

GEPARK LIMITED

**CONSOLIDATED
FINANCIAL STATEMENTS**

As of and for the year ended 31 December 2016

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
GeoPark Limited

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of income, comprehensive income, changes in equity, and cash flow present fairly, in all material respects, the financial position of GeoPark Limited and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICE WATERHOUSE & CO. S.R.L.

By _____ (Partner)

Ezequiel L. Mirazon

Autonomous City of Buenos Aires, Argentina
March 6, 2017

CONSOLIDATED STATEMENT OF INCOME

Amounts in US\$ '000	Note	2016	2015	2014
REVENUE	7	192,670	209,690	428,734
Commodity risk management contracts	36	(2,554)	-	-
Production and operating costs	8	(67,235)	(86,742)	(131,419)
Geological and geophysical expenses	11	(10,282)	(13,831)	(13,002)
Administrative expenses	12	(34,170)	(37,471)	(45,867)
Selling expenses	13	(4,222)	(5,211)	(24,428)
Depreciation		(75,774)	(105,557)	(100,528)
Write-off of unsuccessful efforts	19	(31,366)	(30,084)	(30,367)
Impairment loss reversed (recognised) for non-financial assets	19-35	5,664	(149,574)	(9,430)
Other expenses		(1,344)	(13,711)	(1,849)
OPERATING (LOSS) PROFIT		(28,613)	(232,491)	71,844
Financial costs	14	(34,101)	(35,655)	(27,622)
Foreign exchange gain (loss)		13,872	(33,474)	(23,097)
(LOSS) PROFIT BEFORE INCOME TAX		(48,842)	(301,620)	21,125
Income tax (expense) benefit	16	(11,804)	17,054	(5,195)
(LOSS) PROFIT FOR THE YEAR		(60,646)	(284,566)	15,930
Attributable to:				
Owners of the Company		(49,092)	(234,031)	8,085
Non-controlling interest		(11,554)	(50,535)	7,845
(Losses) Earnings per share (in US\$) for (loss) profit attributable to owners of the Company. Basic	18	(0.82)	(4.05)	0.14
(Losses) Earnings per share (in US\$) for (loss) profit attributable to owners of the Company. Diluted	18	(0.82)	(4.05)	0.14

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in US\$ '000	2016	2015	2014
(Loss) Profit for the year	(60,646)	(284,566)	15,930
Other comprehensive income:			
Items that may be subsequently reclassified to (loss) profit			
Currency translation difference	7,102	(1,001)	(2,448)
Total comprehensive (Loss) Income for the year	(53,544)	(285,567)	13,482
Attributable to:			
Owners of the Company	(41,990)	(235,032)	5,637
Non-controlling interest	(11,554)	(50,535)	7,845

The notes on pages 7 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in US\$ '000	Note	2016	2015
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	19	473,646	522,611
Prepaid taxes	21	2,852	1,172
Other financial assets	24	19,547	13,306
Deferred income tax asset	17	23,053	34,646
Prepayments and other receivables	23	241	220
TOTAL NON CURRENT ASSETS		519,339	571,955
CURRENT ASSETS			
Inventories	22	3,515	4,264
Trade receivables	23	18,426	13,480
Prepayments and other receivables	23	7,402	11,057
Prepaid taxes	21	15,815	19,195
Other financial assets	24	2,480	1,118
Cash at bank and in hand	24	73,563	82,730
TOTAL CURRENT ASSETS		121,201	131,844
TOTAL ASSETS		640,540	703,799
TOTAL EQUITY			
Equity attributable to owners of the Company			
Share capital	25	60	59
Share premium		236,046	232,005
Reserves		130,118	123,016
Accumulated losses		(260,459)	(208,428)
Attributable to owners of the Company		105,765	146,652
Non-controlling interest		35,828	53,515
TOTAL EQUITY		141,593	200,167
LIABILITIES			
NON CURRENT LIABILITIES			
Borrowings	26	319,389	343,248
Provisions and other long-term liabilities	27	42,509	42,450
Deferred income tax liability	17	2,770	16,955
Trade and other payables	28	34,766	19,556
TOTAL NON CURRENT LIABILITIES		399,434	422,209
CURRENT LIABILITIES			
Borrowings	26	39,283	35,425
Derivative financial instrument liabilities		3,067	-
Current income tax liabilities		5,155	208
Trade and other payables	28	52,008	45,790
TOTAL CURRENT LIABILITIES		99,513	81,423
TOTAL LIABILITIES		498,947	503,632
TOTAL EQUITY AND LIABILITIES		640,540	703,799

The consolidated financial statements were approved by the Board of Directors on 6 March 2017.

The notes on pages 7 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount in US\$ '000	Attributable to owners of the Company						Total
	Share Capital	Share Premium	Other Reserve	Translation Reserve	(Accumulated Losses) Retained Earnings	Non-controlling Interest	
Equity at 1 January 2014	44	120,426	127,527	(1,062)	23,906	95,116	365,957
Comprehensive income:							
Profit for the year	-	-	-	-	8,085	7,845	15,930
Currency translation differences	-	-	-	(2,448)	-	-	(2,448)
Total Comprehensive Income for the Year 2014	-	-	-	(2,448)	8,085	7,845	13,482
Transactions with owners:							
Proceeds from issue of shares (Note 25)	14	90,848	-	-	-	-	90,862
Proceeds from transaction with Non-controlling interest	-	-	-	-	-	35	35
Share-based payment (Note 29)	-	-	-	-	8,605	573	9,178
Repurchase of shares (Note 25)	-	(388)	-	-	-	-	(388)
Total 2014	14	90,460	-	-	8,605	608	99,687
Balances at 31 December 2014	58	210,886	127,527	(3,510)	40,596	103,569	479,126
Comprehensive income:							
Loss for the year	-	-	-	-	(234,031)	(50,535)	(284,566)
Currency translation differences	-	-	-	(1,001)	-	-	(1,001)
Total Comprehensive Loss for the Year 2015	-	-	-	(1,001)	(234,031)	(50,535)	(285,567)
Transactions with owners:							
Share-based payment (Note 29)	1	22,734	-	-	(14,993)	481	8,223
Repurchase of shares (Note 25)	-	(1,615)	-	-	-	-	(1,615)
Total 2015	1	21,119	-	-	(14,993)	481	6,608
Balances at 31 December 2015	59	232,005	127,527	(4,511)	(208,428)	53,515	200,167
Comprehensive income:							
Loss for the year	-	-	-	-	(49,092)	(11,554)	(60,646)
Currency translation differences	-	-	-	7,102	-	-	7,102
Total Comprehensive Loss for the Year 2016	-	-	-	7,102	(49,092)	(11,554)	(53,544)
Transactions with owners:							
Share-based payment (Note 29)	1	6,032	-	-	(2,939)	273	3,367
Repurchase of shares (Note 25)	-	(1,991)	-	-	-	-	(1,991)
Dividends distribution to non-controlling interest	-	-	-	-	-	(6,406)	(6,406)
Total 2016	1	4,041	-	-	(2,939)	(6,133)	(5,030)
Balances at 31 December 2016	60	236,046	127,527	2,591	(260,459)	35,828	141,593

The notes on pages 7 to 76 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in US\$ '000	Note	2016	2015	2014
Cash flows from operating activities				
(Loss) Profit for the year		(60,646)	(284,566)	15,930
Adjustments for:				
Income tax expense (benefit)	16	11,804	(17,054)	5,195
Depreciation		75,774	105,557	100,528
Allowance for doubtful accounts	13-23	-	-	741
Loss on disposal of property, plant and equipment		14	2,000	590
Impairment loss (reversed) recognised for non-financial assets	19-35	(5,664)	149,574	9,430
Write-off of unsuccessful efforts	19	31,366	30,084	30,367
Accrual of borrowing's interests		27,940	28,460	25,754
Amortisation of other long-term liabilities	27	(2,924)	(703)	(468)
Unwinding of long-term liabilities	27	2,693	2,575	1,972
Accrual of share-based payment		3,367	8,223	8,373
Foreign exchange (gain) loss		(13,872)	33,474	23,097
Unrealized loss on commodity risk management contracts	36	3,068	-	-
Income tax paid		(1,956)	(7,625)	(1,306)
Changes in working capital	5	11,920	(24,104)	10,543
Cash flows from operating activities – net		82,884	25,895	230,746
Cash flows from investing activities				
Purchase of property, plant and equipment		(39,306)	(48,842)	(238,047)
Acquisitions of companies, net of cash acquired		-	-	(114,967)
Collections related to financial leases		-	-	8,973
Cash flows used in investing activities – net		(39,306)	(48,842)	(344,041)
Cash flows from financing activities				
Proceeds from borrowings		186	7,036	67,633
Proceeds from cash calls from related parties		5,210	2,400	16,563
Proceeds from transaction with non-controlling interest		-	-	35
Proceeds from issuance of shares		-	-	90,862
Repurchase of shares		(1,991)	(1,615)	(388)
Principal paid		(22,645)	(89)	(17,087)
Interest paid		(25,490)	(25,754)	(24,558)
Dividends distribution to non-controlling interest		(6,406)	-	-
Principal paid to related parties		-	-	(8,344)
Cash flows (used in) / from financing activities - net		(51,136)	(18,022)	124,716
Net (decrease) increase in cash and cash equivalents		(7,558)	(40,969)	11,421
Cash and cash equivalents at 1 January		82,730	127,672	121,105
Currency translation differences		(1,609)	(3,973)	(4,854)
Cash and cash equivalents at the end of the year		73,563	82,730	127,672
Ending Cash and cash equivalents are specified as follows:				
Cash in bank		73,551	82,720	127,560
Cash in hand		12	10	112
Cash and cash equivalents		73,563	82,730	127,672

The notes on pages 7 to 76 are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note

1 General Information

GeoPark Limited (the Company) is a company incorporated under the law of Bermuda. The Registered Office address is Cumberland House, 9th Floor, 1 Victoria Street, Hamilton HM11, Bermuda.

The principal activity of the Company and its subsidiaries (“the Group”) are exploration, development and production for oil and gas reserves in Chile, Colombia, Brazil, Peru and Argentina.

These consolidated financial statements were authorised for issue by the Board of Directors on 6 March 2017.

Note

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of GeoPark Limited have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

The consolidated financial statements have been prepared on a historical cost basis.

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”.

All the information included in these consolidated financial statements corresponds to the Group, except where otherwise indicated.

Note

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosure

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Annual Improvements to IFRSs – 2010-2012 Cycle and 2012 – 2014 Cycle

Disclosure Initiative - Amendments to IAS 1

Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted.

IFRS 2 “Share based payments”: amended in June 2016 to clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to IFRS 2 principles by requiring an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority. It is effective for annual periods beginning on or after January 1, 2018. The Company is currently analyzing the impact of its application on the Company’s operating results or financial position.

IFRS 9 Financial Instruments and associated amendments to various other standards: IFRS 9 replaces the multiple classification and measurement models in IAS 39. Classification of debt assets will be driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

Note

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosure (continued)

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model.

IFRS 15 Revenue from contracts with customers and associated amendments to various other standards: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer so the notion of control replaces the existing notion of risks and rewards.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Management is evaluating the potential impact of the new rules on the Group's financial statements.

IFRS 16 Leases: will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease.

The Group has not yet determined to what extent its commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. At this stage, the Group does not intend to adopt the standard before its effective date.

Note

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosure (continued)

IFRIC 22 “Foreign Currency Transactions and Advance Consideration”: issued in December 2016. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income related to an entity that has received or paid an advance consideration in a foreign currency. The date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. It is effective for annual periods beginning on January 1, 2018. The Company is currently analysing the impact of its application on the Company’s operating results or financial position.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12: made in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base.

Disclosure Initiative – Amendments to IAS 7: Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows and non-cash changes. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. Entities may include changes in other items as part of this disclosure. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28: The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.

Improvements to IFRSs – 2014-2016 Cycle: amendments issued in December 2016 that are effective for periods beginning on or after January 1, 2018. The Company estimates that these amendments will not have an impact on the Company’s operating results or financial position.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note

2 Summary of significant accounting policies (continued)

2.2 Going concern

The Directors regularly monitor the Group's cash position and liquidity risks throughout the year to ensure that it has sufficient funds to meet forecast operational and investment funding requirements. Sensitivities are run to reflect latest expectations of expenditures, oil and gas prices and other factors to enable the Group to manage the risk of any funding short falls and/or potential debt covenant breaches.

Considering macroeconomic environment conditions, the performance of the operations, Group's cash position, the offtake and the prepayment agreement signed with Trafigura (see Note 3) and over 80% of its total indebtedness maturing in 2020, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to meet all its obligations for the foreseeable future. For this reason, the Directors have continued to adopt the going concern basis in preparing the consolidated financial statements.

2.3 Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intercompany 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.

Note

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee. This committee is integrated by the CEO, COO, CFO and managers in charge of the Geoscience, Operations, Corporate Governance, Finance and People departments. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

2.5 Foreign currency translation

a) Functional and presentation currency

The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Group companies incorporated in Chile, Colombia, Peru and Argentina is the US Dollar, meanwhile for the Group Brazilian company the functional currency is the local currency, which is the Brazilian Real.

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 Consolidated Statement of Income.

2.6 Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

The Company has assessed the nature of its joint arrangements and determined them to be joint operations. The company combines its share in the joint operations individual assets, liabilities, results and cash flows on a line-by-line basis with similar items in its financial statements.

2.7 Revenue recognition

Revenue from the sale of crude oil and gas is recognised in the Statement of Income when risk transferred to the purchaser, and if the revenue can be measured reliably and is expected to be received. Revenue is shown net of VAT, discounts related to the sale and overriding royalties due to the ex-owners of oil and gas properties where the royalty arrangements represent a retained working interest in the property. See Note 31 (a).

Note

2 Summary of significant accounting policies (continued)

2.8 Production and operating costs

Production costs include wages and salaries incurred to achieve the revenue for the year. Direct and indirect costs of raw materials and consumables, rentals, leasing and royalties are also included within this account.

2.9 Financial costs

Financial costs include interest expenses, bank charges and the amortisation of financial assets and liabilities. The Company has capitalised borrowing cost for wells and facilities that were initiated after 1 January 2009. Amounts capitalised during the year totalled US\$ 254,950 (US\$ 637,390 in 2015 and US\$ 3,112,317 in 2014).

2.10 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment charge, if applicable. Historical cost includes expenditure that is directly attributable to the acquisition of the items; including provisions for asset retirement obligation.

Oil and gas exploration and production activities are accounted for in accordance with the successful efforts method on a field by field basis. The Group accounts for exploration and evaluation activities in accordance with IFRS 6, Exploration for and Evaluation of Mineral Resources, capitalizing exploration and evaluation costs until such time as the economic viability of producing the underlying resources is determined. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the Consolidated Statement of Income.

Exploration and evaluation costs may include: license acquisition, geological and geophysical studies (i.e.: seismic), direct labour costs and drilling costs of exploratory wells. No depreciation and/or amortisation are charged during the exploration and evaluation phase. Upon completion of the evaluation phase, the prospects are either transferred to oil and gas properties or charged to expense (exploration costs) in the period in which the determination is made depending whether they have found reserves or not. If not developed, exploration and evaluation assets are written off after three years, unless it can be clearly demonstrated that the carrying value of the investment is recoverable.

A charge of US\$ 31,366,000 has been recognised in the Consolidated Statement of Income within Write-off of unsuccessful efforts (US\$ 30,084,000 in 2015 and US\$ 30,367,000 in 2014). See Note 19.

All field development costs are considered construction in progress until they are finished and capitalised within oil and gas properties, and are subject to depreciation once complete. Such costs may include the acquisition and installation of production facilities, development drilling costs (including dry holes, service wells and seismic surveys for development purposes), project-related engineering and the acquisition costs of rights and concessions related to proved properties.

Note

2 Summary of significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

Workovers of wells made to develop reserves and/or increase production are capitalized as development costs. Maintenance costs are charged to income when incurred.

Capitalised costs of proved oil and gas properties and production facilities and machinery are depreciated on a licensed area by the licensed area basis, using the unit of production method, based on commercial proved and probable reserves. The calculation of the “unit of production” depreciation takes into account estimated future finding and development costs and is based on current year end unescalated price levels. Changes in reserves and cost estimates are recognised prospectively. Reserves are converted to equivalent units on the basis of approximate relative energy content.

