New Chilean Blocks:** GeoPark initiated start-up activities on its new Tranquilo and Otway blocks in Chile which in total cover an area of approximately 12,000 square kilometres. The Company began its seismic program on the Tranquilo Block in January 2010 and on the Otway Block in March 2010. In February 2010, the Tranquilo and Otway consortia partners submitted a request to the Minister of Energy in Chile to restructure the working interest ownership in each block. Subject to approval of the Ministry of Energy in Chile, the new ownership of the Otway and Tranquilo blocks shall be the same and will consist of partners Pluspetrol Chile S.A. (25%), Wintershall Chile Limitada (12.5%), the IFC (12.5%), Methanex Chile S.A. (12.5%) and GeoPark (25%). The objective of the restructuring is to create stronger consortia with similar long term commitments in the region, as well as, provide synergistic operational benefits. GeoPark is the Operator of both blocks.

**Strengthened Organization:** During 2009, GeoPark continued to invest in its long term oil and gas finding, drilling and production capabilities. Important additions were made to the management team, and to the drilling, reservoir engineering, production, geological and finance and administrative departments. The Company also expanded its employee share plans to include all employees.

**Chilean Stock Exchange Listing:** In October 2009, GeoPark was authorized to trade its shares on the Santiago Off-Shore Stock Exchange – thereby providing further exposure to the Chilean financial community which is an increasingly active supporter of GeoPark's efforts to grow in the region. GeoPark is the first independent oil and gas company to list on the Chilean exchange.