Depreciation of the remaining property, plant and equipment assets (i.e. furniture and vehicles) not directly associated with oil and gas activities has been calculated by means of the straight line method by applying such annual rates as required to write-off their value at the end of their estimated useful lives. The useful lives range between 3 years and 10 years.

Depreciation is allocated in the Consolidated Statement of Income as a separate line to better follow up the performance of the business.

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 (see Impairment of non-financial assets in Note 2.12).

2.11 Provisions and other long-term liabilities

Provisions for asset retirement obligations, deferred income, restructuring obligations and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments.

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 financial expense.

Note

2 Summary of significant accounting policies (continued)

2.11 Provisions and other long-term liabilities (continued)

2.11.1 Asset Retirement Obligation

The Group records the fair value of the liability for asset retirement obligations in the period in which the wells are drilled. When the liability is initially recorded, the Group capitalises the cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value at each reporting period, and the capitalized cost is depreciated over the estimated useful life of the related asset. According to interpretations and application of current legislation and on the basis of the changes in technology and the variations in the costs of restoration necessary to protect the environment, the Group has considered it appropriate to periodically re-evaluate future costs of well-capping. The effects of this recalculation are included in the financial statements in the period in which this recalculation is determined and reflected as an adjustment to the provision and the corresponding property, plant and equipment asset.

2.11.2 Deferred Income

Relates to contributions received in cash from the Group's clients to improve the project economics of gas wells. The amounts collected are reflected as a deferred income in the balance sheet and recognised in the Consolidated Statement of Income over the productive life of the associated wells. The depreciation of the gas wells that generated the deferred income is charged to the Consolidated Statement of Income simultaneously with the amortisation of the deferred income. The addition in 2016 corresponds to the deferred income related to the take or pay provision associated to gas sales in Brazil, that Petrobras will make up in the future.

2.12 Impairment of non-financial assets

Assets that are not subject to depreciation and/or amortisation (i.e.: exploration and evaluation assets) are tested annually for impairment. Assets that are subject to depreciation and/or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units), generally a licensed area. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Note

2 Summary of significant accounting policies (continued)

2.12 Impairment of non-financial assets (continued)

No asset should be kept as an exploration and evaluation asset for a period of more than three years, except if it can be clearly demonstrated that the carrying value of the investment will be recoverable.

During 2016 impairment loss was reversed for an amount of US\$ 5,664,000 (impairment loss recognised for US\$ 149,574,000 in 2015 and US\$ 9,430,000 in 2014). See Note 35. The write-offs are detailed in Note 19.

2.13 Lease contracts

All current lease contracts are considered to be operating leases on the basis that the lessor retains 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 Consolidated Income Statement on a straight line basis over the term of the contract. The Group's total commitment relating to operating leases and rental agreements is disclosed in Note 31.

Leases in which substantially all of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. Under a finance lease, the Company as lessor has to recognize an amount receivable equal to the aggregate of the minimum lease payments plus any unguaranteed residual value accruing to the lessor, discounted at the interest rate implicit in the lease.

2.14 Inventories

Inventories comprise crude oil and materials.

Crude oil is measured at the lower of cost and net realisable value. Materials are measured at the lower of cost and recoverable amount. The cost of materials and consumables is calculated at acquisition price with the addition of transportation and similar costs. Cost is determined using the first-in, first-out (FIFO) method.

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. The computation of the income tax expense involves the interpretation of applicable tax laws and regulations in many jurisdictions. The resolution of tax positions taken by the Group, through negotiations with relevant tax authorities or through litigation, can take several years to complete and in some cases it is difficult to predict the ultimate outcome.

Note

2 Summary of significant accounting policies (continued)

2.15 Current and deferred income tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

In addition, the Group has tax-loss carry-forwards in certain taxing jurisdictions that are available to offset against future taxable profit. However, deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the unused tax losses can be utilized. Management judgment is exercised in assessing whether this is the case. To the extent that actual outcomes differ from management's estimates, taxation charges or credits may arise in future periods.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The Group is able to control the timing of dividends from its subsidiaries and hence does not expect taxable profit. Hence deferred tax is recognized in respect of the retained earnings of overseas subsidiaries only if at the date of the statements of financial position, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary. As mentioned above the Company does not expect that the temporary differences will revert in the foreseeable future. In the event that these differences revert in total (e.g. dividends are declared and paid), the deferred tax liability which the Company would have to recognize amounts to approximately US\$ 11,200,000.

Deferred tax balances are provided in full, with no discounting.

2.16 Financial assets

Financial assets 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.

Note

2 Summary of significant accounting policies (continued)

2.16 Financial assets (continued)

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 Consolidated 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 twelve 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 at bank and in hand 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 Consolidated Statement of Income. All of the Group's financial assets are classified as loan and receivables.

2.17 Other financial assets

Non current other financial assets include contributions made for environmental obligations according to a Colombian and Brazilian government request and are restricted for those purposes. Current financial assets correspond to short term investments with original maturities up to twelve months and over three months.

2.18 Impairment of financial assets

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.

2.19 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, if any, are shown within borrowings in the current liabilities section of the Consolidated Statement of Financial Position.

Note

2 Summary of significant accounting policies (continued)

2.20 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Derivatives

Derivatives financial instruments are recognised in the statement of financial position as assets or liabilities and initially and subsequently measured at fair value through profit and loss. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The market-to-market fair value of the Company's outstanding derivative instruments is based on independently provided market rates and determined using standard valuation techniques, including the impact of counterparty credit risk and are within level 2 of the fair value hierarchy. Gains and losses arising from changes in fair value are recognised in the statement of income in Commodity risk management contracts.

For more information about derivatives please refer to Note 36.

2.22 Borrowings

Borrowings are obligations to pay cash and are recognised when the Group becomes a party to the contractual provisions of the instrument.

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 Consolidated Statement of Income over the period of the borrowings using the effective interest method.

Direct issue costs are charged to the Consolidated Statement of Income on an accruals basis using the effective interest method.

Note

2 Summary of significant accounting policies (continued)

2.23 Share capital

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 shares granted according to IFRS 2 but not issued at year end or,
 - the difference between the proceeds from the transaction with non-controlling interests received against the book value of the shares acquired in the Chilean and Colombian subsidiaries.
- "Translation reserve" representing the differences arising from translation of investments in overseas subsidiaries.
- "(Accumulated losses) Retained earnings" representing accumulated earnings and losses.

2.24 Share-based payment

The Group operates a number of equity-settled and cash-settled share-based compensation plans comprising share awards payments and stock options plans to certain employees and other third party contractors. Share-based payment transactions are measured in accordance with IFRS 2.

Fair value of the stock option plan for employee or contractors 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 Geometric Brownian Motion method.

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 Consolidated Statement of Income, with a corresponding adjustment to equity.

The fair value of the share awards payments is determined at the grant date by reference of the market value of the shares and recognised as an expense over the vesting period. When the options are exercised, the Company issues new shares. 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.

For cash-settled share-based payment transactions, the Company measures the services acquired for amounts that are based on the price of the Company's shares. The fair value of the liability incurred is measured using Geometric Brownian Motion method. Until the liability is settled, the Company is required to remeasure the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognized in profit or loss for the period.

Note

3 Financial Instruments-risk management

The Group is exposed through its operations to the following financial risks:

- Currency risk
- Price risk
- Credit risk – concentration
- Funding and liquidity 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 corporate office. The policy for each of the above risks is described in more detail below.

Currency risk

In Argentina, Colombia, Chile and Peru the functional currency is the US Dollar. The fluctuation of the local currencies of these countries against the US Dollar does not impact the loans, costs and revenues held in US Dollars; but it does impact the balances denominated in local currencies. Such is the case of the prepaid taxes.

In Chile, Colombia and Argentina subsidiaries most of the balances are denominated in US Dollars, and since it is the functional currency of the subsidiaries, there is no exposure to currency fluctuation except from receivables or payables originated in local currency mainly corresponding to VAT.

The Group minimises the local currency positions in Argentina, Colombia and Chile by seeking to equilibrate local and foreign currency assets and liabilities. However, tax receivables (VAT) seldom match with local currency liabilities. Therefore the Group maintains a net exposure to them.

Most of the Group's assets held in those countries are associated with oil and gas productive assets. Those assets, even in the local markets, are generally settled in US Dollar equivalents.

During 2016, the Argentine Peso devaluated by 22% (52% and 31% in 2015 and 2014) against the US Dollar, the Chilean Peso revaluated by 6% (devaluated by 16% in 2015 and 2014) and the Colombian Peso revaluated by 5% (devaluated by 32% and 24% in 2015 and 2014).

If the Argentine Peso, the Chilean Peso and the Colombian Peso had each devaluated an additional 10% against the US dollar, with all other variables held constant, post-tax loss for the year would have been higher by US\$ 2,683,400 (US\$ 1,003,300 in 2015 and post – tax profit lower by US\$ 621,400 in 2014).

Note

3 Financial Instruments-risk management (continued)

Currency risk (continued)

In Brazil, the functional currency is the local currency, which is the Brazilian Real. The fluctuation of the US Dollars against the Brazilian Real does not impact the loans, costs and revenues held in Brazilian Real; but it does impact the balances denominated in US Dollars. Such is the case of the Itaú and intercompany loans. Most of the balances are denominated in Brazilian Real, and since it is the functional currency of the Brazilian subsidiary, there is no exposure to currency fluctuation except from cash at bank held in US Dollars and for the intercompany loan and Itaú loan described in Note 26. The exchange gain generated by the Brazilian subsidiary during 2016 amounted to US\$ 14,542,000 (loss of US\$ 35,605,000 in 2015 and loss of US\$ 17,573,000 in 2014).

During 2016, the Brazilian Real revaluated by 17% against the US Dollar (devaluated by 47% and 13% in 2015 and 2014, respectively). If the Brazilian Real had devaluated 10% against the US dollar, with all other variables held constant, post-tax loss for the year would have been higher by US\$ 5,300,000 (post – tax loss higher by US\$ 7,400,000 in 2015 and post – tax profit lower by US\$ 5,660,000 in 2014).

As of 31 December 2016, the balances denominated in the Peruvian local currency (Peruvian Soles) are not material.

As currency rate changes between the US Dollar and the local currencies, the Group recognizes gains and losses in the Consolidated Statement of Income.

Price risk

The price realised for the oil produced by the Group is linked to WTI (West Texas Intermediate) and Brent, US dollar denominated international benchmarks. The market price of these commodities is subject to significant fluctuation and has historically fluctuated widely in response to relatively minor changes in the global supply and demand for oil and natural gas, market uncertainty, economic conditions and a variety of additional factors.

In Colombia, the price of oil is based on Vasconia, a marker broadly used in the Llanos basin, adjusted for certain marketing and quality discounts based on, among other things, API, viscosity, sulphur, delivery point and water content.

In Chile, the oil price is based on Brent minus certain marketing and quality discounts such as, inter alia, API quality and others.

The Company has signed a long-term Gas Supply Contract with Methanex in Chile. The price of the gas sold under this contract is determined based on a formula that considers various international prices of methanol, including US Gulf methanol spot barge prices, methanol spot Rotterdam prices and spot prices in Asia.

In Brazil, prices for gas produced in the Manati Field are based on a long-term off-take contract with Petrobras. The price of gas sold under this contract is denominated in Brazilian Real and is adjusted annually for inflation pursuant to the Brazilian General Market Price Index (Índice Geral de Preços do Mercado), or IGPM.

Note

3 Financial Instruments-risk management (continued)

Price risk (continued)

If oil and methanol prices had fallen by 10% compared to actual prices during the year, with all other variables held constant, post-tax loss for the year would have been higher by US\$ 23,655,000 (US\$ 23,940,000 in 2015 and post tax profit lower by US\$ 29,186,000 in 2014).

During October 2016, it was considered appropriate to manage part of the exposure to the volatile crude oil price using derivatives. The Company considers these derivative contracts to be an effective manner of properly managing commodity price risk. The Company has also obtained credit lines from related counterparties associated to these contracts which are available to minimize the Company's cash exposure, in case necessary (see Note 36).

Credit risk – 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 customers and hedging counterparties.

In Colombia, during 2016, the Colombian subsidiary made 90% of the oil sales to Trafigura (one of the world's leading independent commodity trading and logistics houses), with Trafigura accounting for 59% of consolidated revenues for the same period.

All the oil produced in Chile as well as the gas produced by TdF Blocks (10% of total revenue, 15% in 2015 and 28% in 2014) is sold to ENAP, the State owned oil and gas company. In Chile, most of gas production is sold to the local subsidiary of the Methanex, a Canadian public company (9% of consolidated revenues, 7% in 2015 and 6% in 2014).

In Brazil, all the hydrocarbons from Manati Field are sold to Petrobras, the operator of the Manati Field and the State owned company.

The mentioned companies all have good credit standing and despite the concentration of the credit risk, the Directors do not consider there to be a significant collection risk.

In 2016, the Group executed oil prices hedges via over-the-counter derivatives. Should oil prices drop, the Group could stand to collect from its counterparties under the derivative contracts. The Group's hedging counterparties are leading financial institutions and trading companies, therefore the Directors do not consider there to be a significant collection risk.

See disclosure in Notes 24 and 36.

Note

3 Financial Instruments-risk management (continued)

Funding and Liquidity risk

In the past, the Group was able to raise capital through different sources of funding including equity, strategic partnerships and financial debt.

The Group is positioned at the end of 2016 with a cash balance of US\$ 73,563,000 and over 80% of its total indebtedness maturing in 2020. In addition, the Group has a large portfolio of attractive and largely discretionary projects - both oil and gas - in multiple countries with over 24,000 boepd in production. This scale and positioning permit GeoPark to protect its financial condition and selectively allocate capital to the optimal projects subject to prevailing macroeconomic conditions.

Since 2015, and impacted by the low oil price environment, the Company's Leverage Ratio and the Interest Coverage did not meet certain thresholds included in the 2020 Bond Indenture. This situation may limit the Company's capacity to incur additional indebtedness, other than permitted debt, as specified in the indenture governing the Notes (Note 26).

The most significant funding transactions executed in 2016 and 2015 include:

On December 2015, the Group announced the execution of an offtake and prepayment agreement with Trafigura, one of its customers. The prepayment agreement provides GeoPark with access to up to US\$ 100,000,000 in the form of prepaid future oil sales. Funds committed by Trafigura were available to GeoPark upon request until September 2016 and are to be repaid by the Company through future oil deliveries over 2.5 years with a six-month grace period.

On February 2017, the availability period under the prepayment agreement with Trafigura was extended until 30 June 2017. This extension provides GeoPark with available funds upon request from Trafigura and will be repaid by the Company on a monthly basis through future oil deliveries over the period between January 2017 and December 2018. As of the date of these Financial Statements, outstanding balances related to the prepayment agreement amount to US\$ 20,000,000.

On March 2015, the Group reached an agreement with Itau to: (i) extend the principal payments that were originally due in 2015 (amounting to approximately US\$ 15,000,000), which were divided pro-rata during the remaining principal instalments, starting in March 2016 and (ii) increase the variable interest rate equal to the six-month LIBOR + 4.0%.

Note

3 Financial Instruments-risk management (continued)

Interest rate risk

The Group's interest rate risk arises from long-term borrowings issued at variable rates, which expose the Group to cash flow to interest rate risk.

The Group does not face interest rate risk on its US\$ 300,000,000 Notes which carry a fixed rate coupon of 7.50% per annum. As consequence, the accruals and interest payment are no substantially affected to the market interest rate changes.

At 31 December 2016, the outstanding long-term borrowing affected by variable rates amounted to US\$ 54,472,000, representing 15% of total borrowings, which was composed by the loans from Itaú Bank and Banco de Chile that have a floating interest rate based on LIBOR.

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 2016, if 1% is added to interest rates on currency-denominated borrowings with all other variables held constant, post-tax loss for the year would have been US\$ 467,000 higher (post-tax loss higher by US\$ 507,000 in 2015 and post-tax profit lower by US\$ 312,000 in 2014).

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.

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) less cash at bank and in hand. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The Group's strategy is to keep the gearing ratio within a 30% to 45% range, in normal market conditions. Due to the market conditions prevailing during 2016 and 2015 the gearing ratio at year end is above such range. Measures taken by the Company in this connection are described in Note 35.

Note

3 Financial Instruments-risk management (continued)

Capital risk management (continued)

The gearing ratios at 31 December 2016 and 2015 were as follows:

Amounts in US\$ '000	2016	2015
Net Debt	285,109	295,943
Total Equity	141,593	200,167
Total Capital	426,702	496,110
Gearing Ratio	67%	60%

Note

4 Accounting estimates and assumptions

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 judgements 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:

- Cash flow estimates for impairment assessments of non-financial assets require assumptions about two primary elements - future prices and reserves. Estimates of future prices require significant judgments about highly uncertain future events. Historically, oil and gas prices have exhibited significant volatility. The Group's forecasts for oil and gas revenues are based on prices derived from future price forecasts amongst industry analysts and own assessments. Estimates of future cash flows are generally based on assumptions of long-term prices and operating and development costs.

Given the significant assumptions required and the possibility that actual conditions will differ, management considers the assessment of impairment to be a critical accounting estimate (see Note 35).

The process of estimating reserves is complex. It requires significant judgements 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 as of 31 December 2016 prepared by DeGolyer and MacNaughton, an international consultancy to the oil and gas industry based in Dallas. It incorporates many factors and assumptions including:

Note

4 Accounting estimates and assumptions (continued)

- 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.

Management believes these factors and assumptions are reasonable based on the information available to them at the time of preparing the 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 Group adopts the successful efforts method of accounting. The Management of the Company makes assessments and estimates regarding whether an exploration asset should continue to be carried forward as an exploration and evaluation asset not yet determined or when insufficient information exists for this type of cost to remain as an asset. In making this assessment the Management takes professional advice from qualified experts.
- Oil and gas assets held in property plant and equipment are mainly depreciated on a unit of production basis at a rate calculated by reference to proven and probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions as to the numbers of wells required to produce those reserves, the cost of the wells and future production facilities.
- Obligations related to the abandonment of wells once operations are terminated may result in the recognition of significant obligations. Estimating the future abandonment costs is difficult and requires management to make estimates and judgments because most of the obligations are many years in the future. Technologies and costs are constantly changing as well as political, environmental, safety and public relations considerations. The Company has adopted the following criterion for recognising well plugging and abandonment related costs: The present value of future costs necessary for well plugging and abandonment is calculated for each area at the present value of the estimated future expenditure. The liabilities recognised are based upon estimated future abandonment costs, wells subject to abandonment, time to abandonment, and future inflation rates.
- From time to time, the Company may be subject to various lawsuits, claims and proceedings that arise in the normal course of business, including employment, commercial, environmental, safety and health matters. For example, from time to time, the Company receives notice of environmental, health and safety violations. Based on what the Management of the Company currently knows, it is not expected any material impact on the financial statements.

Note

5 Consolidated Statement of Cash Flow

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

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

The following chart describes non-cash transactions related to the Consolidated Statement of Cash Flow:

Amounts in US\$ '000	2016	2015	2014
Increase in asset retirement obligation	1,195	985	1,603
Increase in provisions for other long-term liabilities	3,468	-	5,636
Purchase of property, plant and equipment	(4,657)	830	1,382

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

Cash flows from financing activities include changes in 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.

Changes in working capital shown in the Consolidated Statement of Cash Flow are disclosed as follows:

Amounts in US\$ '000	2016	2015	2014
Increase in Prepaid taxes	(2,351)	(16,611)	(3,310)
Decrease / (Increase) in Inventories	466	2,752	(410)
(Increase) / Decrease in Trade receivables	(4,811)	22,470	13,791
(Increase) / Decrease in Prepayments and other receivables and Other assets	(1,758)	405	12,569
Customer advance payments	20,000	-	-
Increase / (Decrease) in Trade and other payables	374	(33,120)	(12,097)
	11,920	(24,104)	10,543

Note

6 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee. This committee is integrated by the CEO, COO, CFO and managers in charge of the Geoscience, Operations, Corporate Governance, Finance and People departments. This committee reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The committee considers the business from a geographic perspective.

The Executive Committee assesses the performance of the operating segments based on a measure of Adjusted EBITDA. Adjusted EBITDA is defined as profit for the period before net finance cost, income tax, depreciation, amortization, certain non-cash items such as impairments and write-offs of unsuccessful efforts, accrual of share-based payment, unrealized result on commodity risk management contracts and other non recurring events. Operating Netback is equivalent to Adjusted EBITDA before cash expenses included in Administrative, Geological and Geophysical and Other operating expenses. Other information provided, except as noted below, to the Executive Committee is measured in a manner consistent with that in the financial statements.

Segment areas (geographical segments):

Amounts in US\$ '000	Chile	Brazil	Colombia	Peru	Argentina	Corporate	Total
2016							
Revenue	36,723	29,719	126,228	-	-	-	192,670
Sale of crude oil	18,774	688	125,731	-	-	-	145,193
Sale of gas	17,949	29,031	497	-	-	-	47,477
Realized gain on commodity risk management contracts	-	-	514	-	-	-	514
Production and operating costs	(22,169)	(8,459)	(36,607)	-	-	-	(67,235)
Royalties	(1,495)	(2,721)	(7,281)	-	-	-	(11,497)
Transportation costs	(1,170)	-	(1,111)	-	-	-	(2,281)
Share-based payment	(138)	(71)	(413)	-	-	-	(622)
Other costs	(19,366)	(5,667)	(27,802)	-	-	-	(52,835)
Operating (loss) / profit	(44,969)	(645)	31,463	(3,147)	370	(11,685)	(28,613)
Adjusted EBITDA	5,159	17,487	66,921	(2,607)	1,848	(10,487)	78,321
Depreciation	(31,355)	(12,974)	(31,148)	(130)	(150)	(17)	(75,774)
Reversal of impairment losses	-	-	5,664	-	-	-	5,664
Write-off	(19,389)	(4,583)	(7,394)	-	-	-	(31,366)
Total assets	317,969	99,904	182,784	5,020	6,071	28,792	640,540
Employees (average)	102	10	138	11	80	-	341
Employees at year end	77	10	146	10	-	-	345

Note

6 Segment information (continued)

Amounts in US\$ '000	Chile	Brazil	Colombia	Peru	Argentina	Corporate	Total
2015							
Revenue	44,808	32,388	131,897	-	597	-	209,690
Sale of crude oil	29,180	955	131,897	-	597	-	162,629
Sale of gas	15,628	31,433	-	-	-	-	47,061
Production costs	(28,704)	(8,056)	(48,534)	-	(1,448)	-	(86,742)
Royalties	(1,973)	(2,998)	(8,150)	-	(34)	-	(13,155)
Transportation costs	(2,441)	-	(2,068)	-	(2)	-	(4,511)
Share-based payment	(132)	-	(234)	-	(197)	-	(563)
Other costs	(24,158)	(5,058)	(38,082)	-	(1,215)	-	(68,513)
Operating (loss) / profit	(180,264)	6,639	(37,227)	(6,719)	(2,350)	(12,570)	(232,491)
Adjusted EBITDA	(183)	20,460	66,736	(6,520)	(684)	(6,022)	73,787
Depreciation	(39,227)	(13,568)	(52,434)	(129)	(199)	-	(105,557)
Impairment loss	(104,515)	-	(45,059)	-	-	-	(149,574)
Write-off	(25,751)	-	(4,333)	-	-	-	(30,084)
Total assets	381,143	114,974	153,071	4,287	3,181	47,143	703,799
Employees (average)	153	11	130	16	93	-	403
Employees at year end	106	12	133	11	90	-	352
2014							
Revenue	145,720	35,621	246,085	-	1,308	-	428,734
Sale of crude oil	118,203	1,541	246,054	-	1,304	-	367,102
Sale of gas	27,517	34,080	31	-	4	-	61,632
Production costs	(41,768)	(8,148)	(80,953)	-	(550)	-	(131,419)
Royalties	(6,777)	(2,794)	(12,354)	-	(241)	-	(22,166)
Transportation costs	(6,784)	-	(4,663)	-	(87)	-	(11,534)
Share-based payment	(763)	-	(423)	-	(433)	-	(1,619)
Other costs	(27,444)	(5,354)	(63,513)	-	211	-	(96,100)
Operating (loss) / profit	11,733	10,658	67,212	(2,419)	(4,321)	(11,019)	71,844
Adjusted EBITDA	76,420	22,637	130,209	(2,425)	(816)	(5,948)	220,077
Depreciation	(37,077)	(11,613)	(51,584)	-	(229)	(25)	(100,528)
Impairment loss	-	-	(9,430)	-	-	-	(9,430)
Write-off	(28,772)	-	(1,564)	-	(31)	-	(30,367)
Total assets	541,481	151,770	263,070	4,813	3,839	74,143	1,039,116
Employees (average)	208	10	121	4	100	-	443
Employees at year end	197	12	133	14	100	-	456

Approximately 20% of capital expenditure was incurred by Chile (22% in 2015 and 66% in 2014), 67% was incurred by Colombia (66% in 2015 and 29% in 2014), 9% was incurred by Brazil (12% in 2015, 5% in 2014) and 4% was incurred by Argentina (nil in 2015 and 2014). The capital expenditure referred does not include total consideration for M&A activities.

Note

6 Segment information (continued)

A reconciliation of total Operating netback to total (loss) profit before income tax is provided as follows:

Amounts in US\$ '000	2016	2015	2014
Operating netback	122,147	118,027	274,509
Administrative expenses	(32,323)	(30,590)	(40,340)
Geological and geophysical expenses	(11,503)	(13,650)	(14,092)
Adjusted EBITDA for reportable segments	78,321	73,787	220,077
Unrealized loss on commodity risk management contracts	(3,068)	-	-
Depreciation ^(a)	(75,774)	(105,557)	(100,528)
Share-based payment	(3,367)	(8,223)	(8,373)
Impairment and write-off of unsuccessful efforts	(25,702)	(179,658)	(39,797)
Others ^(b)	977	(12,840)	465
Operating (loss) profit	(28,613)	(232,491)	71,844
Financial costs	(34,101)	(35,655)	(27,622)
Foreign exchange profit (loss)	13,872	(33,474)	(23,097)
(Loss) Profit before tax	(48,842)	(301,620)	21,125

^(a) Net of capitalised costs for oil stock included in Inventories.

^(b) In 2015 includes termination costs (see Note 35). Also includes internally capitalised costs.

Note

7 Revenue

Amounts in US\$ '000	2016	2015	2014
Sale of crude oil	145,193	162,629	367,102
Sale of gas	47,477	47,061	61,632
	192,670	209,690	428,734

Note

8 Production and operating costs

Amounts in US\$ '000	2016	2015	2014
Well and facilities maintenance	13,160	19,974	25,475
Staff costs (Note 10)	10,859	17,999	16,112
Share-based payment (Notes 10 and 29)	622	563	1,619
Royalties	11,497	13,155	22,166
Consumables	8,283	8,591	16,157
Transportation costs	2,281	4,511	11,534
Equipment rental	3,868	3,517	7,563
Safety and Insurance costs	2,222	3,239	5,733
Gas plant costs	6,300	2,878	3,277
Field camp	1,687	2,645	5,932
Non operated blocks costs	1,082	2,127	9,730
Other costs	5,374	7,543	6,121
	67,235	86,742	131,419

Note

9 Depreciation

Amounts in US\$ '000	2016	2015	2014
Oil and gas properties	61,080	84,849	89,651
Production facilities and machinery	10,788	15,467	9,621
Furniture, equipment and vehicles	2,702	2,850	1,862
Buildings and improvements	920	874	523
Depreciation of property, plant and equipment ^(a)	75,490	104,040	101,657

Related to:

Productive assets	71,868	100,316	99,360
Administrative assets	3,622	3,724	2,297
Depreciation total ^(a)	75,490	104,040	101,657

^(a) Depreciation without considering capitalised costs for oil stock included in Inventories.

Note

10 Staff costs and Directors Remuneration

	2016	2015	2014
Number of employees at year end	345	352	456
Amounts in US\$ '000			
Wages and salaries	36,059	40,574	41,593
Share-based payments (Note 29)	3,367	8,223	9,178
Share-based payments – Cash awards	-	-	(805)
Social security charges	3,792	6,197	6,597
Director's fees and allowance	2,088	1,238	1,998
	45,306	56,232	58,561

Recognised as follows:

Production and operating costs	11,481	18,562	17,731
Geological and geophysical expenses	10,439	11,336	12,939
Administrative expenses	23,386	26,334	27,891
	45,306	56,232	58,561

Board of Directors' and key managers' remuneration

Salaries and fees	7,337	6,549	11,003
Share-based payments	1,211	6,544	3,314
Other benefits in kind	112	167	130
	8,660	13,260	14,447

Note

10 Staff costs and Directors Remuneration (continued)

Directors' Remuneration

	Executive Directors' Fees	Executive Directors' Bonus	Non- Executive Directors' Fees (in US\$)	Director Fees Paid in Shares No. of Shares	Cash Equivalent Total Remuneration
Gerald O'Shaughnessy	US\$ 250,000	US\$ 150,000	-	-	US\$ 400,000
James F. Park	US\$ 500,000	US\$ 500,000	-	-	US\$ 1,000,000
Pedro Aylwin ^(a)	-	-	-	-	-
Peter Ryalls ^(b)	-	-	US\$ 120,000	32,403	US\$ 220,002
Juan Cristóbal Pavez ^(c)	-	-	US\$ 110,000	32,403	US\$ 210,002
Carlos Gulisano ^(d)	-	-	US\$ 110,000	32,403	US\$ 210,002
Robert Bedingfield ^(e)	-	-	US\$ 100,000	32,403	US\$ 200,002

^a Pedro Aylwin has a service contract that provides for him to act as Manager of Corporate Governance so he resigned his fees as Director.

^b Technical Committee Chairman.

^c Compensation Committee Chairman.

^d Nomination Committee Chairman.

^e Audit Committee Chairman.

The non-executive Directors annual fees correspond to US\$ 80,000 to be settled in cash and US\$ 100,000 to be settled in stocks, paid quarterly in equal installments. In the event that a non-executive Director serves as Chairman of any Board Committees, an additional annual fee of US\$ 20,000 shall apply. A Director who serves as a member of any Board Committees shall receive an annual fee of US\$ 10,000. Total payment due shall be calculated in an aggregate basis for Directors serving in more than one Committee. The Chairman fee shall not be added to the member's fee for the same Committee. Payments of Chairmen and Committee members' fees shall be made quarterly in arrears and settled in cash only.

Note

11 Geological and geophysical expenses

Amounts in US\$ '000	2016	2015	2014
Staff costs (Note 10)	9,541	10,557	11,712
Share-based payment (Notes 10 and 29)	898	779	1,227
Allocation to capitalised project	(2,119)	(598)	(2,317)
Other services	1,962	3,093	2,380
	10,282	13,831	13,002

Note

12 Administrative expenses

Amounts in US\$ '000	2016	2015	2014
Staff costs (Note 10)	19,451	18,215	20,366
Share-based payment (Notes 10 and 29)	1,847	6,881	5,527
Consultant fees	3,894	4,115	6,791
Office expenses	2,217	2,535	3,190
Travel expenses	1,717	1,497	2,052
Director's fees and allowance (Note 10)	2,088	1,238	1,998
New projects	885	559	2,798
Other administrative expenses	2,071	2,431	3,145
	34,170	37,471	45,867

Note

13 Selling expenses

Amounts in US\$ '000	2016	2015	2014
Transportation	3,559	4,760	23,106
Selling taxes	663	440	433
Storage	-	11	148
Allowance for doubtful accounts	-	-	741
	4,222	5,211	24,428

Note

14 Financial costs

Amounts in US\$ '000	2016	2015	2014
Financial expenses			
Interest and amortisation of debt issue costs	30,571	30,543	29,466
Less: amounts capitalised on qualifying assets	(255)	(637)	(3,112)
Bank charges and other financial costs	3,220	4,443	2,672
Unwinding of long-term liabilities (Note 27)	2,693	2,575	1,972
Financial income			
Interest received	(2,128)	(1,269)	(3,376)
	34,101	35,655	27,622

Note

15 Tax reforms in Colombia

A new tax reform has been enacted in Colombia. The legislation includes significant changes to certain corporate income tax and statutory income tax provisions, including rate reductions and the repeal of certain corporate-level taxes. The legislation also aims to raise tax revenue mostly by increasing the rate of the value added tax (VAT) to 19% (from 16%) and through a variety of excise taxes. Most of the tax provisions are effective 1 January 2017.

The legislation also includes the following provisions that are intended to simplify the corporate income tax system by:

- Eliminating the “CREE” tax on corporations and the CREE surtax (CREE is the Spanish acronym for the “fairness tax”).
- Introducing a temporary income surtax of 6% for 2017 and 4% for 2018.

Accordingly, with this tax reform, the corporate income tax will have the following rate schedule (applied beyond a limited profit threshold):

- 40% in 2017 (34% income tax plus 6% income surtax)
- 37% in 2018 (33% income tax plus 4% income surtax)
- 33% in 2019.

There is an increase in the tax rate on deemed income relating to increases in a taxpayer’s net worth (i.e., the increase in the value of a taxpayer’s assets); the rate is increased from 3% to 3.5%.

Other changes to the income tax law are the following:

- New withholding tax on dividends—with the applicable rates for non-resident shareholders of: (1) 5% for dividends distributed out of the distributing entity’s previously taxed profits; and (2) 35% for dividends distributed out of the distributing entity’s previously untaxed profits, plus an additional 5% after having applied and deducted the initial 35% withholding.
- A general 15% withholding tax rate for taxable income accrued by non-residents without a permanent establishment (certain special rates may apply).
- Lengthen the statute of limitations with respect to tax returns and assessments.
- Limit loss carryforwards to 12 years.
- Allow for a deduction of VAT paid on certain acquisitions or imports of capital goods when calculating the taxpayer’s income tax liability.
- Retain the tax on long-term capital gains at 10% for both corporations and non-residents.

The legislation also revises and refines tax accounting standards based on IFRS rules.

Note

16 Income tax

Amounts in US\$ '000	2016	2015	2014
Current tax	12,359	7,262	23,574
Deferred income tax (Note 17)	(555)	(24,316)	(18,379)
	11,804	(17,054)	5,195

The tax on the Group's (loss) 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	2016	2015	2014
(Loss) Profit before tax	(48,842)	(301,620)	21,125
Tax losses from non-taxable jurisdictions	12,318	15,852	5,010
Taxable (loss) profit	(36,524)	(285,768)	26,135
Income tax calculated at domestic tax rates applicable to Profit			
(Losses) in the respective countries	809	(62,589)	7,606
Tax losses where no deferred income tax is recognised	6,616	16,325	148
Effect of currency translation on tax base	2,840	6,776	(8,128)
Changes in the income tax rate (Note 15)	(220)	625	691
Non recoverable tax loss carry-forwards	-	15,537	-
Non-taxable results ^(a)	1,759	6,272	4,878
Income tax	11,804	(17,054)	5,195

^(a) Includes non-deductible expenses in each jurisdiction and changes in the estimation of deferred tax assets and liabilities.

Under current Bermuda law, the Company is not required to pay any taxes in Bermuda on income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda that, in the event of any taxes being imposed, they will be exempt from taxation in Bermuda until March 2035. Income tax rates in those countries where the Group operates (Argentina, Brazil, Colombia, Peru and Chile) ranges from 15% to 40%.

The Group has significant tax losses available which can be utilised against future taxable profit in the following countries:

Amounts in US\$ '000	2016	2015	2014
Argentina	2,908	3,834	6,707
Chile ^(a)	280,290	209,910	105,293
Brazil ^(a)	16,057	-	3,191
Total tax losses at 31 December	299,255	213,744	115,191

^(a) Taxable losses have no expiration date.

Note

16 Income Tax (continued)

At the balance sheet date deferred tax assets in respect of tax losses in Argentina and in certain Companies in Chile have not been recognised as there is insufficient evidence of future taxable profits before the statute of limitation of these tax losses causes them to expire.

Expiring dates for tax losses accumulated at 31 December 2016 are:

Expiring date	Amounts in US\$ '000
2017	1,053
2020	873
2021	982

Note

17 Deferred income tax

The gross movement on the deferred income tax account is as follows:

Amounts in US\$ '000	2016	2015
Deferred tax at 1 January	17,691	3,130
Reclassification ^(a)	574	(6,061)
Currency translation differences	1,463	(3,694)
Income statement credit	555	24,316
Deferred tax at 31 December	20,283	17,691

^(a) Corresponds to differences between income tax provision and the final tax return presented.

The breakdown and movement of deferred tax assets and liabilities as of 31 December 2016 and 2015 are as follows:

Amounts in US\$ '000	At the beginning of year	Currency translation differences	(Charged) / credited to net profit	At end of year
Deferred tax assets				
Difference in depreciation rates and other	31,748	-	(12,523)	19,225
Taxable losses	2,898	1,463	(533)	3,828
Total 2016	34,646	1,463	(13,056)	23,053
Total 2015	33,195	(3,694)	5,145	34,646

Note

17 Deferred income tax (continued)

Amounts in US\$ '000	At the beginning of year	Credited to net profit	Reclassification (a)	At end of year
Deferred tax liabilities				
Difference in depreciation rates and other	(26,016)	8,708	-	(17,308)
Taxable losses	9,061	4,903	574	14,538
Total 2016	(16,955)	13,611	574	(2,770)
Total 2015	(30,065)	19,171	(6,061)	(16,955)

(a) Corresponds to differences between income tax provision and the final tax return presented.

Note

18 Earnings per share

Amounts in US\$ '000 except for shares	2016	2015	2014
Numerator:			
(Loss) Profit for the year attributable to owners	(49,092)	(234,031)	8,085
Denominator:			
Weighted average number of shares used in basic EPS	59,777,145	57,759,001	56,396,812
(Losses) Earnings after tax per share (US\$) – basic	(0.82)	(4.05)	0.14

Amounts in US\$ '000 except for shares	2016 (a)	2015	2014
Weighted average number of shares used in basic EPS	59,777,145	57,759,001	56,396,812
Effect of dilutive potential common shares			
Stock awards at US\$ 0.001		-	2,443,600
Weighted average number of common shares for the purposes of diluted earnings per shares	59,777,145	57,759,001	58,840,412
(Losses) Earnings after tax per share (US\$) – diluted	(0.82)	(4.05)	0.14

(a) For the year ended 31 December 2016, there were 1,390,706 (1,032,279 in 2015) of potential shares that could have a dilutive impact but were considered antidilutive due to negative earnings.

Note
19 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	Exploration and evaluation assets ^(b)	Total
Cost at 1 January 2014	493,260	5,731	98,837	7,018	40,429	147,759	793,034
Additions	3,013	3,367	11	490	136,232	97,919	241,032
Acquisition of subsidiaries	112,646	201	-	-	-	-	112,847
Currency translation differences	(21,941)	(122)	-	-	-	(988)	(23,051)
Disposals	-	(353)	(666)	-	-	-	(1,019)
Write-off / Impairment loss	(9,430)	-	-	-	-	(30,367) ^(c)	(39,797)
Transfers	172,399	3,233	13,464	2,019	(117,236)	(73,879)	-
Cost at 31 December 2014	749,947	12,057	111,646	9,527	59,425	140,444	1,083,046
Additions	(4,640) ^(a)	954	-	272	36,543	12,299	45,428
Currency translation differences	(27,522)	(182)	(2,577)	(92)	-	(1,510)	(31,883)
Disposals	(241)	(13)	(1,685)	(84)	-	-	(2,023)
Write-off / Impairment loss	(128,956)	-	(13,242)	-	(7,376)	(30,084) ^(d)	(179,658)
Transfers	60,404	929	30,690	895	(58,769)	(34,149)	-
Cost at 31 December 2015	648,992	13,745	124,832	10,518	29,823	87,000	914,910
Additions	(3,531) ^(a)	406	466	-	20,322	18,181	35,844
Currency translation differences	16,132	126	2,077	35	73	790	19,233
Disposals	-	(22)	-	-	-	-	(22)
Write-off / Impairment reversal	5,664	-	-	-	-	(31,366) ^(e)	(25,702)
Transfers	24,984	102	5,038	-	(17,292)	(12,832)	-
Cost at 31 December 2016	692,241	14,357	132,413	10,553	32,926	61,773	944,263
Depreciation and write-down at 1 January 2013	(157,390)	(2,800)	(35,677)	(1,721)	-	-	(197,588)
Depreciation	(89,651)	(1,862)	(9,621)	(523)	-	-	(101,657)
Disposals	-	278	151	-	-	-	429
Currency translation differences	6,602	(65)	-	-	-	-	6,537
Depreciation and write-down at 31 December 2014	(240,439)	(4,449)	(45,147)	(2,244)	-	-	(292,279)
Depreciation	(84,849)	(2,850)	(15,467)	(874)	-	-	(104,040)
Disposals	-	8	-	15	-	-	23
Currency translation differences	4,115	(26)	-	(92)	-	-	3,997
Depreciation and write-down at 31 December 2015	(321,173)	(7,317)	(60,614)	(3,195)	-	-	(392,299)
Depreciation	(61,080)	(2,702)	(10,788)	(920)	-	-	(75,490)
Disposals	-	8	-	-	-	-	8
Currency translation differences	(2,486)	(38)	(296)	(16)	-	-	(2,836)
Depreciation and write-down at 31 December 2016	(384,739)	(10,049)	(71,698)	(4,131)	-	-	(470,617)
Carrying amount at 31 December 2014	509,508	7,608	66,499	7,283	59,425	140,444	790,767
Carrying amount at 31 December 2015	327,819	6,428	64,218	7,323	29,823	87,000	522,611
Carrying amount at 31 December 2016	307,502	4,308	60,715	6,422	32,926	61,773	473,646

Note

19 Property, plant and equipment (continued)

(a) Corresponds to the effect of change in estimate of assets retirement obligations in Colombia.

(b) Exploration wells movement and balances are shown in the table below; seismic and other exploratory assets amount to US\$ 53,523,000 (US\$ 64,094,000 in 2015 and US\$ 99,939,000 in 2014).

Amounts in US\$ '000	Total
Exploration wells at 31 December 2014	40,505
Additions	16,067
Write-offs	(6,280)
Transfers	(27,386)
Exploration wells at 31 December 2015	22,906
Additions	15,088
Write-offs	(19,949)
Transfers	(9,795)
Exploration wells at 31 December 2016	8,250

As of 31 December 2016, there were two exploratory wells that have been capitalised for a period less than a year amounting to US\$ 8,250,000.

(c) Corresponds to the cost of ten unsuccessful exploratory wells: eight of them in Chile (three in Flamenco Block, two in Fell Block, two in Tranquilo Block and one in Campanario Block) and two of them in Colombia (two in the non-operated Arrendajo Block). The charge also includes the loss generated by the write-off of the remaining seismic cost for Otway and Tranquilo Blocks, registered in previous years.

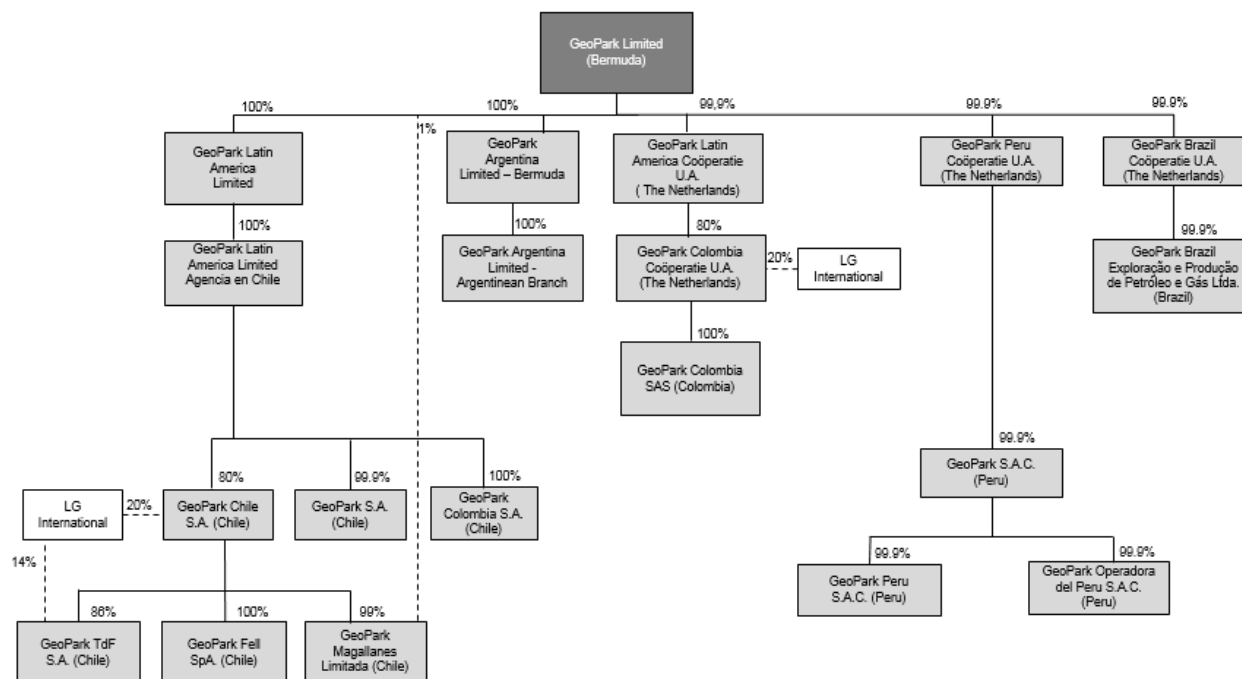
(d) Corresponds to the cost of two unsuccessful exploratory wells in Colombia (one well in CPO4 Block and one well in Llanos 32). The charge also includes the loss generated by the write-off of the seismic cost for Flamenco Block in Chile generated by the relinquishment of 143 sq km in November 2015 and the write off of two wells drilled in previous years in the same block for which no additional work would be performed.

(e) Corresponds to the write-off of five wells drilled in previous years in the Chilean blocks for which no additional work would be performed, the loss generated by the write-off of the seismic cost for Llanos 62 Block in Colombia generated by the relinquishment of the area in September 2016. In addition, during September 2016, five blocks in Brazil were relinquished so the associated investment was written off.

Note

20 Subsidiary undertakings

The following chart illustrates main companies of the Group structure as of 31 December 2016 ^(a):



^(a) LGI is not a subsidiary, it is Non-controlling interest.

Note

20 Subsidiary undertakings (continued)

Details of the subsidiaries and joint operations of the Company are set out below:

	Name and registered office	Ownership interest
Subsidiaries	GeoPark Argentina Limited – Bermuda	100%
	GeoPark Argentina Limited – Argentinean Branch	100% (a)
	GeoPark Latin America Limited	100%
	GeoPark Latin America Limited – Agencia en Chile	100% (a)
	GeoPark S.A. (Chile)	100% (a) (b)
	GeoPark Brazil Exploração y Produção de Petróleo e Gás Ltda. (Brazil)	100% (a)
	GeoPark Chile S.A. (Chile)	80% (a) (c)
	GeoPark Fell S.p.A. (Chile)	80% (a) (c)
	GeoPark Magallanes Limitada (Chile)	80% (a) (c)
	GeoPark TdF S.A. (Chile)	68.8% (a) (d)
	GeoPark Colombia S.A. (Chile)	100% (a)
	GeoPark Colombia SAS (Colombia)	80% (a) (c)
	GeoPark Latin America Coöperatie U.A. (The Netherlands)	100%
	GeoPark Colombia Coöperatie U.A. (The Netherlands)	80% (a) (c)
	GeoPark S.A.C. (Peru)	100% (a)
	GeoPark Perú S.A.C. (Peru)	100% (a)
	GeoPark Operadora del Perú S.A.C. (Peru)	100% (a)
	GeoPark Peru Coöperatie U.A. (The Netherlands)	100%
	GeoPark Brazil Coöperatie U.A. (The Netherlands)	100%
	GeoPark Colombia E&P S.A.(Panama)	100% (b)
GeoPark Colombia E&P Sucursal Colombia(Colombia)	100% (b)	
Joint operations	Tranquilo Block (Chile)	50% (e)
	Flamenco Block (Chile)	50% (e)
	Campanario Block (Chile)	50% (e)
	Isla Norte Block (Chile)	60% (e)
	Yamu/Carupana Block (Colombia)	89.5%/100% (e)
	Llanos 34 Block (Colombia)	45% (e)
	Llanos 32 Block (Colombia)	10%
	CPO-4 Block (Colombia)	50% (e)
	Puelen Block (Argentina)	18%
	Sierra del Nevado Block (Argentina)	18%
	CN-V Block (Argentina)	50% (e)
	Manati Field (Brazil)	10%

(a) Indirectly owned.

(b) Dormant companies.

(c) LG International has 20% interest.

(d) LG International has 20% interest through GeoPark Chile S.A. and a 14% direct interest, totaling 31.2%.

(e) GeoPark is the operator in all blocks.

Note

21 Prepaid taxes

Amounts in US\$ '000	2016	2015
V.A.T.	14,052	14,486
Income tax payments in advance	4,517	4,844
Other prepaid taxes	98	1,037
Total prepaid taxes	18,667	20,367
Classified as follows:		
Current	15,815	19,195
Non current	2,852	1,172
Total prepaid taxes	18,667	20,367

Note

22 Inventories

Amounts in US\$ '000	2016	2015
Crude oil	1,521	2,120
Materials and spares	1,994	2,144
	3,515	4,264

Note

23 Trade receivables and Prepayments and other receivables

Amounts in US\$ '000	2016	2015
Trade receivables	18,426	13,480
	18,426	13,480
To be recovered from co-venturers (Note 32)	3,311	4,634
Related parties receivables (Note 32)	42	38
Prepayments and other receivables	4,290	6,605
	7,643	11,277
Total	26,069	24,757
Classified as follows:		
Current	25,828	24,537
Non current	241	220
Total	26,069	24,757

Trade receivables that are aged by less than three months are not considered impaired. As of 31 December 2016, there are no balances (US\$ 51,000 in 2015) that were aged by more than 3 months, but not impaired. These relate to customers for whom there is no recent history of default. There are no balances due between 31 days and 90 days as of 31 December 2016 and 2015.

Note

23 Trade receivables and Prepayments and other receivables (continued)

Movements on the Group provision for impairment are as follows:

Amounts in US\$ '000	2016	2015
At 1 January	596	774
Foreign exchange loss / (income)	145	(178)
	741	596

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. The Group does not hold any collateral as security related to trade receivables.

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

Note

24 Financial instruments by category

Amounts in US\$ '000	Loans and receivables	
	2016	2015
Assets as per statement of financial position		
Trade receivables	18,426	13,480
To be recovered from co-venturers (Note 32)	3,311	4,634
Other financial assets ^(a)	22,027	14,424
Cash at bank and in hand	73,563	82,730
	117,327	115,268

^(a) Other financial assets relate to contributions made for environmental obligations according to Colombian and Brazilian government regulations. Non current financial assets also include a non current account receivable. Current financial assets corresponds to short term investments with original maturities up to three months.

Note

24 Financial instruments by category (continued)

Amounts in US\$ '000	Other financial liabilities at	
	amortised cost	
	2016	2015
Liabilities as per statement of financial position		
Trade payables	23,650	25,906
Payables to related parties (Note 32)	27,801	21,045
To be paid to co-venturers (Note 32)	1,614	113
Borrowings	358,672	378,673
	411,737	425,737

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	2016	2015
Trade receivables		
Counterparties with an external credit rating (Moody's)		
B2	7,056	-
B3	-	5,834
Baa3	3,729	6,315
Counterparties without an external credit rating		
Group1 ^(a)	7,641	1,331
Total trade receivables	18,426	13,480

^(a) Group 1 – existing customers (more than 6 months) with no defaults in the past.

All trade receivables are denominated in US Dollars, except in Brazil where are denominated in Brazilian Real.

Note

24 Financial instruments by category (continued)

Cash at bank and other financial assets ^(a)		
Amounts in US\$ '000	2016	2015
Counterparties with an external credit rating (Moody's, S&P, Fitch, BRC Investor Services)		
A1	813	862
A2	-	46,272
Aa2	-	460
Aa3	42,798	-
A3	-	1,675
AAA	14	-
Baa2	4,094	-
Ba1	-	3,705
Baa1	100	105
Ba3	3,497	-
B3	10	-
Baa3	-	29,425
Caa2	-	160
BBB-	-	56
Counterparties without an external credit rating	44,252	14,424
Total	95,578	97,144

(a) The remaining balance sheet item 'cash at bank and in hand' corresponds to cash on hand amounting to US\$ 12,000 (US\$ 10,000 in 2015).

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 2016				
Borrowings	48,958	43,304	355,064	-
Trade payables	23,650	-	-	-
Payables to related parties	1,561	1,561	22,018	-
	74,169	44,865	377,082	-
At 31 December 2015				
Borrowings	42,865	44,419	391,988	-
Trade payables	25,906	-	-	-
Payables to related parties	1,561	1,561	25,094	-
	70,332	45,980	417,082	-

Note

25 Share capital

Issued share capital	2016	2015
Common stock (amounts in US\$ '000)	60	59
The share capital is distributed as follows:		
Common shares, of nominal US\$ 0.001	59,940,881	59,535,614
Total common shares in issue	59,940,881	59,535,614
Authorised share capital		
US\$ per share	0.001	0.001
Number of common shares (US\$ 0.001 each)	5,171,949,000	5,171,949,000
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 2016, the outstanding common shares confer the following rights on the holder:

- the right to one vote per share;
- ranking *pari passu*, the right to any dividend declared and payable on common shares;

GeoPark common shares history	Date	Shares issued (millions)	Shares closing (millions)	US\$(' 000) Closing
Shares outstanding at the end of 2014			57.8	58
Stock awards	Nov 2015	1.5	59.3	59
Stock awards	Dec 2015	0.5	59.8	60
Stock awards	Dec 2015	0.1	59.9	60
Buyback program	Dec 2015	(0.4)	59.5	59
Shares outstanding at the end of 2015			59.5	59
Stock awards	Feb 2016	0.3	59.8	59
Stock awards	Dec 2016	0.5	60.3	60
Stock awards	Dec 2016	0.1	60.4	60
Buyback program	Dec 2016	(0.6)	59.8	60
Shares outstanding at the end of 2016			59.8	60

Note

25 Share capital (continued)

Stock Award Program and Other Share Based Payments

On 15 December 2016, 379,500 common shares were allotted to the trustee of the Employee Beneficiary Trust (“EBT”), generating a share premium of US\$ 3,940,000.

On 12 November 2015 and 22 December 2015, 817,600 and 478,000 common shares were allotted to the trustee of the Employee Beneficiary Trust (“EBT”), generating a share premium of US\$ 11,359,000 and US\$ 3,577,000, respectively.

On 8 February 2016, 468,405 shares were issued to Executive Directors and key management as bonus compensation, generating a share premium of US\$ 1,512,000.

On 6 September 2016, 8,333 shares were issued pursuant to a consulting agreement for services rendered to GeoPark Limited generating a share premium of US\$ 38,000.

On 30 November 2015, 720,000 new common shares were issued to the Executive Directors, generating a share premium of US\$ 7,309,000.

During 2016, the Company issued 137,897 (99,555 in 2015 and 2,301 in 2014) shares to Non-Executive Directors in accordance with contracts as compensation, generating a share premium of US\$ 541,848 (US\$ 486,692 in 2015 and US\$ 22,413 in 2014). The amount of shares issued is determined considering the contractual compensation and the fair value of the shares for each relevant period.

IPO

On 7 February 2014, the SEC declared effective the Company’s registration statement upon which 13,999,700 shares were issued at a price of US\$ 7 per share, including over-allotment option. Gross proceeds from the offering totalled US\$ 98,000,000.

Buyback Program

On 19 December 2014, the Company approved a program to repurchase up to US\$ 10,000,000 of common shares, par value US\$ 0.001 per share of the Company (the “Repurchase Program”). The Repurchase Program began on 19 December 2014 and was resumed on 14 April 2015 and then on 10 June 2015, expiring on 18 August 2015. During 2016, the Repurchase Program began on 6 April 2016 and then was resumed during the year until November 2016. The Shares repurchased will be used to offset, in part, any expected dilution effects resulting from the Company’s employee incentive schemes, including grants under the Company’s Stock Award Plan and the Limited Non-Executive Director Plan. During 2016, 2015 and 2014, the Company purchased 588,868, 370,074 and 73,082 common shares for a total amount of US\$ 1,991,000, US\$ 1,615,000 and US\$ 388,000, respectively. These transactions had no impact on the Company’s results.

Note

26 Borrowings

Amounts in US\$ '000	2016	2015
Outstanding amounts as of 31 December		
Notes GeoPark Latin America Agencia en Chile (a)	304,059	302,495
Banco Itaú (b)	49,763	69,142
Banco de Chile (c)	4,709	7,036
Banco de Crédito e Inversiones (d)	141	-
	358,672	378,673
Classified as follows:		
Current	39,283	35,425
Non current	319,389	343,248

The fair value of these financial instruments at 31 December 2016 amounts to US\$ 346,180,000 (US\$ 352,410,000 in 2015). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 7.60% (2015: 7.51%) and are within level 2 of the fair value hierarchy.

(a) During February 2013, the Company successfully placed US\$ 300 million notes which were offered under Rule 144A and Regulation S exemptions of the United States Securities laws.

The Notes, issued by the Company's wholly-owned subsidiary GeoPark Latin America Limited Agencia en Chile ("the Issuer"), were priced at 99.332% and carry a coupon of 7.50% per annum (yield 7.625% per annum). Final maturity of the notes will be 11 February 2020. The Notes are guaranteed by GeoPark Limited and GeoPark Latin America Cooperatie U.A. and are secured with a pledge of all of the equity interests of the Issuer in GeoPark Chile S.A., GeoPark Colombia Cooperatie U.A. and GeoPark Colombia S.A. and a pledge of certain intercompany loans. The debt issuance cost for this transaction amounted to US\$ 7,637,000. The indenture governing the Notes due 2020 includes incurrence test covenants that provides among other things, that, the Debt to EBITDA ratio should not exceed 2.5 times and the EBITDA to Interest ratio should exceed 3.5 times. As of the date of these consolidated financial statements, the Company's Debt to EBITDA ratio was 4.6 times and the EBITDA to Interest ratio was 2.7 times, primarily due to the lower oil prices that impacted the Company's EBITDA generation. Failure to comply with the incurrence test covenants does not trigger an event of default. However, this situation may limit the Company's capacity to incur additional indebtedness, as specified in the indenture governing the Notes. Incurrence covenants as opposed to maintenance covenants must be tested by the Company before incurring additional debt or performing certain corporate actions including but not limited to dividend payments, restricted payments and others, (other than in each case, certain specific exceptions). As of the date of these consolidated financial statements, the Company is in compliance of all the indenture's provisions.

(b) During March 2014, GeoPark executed a loan agreement with Itaú BBA International for US\$ 70,450,000 to finance the acquisition of a 10% working interest in the Manatí field in Brazil.

Note

26 Borrowings (continued)

The interest will be paid semi-annually; principal will be cancelled semi-annually with a year grace period. The debt issuance cost for this transaction amounted to US\$ 3,295,000. In March 2015, the Company reached an agreement to: (i) extend the principal payments that were due in 2015 (amounting to approximately US\$ 15,000,000), which will be divided pro-rata during the remaining principal installments, starting in March 2016 and (ii) to increase the variable interest rate to six-month LIBOR + 4.0%. As a result of the above, in March and September 2016 the Company paid US\$ 10,000,000 respectively corresponding to principal payments under the current principal amortization schedule.

The facility agreement includes customary events of default, and requires the Brazilian subsidiary to comply with customary covenants, including the maintenance of a ratio of net debt to EBITDA of up to 3.5x for the first two years and up to 3.0x thereafter. The credit facility also limits the borrower's ability to pay dividends if the ratio of net debt to EBITDA is greater than 2.5x. As of the date of these consolidated financial statements, the Company has complied with these covenants.

(c) During December 2015, GeoPark executed a loan agreement with Banco de Chile for US\$ 7,028,000 to finance the start-up of new Ache gas field in GeoPark-operated Fell Block. The interest rate applicable to this loan is LIBOR plus 2.35% per annum. The interest and the principal will be paid on monthly basis; with a six months grace period, with final maturity on December 2017.

(d) During February 2016, GeoPark executed a loan agreement with Banco de Crédito e Inversiones for US\$ 186,000 to finance the acquisition of vehicles for the Chilean operation. The interest rate applicable to this loan is 4.14% per annum. The interest and the principal will be paid on monthly basis, with final maturity on February 2019.

As of the date of these consolidated financial statements, the Group has available credit lines for over US\$ 31,000,000.

Note

27 Provisions and other long-term liabilities

Amounts in US\$ '000	Asset retirement obligation	Deferred Income	Other	Total
At 1 January 2015	33,286	5,736	7,888	46,910
Addition to provision	985	-	293	1,278
Recovery of abandonments costs	(5,229)	-	-	(5,229)
Foreign currency translation	(2,469)	-	-	(2,469)
Exchange difference	2,469	-	(2,381)	88
Amortisation	-	(703)	-	(703)
Unwinding of discount	2,575	-	-	2,575
At 31 December 2015	31,617	5,033	5,800	42,450
Addition to provision	1,195	1,375	2,686	5,256
Recovery of abandonments costs	(5,504)	-	-	(5,504)
Foreign currency translation	1,614	-	-	1,614
Exchange difference	(1,614)	-	538	(1,076)
Amortisation	-	(2,924)	-	(2,924)
Unwinding of discount	2,554	-	139	2,693
At 31 December 2016	29,862	3,484	9,163	42,509

The provision for asset retirement obligation relates to the estimation of future disbursements related to the abandonment and decommissioning of oil and gas wells (see Note 4).

Deferred income relates to contributions received to improve the project economics of the gas wells. The amortisation is in line with the related asset. The addition in 2016 corresponds to the deferred income related to the take or pay provision associated to gas sales in Brazil, that Petrobras will make up in the future.

Other mainly relates to fiscal controversies associated to income taxes in one of the Colombian subsidiaries. These controversies relate to fiscal periods prior to the acquisition of these subsidiaries by the Company. In connection to this, the Company has recorded an account receivable for an amount of US\$ 5,636,000, with the previous owners for the same amount, which is recognized under other financial assets in the balance sheet. In addition, actions taken by the Company to maximize ongoing work projects and to reduce expenses, including renegotiations and reduction of oil and gas service contracts and other initiatives included in the cost cutting program adopted may expose the Company to claims and contingencies from interested parties that may have a negative impact on its business, financial condition, results of operations and cash flows. So, the additions in 2016 reflects the future contingent payments in connection with claims of third parties.

Note

28 Trade and other payables

Amounts in US\$ '000	2016	2015
V.A.T	1,102	908
Trade payables	23,650	25,906
Payables to related parties ^(a) (Note 32)	27,801	21,045
Customer advance payments (Note 3)	20,000	-
Staff costs to be paid	7,749	6,702
Royalties to be paid	1,503	2,475
Taxes and other debts to be paid	3,355	8,197
To be paid to co-venturers (Note 32)	1,614	113
	86,774	65,346
Classified as follows:		
Current	52,008	45,790
Non current	34,766	19,556

^(a)The outstanding amount corresponds to advanced cash call payments granted by LGI to GeoPark Chile S.A. for financing Chilean operations in TdF's blocks. The expected maturity of these balances is July 2020 and the applicable interest rate is 8% per annum.

The average credit period (expressed as creditor days) during the year ended 31 December 2016 was 44 days (2015: 38 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

29 Share-based payment

IPO Award Program and Executive Stock Option plan

The Group has established different stock awards programs and other share-based payment plans to incentivise the Directors, senior management and employees, enabling them to benefit from the increased market capitalization of the Company.

Stock Award Program and Other Share Based Payments

During 2008, GeoPark Shareholders voted to authorize the Board to use up to 12% of the issued share capital of the Company at the relevant time for the purposes of the Performance-based Employee Long-Term Incentive Plan.

Note

29 Share-based payment (continued)

During 2016, the Company has approved a new share-based compensation program for 1,619,105 shares. Main characteristics of the Stock Awards Programs are:

- All employees are eligible.
- Exercise price is equal to the nominal value of shares.
- Vesting period is three years.
- Each employee could receive up to three salaries by achieving the following conditions: continue to be an employee, the stock market price at the date of vesting should be above US\$ 3 and obtain the Company minimum production, adjusted EBITDA and reserves target for the year of vesting.

Also during 2016, the Company approved a plan named Value Creation Plan (“VCP”) oriented to Top Management. The VCP establishes awards payables in a variable number of shares with some limitation, subject to certain market conditions, among others, reach certain stock market price for the Company share at vesting date. VCP has been classified as an equity-settled plan.

On 19 December 2014, the Company has approved a new share-based compensation program for 500,000 shares oriented to new employees. This new program, which was granted on 31 December 2014, has a vesting period of three years.

Details of these costs and the characteristics of the different stock awards programs and other share based payments are described in the following table and explanations:

Year of issuance	Awards at the beginning	Awards granted in the year	Awards forfeited	Awards exercised	Awards at year end	Charged to net loss / profit		
						2016	2015	2014
2016	-	1,619,105	-	-	1,619,105	445	-	-
2014	500,000	-	10,000	-	490,000	821	898	-
2013	-	-	-	-	-	-	594	1,291
2012	379,500	-	-	379,500	-	855	636	1,102
2011	-	-	-	-	-	-	879	848
2010	-	-	-	-	-	-	-	2,623
Subtotal						2,121	3,007	5,864
Stock options to Executive Directors	-	-	-	-	-	-	2,390	2,474
Shares granted to Non-Executive Directors	8,285	129,612	-	137,897	-	400	371	223
VCP 2013	-	-	-	-	-	-	617	617
VCP 2016	-	-	-	-	-	934	-	-
Executive Directors Bonus	123,839	-	100,619	23,220	-	(325)	400	-
Key Management Bonus	445,185	82,306	-	445,185	82,306	202	1,438	-
Stock awards for service contracts	-	8,333	-	8,333	-	35	-	-
	1,456,809	1,839,356	110,619	994,135	2,191,411	3,367	8,223	9,178

The awards that are forfeited correspond to employees that had left the Group before vesting date.

Note

30 Interests in Joint operations

The Group has interests in joint operations, which are engaged in the exploration of hydrocarbons in Chile, Colombia and Brazil.

In Chile, GeoPark is the operator in all the blocks. In Colombia, GeoPark is the operator in Llanos 34 and Yamu/Carupana blocks.

The following amounts represent the Company's share in the assets, liabilities and results of the joint operations which have been recognized in the consolidated statement of financial position and statement of income:

Subsidiary / Joint operation	Interest	PP&E E&E Assets	Other Assets	Total Assets	Total Liabilities	NET ASSETS/ (LIABILITIES)	Revenue	Operating (loss) profit
2016								
GeoPark Magallanes Ltda.								
Tranquilo Block	50%	-	55	55	(424)	(369)	-	(40)
GeoPark TdF S.A.								
Flamenco Block	50%	15,108	-	15,108	(93)	15,015	1,004	(1,988)
Campanario Block	50%	29,718	-	29,718	(1)	29,717	-	(399)
Isla Norte Block	60%	9,920	-	9,920	(1)	9,919	5	(438)
Colombia SAS								
Yamu/Carupana								
Block	89,5%	3,418	-	3,418	(2,289)	1,129	18	(307)
Llanos 34 Block	45%	79,811	693	80,504	(3,943)	76,561	125,400	83,193
Llanos 32 Block	10%	3,819	-	3,819	(211)	3,608	2,303	1,043
GeoPark Brazil Exploração y Produção de Petróleo e Gas Ltda.								
Manati Field	10%	54,166	15,791	69,957	(8,442)	61,515	29,719	20,945

Note

30 Interests in Joint operations (continued)

Subsidiary / Joint operation	Interest	PP&E E&E Assets	Other Assets	Total Assets	Total Liabilities	NET ASSETS/ (LIABILITIES)	Revenue	Operating (loss) profit
2015								
GeoPark Magallanes Ltda.								
Tranquilo Block	50%	-	45	45	(2)	43	-	(69)
GeoPark TdF S.A.								
Flamenco Block	50%	14,932	-	14,932	(53)	14,879	1,810	(51,411)
Campanario Block	50%	27,570	-	27,570	(10)	27,560	13	(7,267)
Isla Norte Block	60%	8,583	-	8,583	(16)	8,567	355	(5,661)
Colombia SAS								
Llanos 17 Block	36.84%	-	-	-	(93)	(93)	3	(6,325)
Yamu/Carupana Block	89,5%	3,569	2,061	5,630	(2,235)	3,395	1,409	(16,552)
Llanos 34 Block	45%	76,667	429	77,096	(3,295)	73,801	114,276	53,049
Llanos 32 Block	10%	3,106	96	3,202	(213)	2,989	8,258	(1,343)
GeoPark Brazil Exploração y Produção de Petróleo e Gas Ltda.								
Manati Field	10%	50,801	12,930	63,731	(10,395)	53,336	32,388	20,354
2014								
GeoPark Magallanes Ltda.								
Tranquilo Block	50%	109	-	109	(125)	(16)	-	(220)
GeoPark TdF S.A.								
Flamenco Block	50%	35,110	-	35,110	(1,653)	33,457	4,385	(6,278)
Campanario Block	50%	34,309	-	34,309	(7,086)	27,223	216	(6,151)
Isla Norte Block	60%	12,208	-	12,208	(241)	11,967	901	(283)
Colombia SAS								
Llanos 17 Block	36.84%	6,037	-	6,037	(122)	5,915	1,292	(160)
Yamu/Carupana Block	90% - 79.5%	16,590	2,211	18,801	(2,727)	16,074	10,560	(2,916)
Llanos 34 Block	45%	76,726	1,514	78,240	(3,380)	74,860	176,624	96,889
Llanos 32 Block	10%	8,909	27	8,936	(122)	8,814	11,024	4,041
GeoPark Brazil Exploração y Produção de Petróleo e Gas Ltda.								
Manati Field	10%	46,382	43,891	90,273	(11,587)	78,686	35,621	18,935

Capital commitments are disclosed in Note 31 (b).

Note

31 Commitments

(a) Royalty commitments

In Colombia, royalties on production are payable to the Colombian Government and are determined on a field-by-field basis using a level of production sliding scale at a rate which ranges between 6%-8%. The Colombian National Hydrocarbons Agency (“ANH”) also has an additional economic right equivalent to 1% of production, net of royalties.

Under Law 756 of 2002, as modified by Law 1530 of 2012, the royalties on Colombian production of light and medium oil are calculated on a field-by-field basis, using the following sliding scale:

Average daily production in barrels	Production Royalty rate
Up to 5,000	8%
5,000 to 125,000	8% + (production - 5,000)*0.1
125,000 to 400,000	20%
400,000 to 600,000	20% + (production - 400,000)*0.025
Greater than 600,000	25%

When the API is lower than 15°, the payment is reduced to the 75% of the total calculation.

In accordance with Llanos 34 Block operation contract, when the accumulated production of each field, including the royalties' volume, exceeds 5,000,000 of barrels and the WTI exceeds the base price settled in table A, the Company should deliver to ANH a share of the production net of royalties in accordance with the following formula: $Q = ((P - P_o) / P) \times S$; where Q = Economic right to be delivered to ANH, P = WTI, P_o = Base price (see table A) and S = Share (see table B).

Table A			Table B	
°API	P _o (US\$/barrel)	WTI (P)	S	
>29°	30.22	P _o < P < 2P _o	30%	
>22°<29°	31.39	2P _o < P < 3P _o	35%	
>15°<22°	32.56	3P _o < P < 4P _o	40%	
>10°<15°	46.50	4P _o < P < 5P _o	45%	
		5P _o < P	50%	

Note

31 Commitments (continued)

(a) Royalty commitments (continued)

Additionally, under the terms of the Winchester Stock Purchase Agreement, GeoPark is obligated to make certain payments to the previous owners of Winchester based on the production and sale of hydrocarbons discovered by exploration wells drilled after 25 October 2011. These payments involve an overriding royalty equal to an estimated 4% carried interest on the part of the vendor. As at the balance sheet date and based on preliminary internal estimates of additions of 2P reserves since acquisition, the Company's best estimate of the total commitment over the remaining life of the concession is in a range between US\$ 80,000,000 and US\$ 90,000,000. During 2016, the Company has accrued and paid US\$ 5,414,000 (US\$ 7,100,000 in 2015 and US\$ 24,600,000 in 2014) and US\$ 3,772,000 (US\$ 9,200,000 in 2015 and US\$ 21,000,000 in 2014), respectively.

In Chile, royalties are payable to the Chilean Government. In the Fell Block, royalties are calculated at 5% of crude oil production and 3% of gas production. In the Flamenco Block, Campanario Block and Isla Norte Block, royalties are calculated at 5% of gas and oil production.

In Brazil, the Brazilian National Petroleum, Natural Gas and Biofuels Agency (ANP) is responsible for determining monthly minimum prices for petroleum produced in concessions for purposes of royalties payable with respect to production. Royalties generally correspond to a percentage ranging between 5% and 10% applied to reference prices for oil or natural gas, as established in the relevant bidding guidelines (edital de licitação) and concession agreement. In determining the percentage of royalties applicable to a concession, the ANP takes into consideration, among other factors, the geological risks involved and the production levels expected. In the Manatí Block, royalties are calculated at 7.5% of gas production.

In Argentina, crude oil production accrues royalties payable to the Provinces of Mendoza equivalent to 12% on estimated value at well head of those products. This value is equivalent to final sales price less transport, storage and treatment costs.

(b) Capital commitments

Colombia

The VIM 3 Block minimum investment program consists of 200 sq km of 2D seismic and drilling one exploratory well, with a total estimated investment of US\$ 22,290,800 during the initial three year exploratory period ending 2 September 2018.

Note

31 Commitments (continued)

(b) Capital commitments (continued)

Colombia (continued)

The Llanos 34 Block (45% working interest) has committed to drill two exploratory wells, one before 15 March 2017 and the other before 14 September 2019. The remaining commitment amounts to US\$ 6,255,000 at GeoPark's working interest. As of the date of these consolidated financial statements, GeoPark is awaiting the ANH's approval of US\$ 3,555,000 related to one well already drilled that was presented as fulfilment of the commitment to be performed before 14 September 2019.

The Llanos 32 Block (10% working interest) has committed to drill one exploratory well before 20 August 2018. The remaining commitment amounts to US\$ 617,100 at GeoPark's working interest.

Argentina

On 20 August 2014, the consortium of GeoPark and Pluspetrol was awarded two exploration licenses in the Sierra del Nevado and Puelen Blocks, as part of the 2014 Mendoza Bidding Round in Argentina, carried out by Empresa Mendocina de Energia S.A. ("EMESA"). The consortium consists of Pluspetrol (Operator with a 72% working interest ("WI"), EMESA (Non-operated with a 10% WI) and GeoPark (Non-operated with an 18% WI).

GeoPark has committed to a minimum aggregate investment of US\$ 6,200,000 for its WI, which includes the work program commitment on both blocks during the first three years of the exploratory period.

On 22 July 2015, the Company signed a farm-in agreement with Wintershall for the CN-V Block in Argentina. GeoPark will operate during the exploratory phase and receive a 50% working interest in the CN-V Block in exchange for its commitment to drill two exploratory wells, for a total of US\$ 10,000,000.

Chile

On 6 January 2016, the Chilean Ministry accepted the Company's proposal for the commitments related to the second exploratory phase in the Flamenco Block which commenced on 8 November 2015. The investment related to the drilling of one exploratory well will be assumed 100% by GeoPark and shall be made before 6 November 2017. The remaining commitment amounts to US\$ 2,100,000. On 6 January 2017, GeoPark proposed to extend the second exploratory period for an additional period of 18 months. As of the date of these consolidated financial statements the Chilean Ministry has not replied.

On 29 September 2016, the Campanario Block and Isla Norte Block's CEOP were modified so the investment commitment for the first exploratory period has already been fulfilled. The investments to be made in the second exploratory period will be assumed 100% by GeoPark. The future investment commitments assumed by GeoPark for the second exploratory period are up to:

Note

31 Commitments (continued)

(b) Capital commitments (continued)

Chile (continued)

- Campanario Block: 3 exploratory wells before 10 July 2019 (US\$ 10,963,000)
- Isla Norte Block: 2 exploratory wells before 7 May 2019 (US\$ 6,595,000)

As of 31 December 2016, the Company has established a guarantee for its commitments that amounts to US\$ 19,300,000.

Brazil

The future investment commitments assumed by GeoPark are up to:

- SEAL-T-268 Block: before 15 May 2017 (US\$ 230,000)
- REC-T-94 Block: 2 exploratory wells before 12 July 2017 (US\$ 2,300,000)
- REC-T-93 Block: 3D seismic before 20 December 2018 (US\$ 50,000)
- REC-T-128 Block: 1 exploratory well before 20 December 2018 (US\$ 2,690,000)
- POT-T-747 Block: 1 exploratory well before 20 December 2018 (US\$ 1,840,000)
- POT-T-882 Block: 35 sq km of 2D seismic before 20 December 2018 (US\$ 480,000)
- POT-T-619 Block: 1 well before 16 September 2018 (US\$ 700,000)

(c) Operating lease commitments – Group company as lessee

The Group leases various plant and machinery under non-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 most of lease agreements are renewable at the end of the lease period at market rate.

During 2016 a total amount of US\$ 47,871,000 (US\$ 16,731,000 in 2015 and US\$ 19,409,000 in 2014) was charged to the income statement and US\$ 32,058,000 of operating leases were capitalised as Property, plant and equipment related to rental of drilling equipment and machinery (US\$ 7,102,000 in 2015 and US\$ 51,341,000 in 2014).

Note

31 Commitments (continued)

(c) Operating lease commitments – Group company as lessee (continued)

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

Amounts in US\$ '000	2016	2015	2014
Operating lease commitments			
Falling due within 1 year	67,752	12,878	37,926
Falling due within 1 – 3 years	14,031	8,257	33,949
Falling due within 3 – 5 years	5,066	2,456	16,109
Falling due over 5 years	114	309	505
Total minimum lease payments	86,963	23,900	88,489

Note

32 Related parties

Controlling interest

The main shareholders of GeoPark Limited, a company registered in Bermuda, as of 31 December 2016, are:

Shareholder	Common shares	Percentage of outstanding common shares
James F. Park ^(a)	7,891,269	13.17%
Gerald E. O'Shaughnessy ^(b)	7,344,741	12.25%
Manchester Financial Group, LP	7,080,661	11.81%
IFC Equity Investments ^(c)	3,456,594	5.77%
Juan Cristóbal Pavez ^(d)	2,946,112	4.92%
Moneda A.F.I. ^(e)	1,683,571	2.81%
Other shareholders	29,537,933	49.27%
	59,940,881	100.00%

^(a) Held by Energy Holdings, LLC, which is controlled by James F. Park, a member of our Board of Directors.

^(b) Beneficially owned by Mr. O'Shaughnessy directly and indirectly through GP Investments LLP, The Globe Resources Group Inc., and other investment vehicles.

^(c) IFC Equity Investments voting decisions are made through a portfolio management process which involves consultation from investment officers, credit officers, managers and legal staff.

^(d) Held through Socoservin Overseas Ltd, which is controlled by Juan Cristóbal Pavez. The common shares reflected as being held by Mr. Pavez include 68,308 common shares held by him personally.

^(e) Held through various funds managed by Moneda A.F.I. (Administradora de Fondos de Inversión), an asset manager.

Note

32 Related parties (continued)

Balances outstanding and transactions with related parties

Account (Amounts in '000)	Transaction in the year	Balances at year end	Related Party	Relationship
2016				
To be recovered from co-venturers	-	3,311	Joint Operations	Joint Operations
Prepayments and other receivables	-	42	LGI	Partner
Payables account	-	(27,801)	LGI	Partner
To be paid to co-venturers	-	(1,614)	Joint Operations	Joint Operations
Financial costs	1,587	-	LGI	Partner
Geological and geophysical expenses	113	-	Carlos Gulisano	Non-Executive Director ^(a)
Administrative expenses	371	-	Pedro Aylwin	Executive Director ^(b)
2015				
To be recovered from co-venturers	-	4,634	Joint Operations	Joint Operations
Prepayments and other receivables	-	38	LGI	Partner
Payables account	-	(21,045)	LGI	Partner
To be paid to co-venturers	-	(113)	Joint Operations	Joint Operations
Financial costs	1,560	-	LGI	Partner
Geological and geophysical expenses	101	-	Carlos Gulisano	Non-Executive Director ^(a)
Administrative expenses	66	-	Carlos Gulisano	Non-Executive Director ^(a)
Administrative expenses	377	-	Pedro Aylwin	Executive Director ^(b)
2014				
To be recovered from co-venturers	-	5,931	Joint Operations	Joint Operations
Payables account	-	(16,591)	LGI	Partner
To be paid to co-venturers	-	(1,335)	Joint Operations	Joint Operations
Financial costs	592	-	LGI	Partner
Geological and geophysical expenses	16	-	Carlos Gulisano	Non-Executive Director ^(a)
Administrative expenses	114	-	Carlos Gulisano	Non-Executive Director ^(a)
Administrative expenses	568	-	Pedro Aylwin	Executive Director ^(b)

^(a) Corresponding to consultancy services.

^(b) Corresponding to wages and salaries for US\$ 246,000 (US\$ 317,000 in 2015) and bonus for US\$ 125,000 (US\$ 60,000 in 2015).

Note

32 Related parties (continued)

There have been no other transactions with the Board of Directors, Executive Board, Executive officers, significant shareholders or other related parties during the year besides the intercompany transactions which have been eliminated in the consolidated financial statements, the normal remuneration of Board of Directors and Executive Board and other benefits informed in Note 10.

Note

33 Fees paid to Auditors

Amounts in US\$ '000	2016	2015	2014
Audit fees	487	557	620
Tax services fees	134	129	281
Non-audit services fees	-	-	540
Fees paid to auditors	621	686	1,441

Non-audit services fees relate to due diligence, consultancy and other services for 2014.

Note

34 Business transactions

a. Peru

Entry in Peru

The Company has executed a Joint Investment Agreement and Joint Operating Agreement with Petróleos del Peru S.A. ("Petroperu") to acquire an interest in and operate the Morona Block located in northern Peru. GeoPark will assume a 75% working interest ("WI") of the Morona Block, with Petroperu retaining a 25% WI. The transaction has been approved by the Board of Directors of both Petroperu and GeoPark.

The agreement was subject to Peru regulatory approval, which was completed on 1 December 2016 following the issuance of Supreme Decree 031-2016-MEM.

The Morona Block, also known as Lote 64, covers an area of 1.9 million acres on the western side of the Maraón Basin, one of the most prolific hydrocarbon basins in Peru.

The Morona Block contains the Situche Central oil field, which has been delineated by two wells (with short term tests of approximately 2,400 and 5,200 bopd of 35-36° API oil each) and by 3D seismic.

Note

34 Business transactions (continued)

a. Peru (continued)

Entry in Peru (continued)

In accordance with the terms of the agreement, GeoPark has committed to carry Petroperu on a work program that provides for testing and start-up production of one of the existing wells in the field, subject to certain technical and economic conditions being met. Expected capital expenditures in 2017 for the Morona Block are mainly related to facility maintenance and environmental and engineering studies.

b. Colombia

Swap operation

On 19 November 2015, GeoPark's Colombian subsidiary agreed to exchange its 10% non-operating economic interest in Cerrito Block for additional interests held by Trayectoria, the counterpart in the Yamú Block, operated by GeoPark, that includes a 10% economic interest in all of the Yamú fields. According to the terms of the swap operation, GeoPark had written off a receivable with Trayectoria.

Following this transaction, GeoPark continued to be the operator and have an 89.5% interest in the Carupana Field and 100% in Yamú and Potrillo Fields. The Company recognized, during 2015, a loss of US\$ 296,000 generated by this transaction.

c. Brazil

Acquisition in Brazil

GeoPark entered into Brazil with the acquisition of a 10% working interest in the offshore Manati gas field ("Manati Field"), the largest natural gas producing field in Brazil.

GeoPark has paid a cash consideration of US\$ 140,100,000 at 31 March 2014 or the closing date, which was adjusted for working capital with an effective date of 30 April 2013. The agreement also provides for possible future contingent payments by GeoPark over the next five years, depending on the economic performance and cash generation of the Block. The Company has estimated that there are no any future contingent payments at the acquisition date and as of the date of these consolidated financial statements either.

The Manati Field is operated by Petrobras (35% working interest), the Brazilian national company, largest oil and gas operator in Brazil and internationally-respected offshore operator. Other partners in the Block include Queiroz Galvao Exploração e Produção (45% working interest) and Brasoil Manati Exploração Petrolífera S.A. (10% working interest).

Note

34 Business transactions (continued)

c. Brazil (continued)

In accordance with the acquisition method of accounting, the acquisition cost was allocated to the underlying assets acquired and liabilities assumed based primarily upon their estimated fair values at the date of acquisition. An income approach (being the net present value of expected future cash flows) was adopted to determine the fair values of the mineral interest. Estimates of expected future cash flows reflect estimates of projected future revenues, production costs and capital expenditures based on our business model.

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed for the abovementioned transaction:

Amounts in US\$ '000	Total
Cash (including working capital adjustments)	140,100
Total consideration	140,100
Cash and cash equivalents	25,133
Property, plant and equipment (including mineral interest)	112,847
Trade receivables	9,757
Prepayments and other receivables	5,945
Other financial assets	950
Deferred income tax liabilities	(3,132)
Trade and other payables	(4,538)
Provision for other long-term liabilities	(6,862)
Total identifiable net assets	140,100

The purchase price allocation above mentioned is final.

The revenue included in the consolidated statement of comprehensive income since acquisition date contributed by the acquired company was US\$ 35,621,000 for the year 2014. The acquired company also contributed profit of US\$ 18,952,000 over the same period. Had Rio das Contas been consolidated from 1 January 2014 the consolidated statement of income would show pro-forma revenue of US\$ 440,298,000 and profit of US\$ 23,139,000 for the year 2014.

Note

35 Impairment test on Property, plant and equipment

Oil price crisis started in the second half of 2014 and prices fell dramatically, WTI and Brent, the main international oil price markers, fell more than 60% between October 2014 and February 2016. Because of those market conditions, during 2015, the Company undertook a decisive cost cutting program to ensure its ability to both maximize the work program and preserve its liquidity. The main decisions included:

- Reduction of its capital investment taking advantage of the discretionary work program.
- Deferment of capital projects by regulatory authority and partner agreement.

Note

35 Impairment test on Property, plant and equipment (continued)

- Renegotiation and reduction of oil and gas service contracts, including drilling and civil work contractors, as well as transportation trucking and pipeline costs.
- Operating cost improved efficiencies and temporary suspension of certain marginal producing oil and gas fields.

During February 2015, the Company reduced its workforce significantly. This reduction streamlined certain internal functions and departments for creating a more efficient workforce in the current economic environment. As a result, the Company achieved cost savings associated with the reduction of full-time and temporary employees, excluding one-time termination costs. Continuous efforts and actions to reduce costs and preserve liquidity have continued since.

As a result of the situation described, the Company recognized an impairment loss of US\$ 149,574,000 in 2015 after evaluating the recoverability of its fixed assets affected by oil price drop, as such situation constitutes an impairment indicator according to IAS 36 and, consequently, it triggers the need of assessing fair value of the assets involved against their carrying amount.

The Management of the Company considers as Cash Generating Unit (CGU) each of the blocks in which the Group has working or economic interests. The blocks with no material investment on fixed assets or with operations that are not linked to oil prices were not subject to impairment test.

During 2016 the impairment tests were reviewed. The main assumptions taken into account for the impairment tests for the blocks below mentioned were:

- The future oil prices have been calculated taking into consideration the oil curves prices available in the market, provided by international advisory companies, weighted through internal estimations in accordance with price curves used by D&M;
- Three price scenarios were projected and weighted in order to minimize misleading: low price, middle price and high price (see below table "Oil price scenarios");
- The table "Oil price scenarios" was based on WTI future price estimations; the Company adjusted this marker price on its model valuation to reflect the effective price applicable in each location (see Note 3 "Price risk");
- The model valuation was based on the expected cash flow approach;
- The revenues were calculated linking price curves with levels of production according to certified reserves (see below table "Oil price scenarios");
- The levels of production have been linked to certified risked 1P, 2P and 3P reserves (see Note 4);
- Production and structure costs were estimated considering internal historical data according to GeoPark's own records and aligned to 2017 approved budget;
- The capital expenditures were estimated considering the drilling campaign necessary to develop the certified reserves;

Note

35 Impairment test on Property, plant and equipment (continued)

- The assets subject to impairment test are the ones classified as Oil and Gas properties and Production facilities and machinery;
- The carrying amount subject to impairment test includes mineral interest, if any;
- The income tax charges have considered future changes in the applicable income tax rates (see Note 15).

Table Oil price scenarios ^(a):

Year	Amounts in US\$ per Bbl.			Weighted market price used for the impairment test
	Low price (15%)	Middle price (60%)	High price (25%)	
2017	45.1	54.1	66.1	55.8
2018	49.2	59.0	72.1	60.8
2019	54.7	65.7	80.3	67.7
2020	58.5	70.2	85.8	72.3
2021	58.3	70.0	85.5	72.1
Over 2022	57.9	69.5	85.0	71.6

^(a) The percentages indicated between brackets represent the Company estimation regarding each price scenario.

As a consequence of the evaluation no additional impairment loss was recognized but part of the impairment recorded in Colombia was reversed for an amount of US\$ 5,664,000 due to increase in estimated market prices for 2017 and 2018 and improvements in cost structure. Peru and Argentina segments have no associated assets subject to impairment.

If the weighted market price used for the impairment test had been 5% lower in each of the future years, with all other variables held constant, the impairment reversal would have been lower by approximately US\$ 2,100,000.

Note

36 Commodity risk management contracts

During 2016, the Group entered into derivative financial instruments to manage its exposure to oil price risk. These derivatives were zero-premium collars and were placed with major financial institutions and commodity traders. The Group entered into the derivatives under ISDA Master Agreements and Credit Support Annexes, which provide credit lines for collateral posting thus alleviating possible liquidity needs under the instruments and protect the Group from potential non-performance risk by its counterparties. The Group's derivatives are accounted for as non-hedge derivatives as of 31 December 2016 and therefore all changes in the fair values of its derivative contracts are recognized as gains or losses in the earnings of the periods in which they occur.

Period Hedged	Reference	Type	Volume bbl/d	Price US\$/bbl
1 November 2016 – 30 June 2017	ICE BRENT	Zero Premium Collar	4,000	50.0 Put 57.0 Call
1 November 2016 – 30 June 2017	ICE BRENT	Zero Premium Collar	2,000	50.0 Put 57.1 Call
1 January 2017 – 30 September 2017	ICE BRENT	Zero Premium Collar	3,000	54.0 Put 61.1 Call
1 January 2017 – 30 September 2017	ICE BRENT	Zero Premium Collar	1,000	54.0 Put 61.0 Call
1 January 2017 – 30 September 2017	ICE BRENT	Zero Premium Collar	2,000	53.0 Put 60.1 Call

The table below summarizes the (gain) loss on the commodity risk management contracts:

	2016	2015	2014
Realized gain on commodity risk management contracts	(514)	-	-
Unrealized loss on commodity risk management contracts	3,068	-	-
Total	2,554	-	-

Note

37 Supplemental information on oil and gas activities (unaudited)

The following information is presented in accordance with ASC No. 932 "Extractive Activities - Oil and Gas", as amended by ASU 2010 - 03 "Oil and Gas Reserves. Estimation and Disclosures", issued by FASB in January 2010 in order to align the current estimation and disclosure requirements with the requirements set in the SEC final rules and interpretations, published on 31 December 2008. This information includes the Company's oil and gas production activities carried out in Chile, Colombia, Brazil and Argentina and the incorporation of Peru.

Table 1 - Costs incurred in exploration, property acquisitions and development ^(a)

The following table presents those costs capitalized as well as expensed that were incurred during each of the years ended as of 31 December 2016, 2015 and 2014. The acquisition of properties includes the cost of acquisition of proved or unproved oil and gas properties. Exploration costs include geological and geophysical costs, costs necessary for retaining undeveloped properties, drilling costs and exploratory wells equipment. Development costs include drilling costs and equipment for developmental wells, the construction of facilities for extraction, treatment and storage of hydrocarbons and all necessary costs to maintain facilities for the existing developed reserves.

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
Year ended 31 December 2016					
Acquisition of properties					
Proved	-	-	-	-	-
Unproved	-	-	-	-	-
Total property acquisition					
Exploration	5,519	15,233	1,894	2,555	25,201
Development	4,566	12,500	-	191	17,257
Total costs incurred	10,085	27,733	1,894	2,746	42,458
Year ended 31 December 2015					
Acquisition of properties					
Proved	-	-	-	-	-
Unproved	-	-	-	-	-
Total property acquisition					
Exploration	3,598	14,845	1,103	2,562	22,108
Development	13,315	14,752	56	3,780	31,903
Total costs incurred	16,913	29,597	1,159	6,342	54,011
Year ended 31 December 2014					
Acquisition of properties					
Proved	-	-	-	112,646	112,646
Unproved	-	-	-	-	-
Total property acquisition	-	-	-	112,646	112,646
Exploration	84,251	14,114	(123)	12,004	110,246
Development	82,742	55,336	126	1,052	139,256
Total costs incurred	166,993	69,450	3	125,702	362,148

^(a)Includes capitalised amounts related to asset retirement obligations.

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 2 - Capitalised costs related to oil and gas producing activities

The following table presents the capitalized costs as at 31 December 2016, 2015 and 2014, for proved and unproved oil and gas properties, and the related accumulated depreciation as of those dates.

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
At 31 December 2016					
Proved properties					
Equipment, camps and other facilities ^(a)	80,611	46,785	843	4,174	132,413
Mineral interest and wells ^(a)	380,037	230,100	4,849	77,255	692,241
Other uncompleted projects ^(a)	18,274	12,534	36	2,082	32,926
Unproved properties	48,908	4,503	1,894	6,468	61,773
Gross capitalised costs	527,830	293,922	7,622	89,979	919,353
Accumulated depreciation	(230,917)	(190,025)	(5,692)	(29,803)	(456,437)
Total net capitalised costs	296,913	103,897	1,930	60,176	462,916

^(a) Includes capitalised amounts related to asset retirement obligations and impairment loss reversal in Colombia for US\$ 5,664,000.

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
At 31 December 2015					
Proved properties					
Equipment, camps and other facilities ^(a)	79,040	42,852	843	2,097	124,832
Mineral interest and wells ^(a)	367,722	213,480	4,849	62,941	648,992
Other uncompleted projects ^(a)	21,830	7,703	290	-	29,823
Unproved properties	70,062	8,180	-	8,758	87,000
Gross capitalised costs	538,654	272,215	5,982	73,796	890,647
Accumulated depreciation	(201,138)	(160,759)	(5,654)	(14,236)	(381,787)
Total net capitalised costs	337,516	111,456	328	59,560	508,860

^(a) Includes capitalised amounts related to asset retirement obligations and impairment loss in Chile and Colombia for US\$ 104,515,000 and US\$ 45,059,000, respectively.

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
At 31 December 2014					
Proved properties					
Equipment, camps and other facilities	81,998	28,805	843	-	111,646
Mineral interest and wells ^(a)	426,638	227,755	4,849	90,705	749,947
Other uncompleted projects	37,902	20,204	-	1,053	59,159
Unproved properties	113,403	18,176	-	8,865	140,444
Gross capitalised costs	659,941	294,940	5,692	100,623	1,061,196
Accumulated depreciation	(163,217)	(111,855)	(5,562)	(4,951)	(285,585)
Total net capitalised costs	496,724	183,085	130	95,672	775,611

^(a) Includes capitalised amounts related to asset retirement obligations and impairment loss in Colombia for US\$ 9,430,000.

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 3 - Results of operations for oil and gas producing activities

The breakdown of results of the operations shown below summarizes revenues and expenses directly associated with oil and gas producing activities for the years ended 31 December 2016, 2015 and 2014. Income tax for the years presented was calculated utilizing the statutory tax rates.

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
Year ended 31 December 2016					
Revenue	36,723	126,228	-	29,719	192,670
Production costs, excluding depreciation					
Operating costs	(20,674)	(29,326)	-	(5,738)	(55,738)
Royalties	(1,495)	(7,281)	-	(2,721)	(11,497)
Total production costs	(22,169)	(36,607)	-	(8,459)	(67,235)
Exploration expenses ^(a)	(21,060)	(11,690)	-	(5,636)	(38,386)
Accretion expense ^(b)	(897)	(459)	-	(1,198)	(2,554)
Impairment loss reversal for non-financial assets	-	5,664	-	-	5,664
Depreciation, depletion and amortization	(29,890)	(29,439)	-	(12,785)	(72,114)
Results of operations before income tax	(37,293)	53,697	-	1,641	18,045
Income tax benefit (expense)	5,594	(21,479)	-	(558)	(16,443)
Results of oil and gas operations	(31,699)	32,218	-	1,083	1,602

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
Year ended 31 December 2015					
Revenue	44,808	131,897	597	32,388	209,690
Production costs, excluding depreciation					
Operating costs	(26,731)	(40,384)	(1,414)	(5,058)	(73,587)
Royalties	(1,973)	(8,150)	(34)	(2,998)	(13,155)
Total production costs	(28,704)	(48,534)	(1,448)	(8,056)	(86,742)
Exploration expenses ^(a)	(30,499)	(7,132)	(1,159)	(1,103)	(39,893)
Accretion expense ^(b)	(789)	(890)	-	(896)	(2,575)
Impairment loss for non-financial assets	(104,515)	(45,059)	-	-	(149,574)
Depreciation, depletion and amortization	(37,664)	(50,675)	(91)	(13,401)	(101,831)
Results of operations before income tax	(157,363)	(20,393)	(2,101)	8,932	(170,925)
Income tax benefit (expense)	23,604	7,953	735	(3,037)	29,255
Results of oil and gas operations	(133,759)	(12,440)	(1,366)	5,895	(141,670)

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 3 - Results of operations for oil and gas producing activities (continued)

Amounts in US\$ '000	Chile	Colombia	Argentina	Brazil	Total
Year ended 31 December 2014					
Revenue	145,720	246,085	1,308	35,621	428,734
Production costs, excluding depreciation					
Operating costs	(34,991)	(67,470)	(309)	(5,354)	(108,124)
Royalties	(6,777)	(12,354)	(241)	(2,794)	(22,166)
Total production costs	(41,768)	(79,824)	(550)	(8,148)	(130,290)
Exploration expenses ^(a)	(36,057)	(4,567)	123	(2,164)	(42,665)
Accretion expense ^(b)	(816)	(547)	-	(609)	(1,972)
Impairment loss for non-financial assets	-	(9,430)	-	-	(9,430)
Depreciation, depletion and amortization	(35,856)	(51,856)	(94)	(11,554)	(99,360)
Results of operations before income tax	31,223	99,861	787	13,146	145,017
Income tax expense	(4,684)	(33,953)	(275)	(4,470)	(43,382)
Results of oil and gas operations	26,539	65,908	512	8,676	101,635

^(a) Do not include Peru costs.

^(b) Represents accretion of ARO liability.

Table 4 - Reserve quantity information

Estimated oil and gas reserves

Proved reserves represent estimated quantities of oil (including crude oil and condensate) and natural gas, which available geological and engineering data demonstrates with reasonable certainty to be recoverable in the future from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserves that can reasonably be expected to be recovered through existing wells with existing equipment and operating methods. The choice of method or combination of methods employed in the analysis of each reservoir was determined by the stage of development, quality and reliability of basic data, and production history.

The Company believes that its estimates of remaining proved recoverable oil and gas reserve volumes are reasonable and such estimates have been prepared in accordance with the SEC Modernization of Oil and Gas Reporting rules, which were issued by the SEC at the end of 2008.

The Company estimates its reserves at least once a year. The Company's reserves estimation as of 31 December 2016, 2015 and 2014 was based on the DeGolyer and MacNaughton Reserves Report (the "D&M Reserves Report"). DeGolyer and MacNaughton prepared its proved oil and natural gas reserve estimates in accordance with Rule 4-10 of Regulation S-X, promulgated by the SEC, and in accordance with the oil and gas reserves disclosure provisions of ASC 932 of the FASB Accounting Standards Codification (ASC) relating to Extractive Activities - Oil and Gas (formerly SFAS no. 69 Disclosures about Oil and Gas Producing Activities).

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 4 - Reserve quantity information (continued)

Reserves engineering is a subjective process of estimation of hydrocarbon accumulation, which cannot be accurately measured, and the reserve estimation depends on the quality of available information and the interpretation and judgment of the engineers and geologists. Therefore, the reserves estimations, as well as future production profiles, are often different than the quantities of hydrocarbons which are finally recovered. The accuracy of such estimations depends, in general, on the assumptions on which they are based.

The estimated GeoPark net proved reserves for the properties evaluated as of 31 December 2016, 2015 and 2014 are summarised as follows, expressed in thousands of barrels (Mbbbl) and millions of cubic feet (MMcf):

	As of 31 December 2016		As of 31 December 2015		As of 31 December 2014	
	Oil and condensate (Mbbbl)	Natural gas (MMcf)	Oil and condensate (Mbbbl)	Natural gas (MMcf)	Oil and condensate (Mbbbl)	Natural gas (MMcf)
Net proved developed						
Chile ^(a)	547.0	6,610.0	498.0	4,922.0	1,463.7	9,352.0
Colombia ^(b)	9,502.0	-	8,177.8	-	7,594.8	-
Brazil ^(c)	72.0	29,525.0	120.0	36,158.0	69.0	20,863.0
Peru ^(d)	9,316.0	-	-	-	-	-
Total consolidated	19,437.0	36,135.0	8,795.8	41,080.0	9,127.5	30,215.0
Net proved undeveloped						
Chile ^(e)	6,052	29,690.0	5,455.8	31,593.0	4,978.2	24,618.0
Colombia ^(f)	27,838.0	-	22,245.5	-	17,140.5	-
Brazil ^(c)	-	-	-	-	61.0	19,601.0
Peru ^(d)	9,305.0	-	-	-	-	-
Total consolidated	43,195.0	29,690.0	27,701.3	31,593.0	22,179.7	44,219.0
Total proved reserves	62,632.0	65,825.0	36,497.1	72,673.0	31,307.2	74,434.0

^(a) Fell Block accounts for 99% of the reserves (91% in 2015 and 92% in 2014) (LGI owns a 20% interest) and Flamenco Block accounts for 1% (9% in 2015 and 8% in 2014) (LGI owns 31.2% interest).

^(b) Llanos 34 Block and Llanos 32 Block account for 99% and 1% (Llanos 34 Block and Cuerva Block account for 94% and 3% in 2015 and 79% and 17% in 2014) of the proved developed reserves, respectively (LGI owns a 20% interest).

^(c) BCAM-40 Block accounts for 100% of the reserves.

^(d) Morona Block accounts for 100% of the reserves.

^(e) Fell Block accounts for 99% of the reserves (100% in 2015 and 96% in 2014) (LGI owns a 20% interest), (Flamenco Block accounts for 1% in 2016 and 3% in 2014 and Isla Norte accounts for 1% 2014) (LGI owns 31.2% interest).

^(f) Llanos 34 Block accounts for 100% (Llanos 34 Block and Cuerva Block account for 95% and 4% in 2015 and 91% and 7% in 2014) of the proved undeveloped reserves, respectively (LGI owns a 20% interest).

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 5 - Net proved reserves of oil, condensate and natural gas

Net proved reserves (developed and undeveloped) of oil and condensate:

Thousands of barrels	Chile	Colombia	Brazil	Peru	Total
Reserves as of 31 December 2013	5,375.0	9,426.6	-	-	14,801.6
Increase (decrease) attributable to:					
Revisions ^(a)	124.9	2,489.7	-	-	2,614.6
Extensions and discoveries ^(b)	2,314.0	16,477.0	-	-	18,791.0
Purchases of minerals in place	-	-	150.0	-	150.0
Production	(1,372.0)	(3,658.0)	(20.0)	-	(5,050.0)
Reserves as of 31 December 2014	6,441.9	24,735.3	130.0	-	31,307.2
Increase (decrease) attributable to:					
Revisions	119.0	(1.0)	7.6	-	125.6
Extensions and discoveries ^(c)	100.0	10,489.0	-	-	10,589.0
Production	(707.1)	(4,800.0)	(17.6)	-	(5,524.7)
Reserves as of 31 December 2015	5,953.8	30,423.3	120.0	-	36,497.1
Increase (decrease) attributable to:					
Revisions ^(d)	1,148.0	5,779.0	(34.0)	-	6,893.0
Extensions and discoveries ^(e)	-	6,311.0	-	-	6,311.0
Incorporation	-	-	-	18,621.0	18,621.0
Production	(502.8)	(5,173.3)	(14.0)	-	(5,690.1)
Reserves as of 31 December 2016	6,599.0	37,340.0	72.0	18,621.0	62,632.0

(a) In Chile, the revisions are mainly due to Field's performance in Fell and TdF Blocks. In Colombia, the revisions are mainly due to the performance of Tua Field and secondly to the performance of Max and Taro-taro Fields in Llanos 34 Block.

(b) In Chile, the discoveries mainly due to Loij Field discovery and Konawentru Field extensions. In Colombia, the discoveries mainly due to Tigana Field extensions wells and Aruco Field discovery in Llanos 34 Block.

(c) In Colombia, the extensions and discoveries are primarily due to the Tilo, Jacana, and Chachalaca field discoveries in the Llanos 34 Block.

(d) In Colombia, the revisions are mainly due to the performance and development of Tigana and Jacana fields and secondly to the performance of others Fields in Llanos 34 Block.

(e) In Colombia, the extensions and discoveries are primarily due to the Jacana field appraisal wells in the Llanos 34 Block.

Net proved reserves (developed and undeveloped) of natural gas:

Millions of cubic feet	Chile	Brazil	Total
Reserves as of 31 December 2013	32,159.0	-	32,159.0
Increase (decrease) attributable to:			
Revisions ^(a)	3,312.0	-	3,312.0
Extensions and discoveries ^(b)	3,014.0	-	3,014.0
Purchases of minerals in place	-	47,680.0	47,680.0
Production	(4,515.0)	(7,216.0)	(11,731.0)
Reserves as of 31 December 2014	33,970.0	40,464.0	74,434.0
Increase (decrease) attributable to:			
Revisions ^(c)	(2,680.0)	2,907.0	227.0
Extensions and discoveries ^(d)	9,378.0	-	9,378.0
Production	(4,153.0)	(7,213.0)	(11,366.0)
Reserves as of 31 December 2015	36,515.0	36,158.0	72,673.0

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Net proved reserves (developed and undeveloped) of natural gas (continued):

Millions of cubic feet	Chile	Brazil	Total
Reserves as of 31 December 2015	36,515.0	36,158.0	72,673.0
Increase (decrease) attributable to:			
Revisions ^(e)	5,078.0	(319.0)	4,759.0
Production	(5,293.0)	(6,314.0)	(11,607.0)
Reserves as of 31 December 2016	36,300.0	29,525.0	65,825.0

- (a) The revisions are mainly due to Chercán Field development in TdF Block and gas and associated gas performance/development in Fields of Fell Block.
- (b) Mainly due to the Ache Field discovery and the associated gas from Konawentru extension well.
- (c) In Brazil, the revisions are primary due to the production performance of Manati field.
- (d) In Chile, the extensions and discoveries are primary due to the Ache Field discovery and from the extension well in the Fell Block.
- (e) The revisions are mainly due to Ache Field and Pampa Larga development in Fell Block and gas and associated gas performance/development in others Fields of Fell Block.

Revisions refer to changes in interpretation of discovered accumulations and some technical and logistical needs in the area obliged to modify the timing and development plan of certain fields under appraisal and development phases.

Table 6 - Standardized measure of discounted future net cash flows related to proved oil and gas reserves

The following table discloses estimated future net cash flows from future production of proved developed and undeveloped reserves of crude oil, condensate and natural gas. As prescribed by SEC Modernization of Oil and Gas Reporting rules and ASC 932 of the FASB Accounting Standards Codification (ASC) relating to Extractive Activities – Oil and Gas (formerly SFAS no. 69 Disclosures about Oil and Gas Producing Activities), such future net cash flows were estimated using the average first day- of-the-month price during the 12-month period for 2016, 2015 and 2014 and using a 10% annual discount factor. Future development and abandonment costs include estimated drilling costs, development and exploitation installations and abandonment costs. These future development costs were estimated based on evaluations made by the Company. The future income tax was calculated by applying the statutory tax rates in effect in the respective countries in which we have interests, as of the date this supplementary information was filed.

This standardized measure is not intended to be and should not be interpreted as an estimate of the market value of the Company's reserves. The purpose of this information is to give standardized data to help the users of the financial statements to compare different companies and make certain projections. It is important to point out that this information does not include, among other items, the effect of future changes in prices, costs and tax rates, which past experience indicates that are likely to occur, as well as the effect of future cash flows from reserves which have not yet been classified as proved reserves, of a discount factor more representative of the value of money over the lapse of time and of the risks inherent to the production of oil and gas. These future changes may have a significant impact on the future net cash flows disclosed below. For all these reasons, this information does not necessarily indicate the perception the Company has on the discounted future net cash flows derived from the reserves of hydrocarbons.

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 6 - Standardized measure of discounted future net cash flows related to proved oil and gas reserves (continued)

Amounts in US\$ '000	Chile	Colombia	Brazil	Peru	Total
At 31 December 2016					
Future cash inflows	394,993	873,771	200,713	941,463	2,410,940
Future production costs	(186,700)	(229,593)	(74,116)	(497,187)	(987,596)
Future development costs	(149,785)	(69,996)	(16,352)	(234,328)	(470,461)
Future income taxes	(8,344)	(191,096)	(21,041)	(69,698)	(290,179)
Undiscounted future net cash flows	50,164	383,086	89,204	140,250	662,704
10% annual discount	(14,709)	(113,584)	(15,688)	(109,321)	(253,302)
Standardized measure of discounted future net cash flows	35,455	269,502	73,516	30,929	409,402
At 31 December 2015					
Future cash inflows	403,199	1,032,339	221,206	-	1,656,744
Future production costs	(186,933)	(309,394)	(99,832)	-	(596,159)
Future development costs	(112,312)	(99,305)	(16,360)	-	(227,977)
Future income taxes	(17,904)	(195,957)	(16,837)	-	(230,698)
Undiscounted future net cash flows	86,050	427,683	88,177	-	601,910
10% annual discount	(17,895)	(127,586)	(15,861)	-	(161,342)
Standardized measure of discounted future net cash flows	68,155	300,097	72,316	-	440,568
At 31 December 2014					
Future cash inflows	778,820	1,732,395	307,535	-	2,818,750
Future production costs	(250,529)	(587,096)	(124,265)	-	(961,890)
Future development costs	(184,352)	(100,036)	(19,965)	-	(304,353)
Future income taxes	(54,442)	(303,090)	(19,566)	-	(377,098)
Undiscounted future net cash flows	289,497	742,173	143,739	-	1,175,409
10% annual discount	(61,839)	(158,102)	(31,594)	-	(251,535)
Standardized measure of discounted future net cash flows	227,658	584,071	112,145	-	923,874

Note

37 Supplemental information on oil and gas activities (unaudited – continued)

Table 7 - Changes in the standardized measure of discounted future net cash flows from proved reserves

Amounts in US\$ '000	Chile	Colombia	Brazil	Peru	Total
Present value at 31 December 2013	163,860	173,792	-	-	337,652
Sales of hydrocarbon , net of production costs	(110,451)	(208,337)	(39,414)	-	(358,202)
Net changes in sales price and production costs	18,310	19,215	7,409	-	44,934
Changes in estimated future development costs	(134,272)	(51,176)	(22,143)	-	(207,591)
Extensions and discoveries less related costs	96,614	600,391	-	-	697,005
Development costs incurred	157,988	59,272	1,340	-	218,600
Revisions of previous quantity estimates	25,114	103,411	1,559	-	130,084
Net changes in income taxes	(9,751)	(141,687)	4,156	-	(147,282)
Purchase of minerals in place	-	-	142,423	-	142,423
Accretion of discount	20,246	29,190	16,815	-	66,251
Present value at 31 December 2014	227,658	584,071	112,145	-	923,874
Sales of hydrocarbon , net of production costs	(20,948)	(97,152)	(37,428)	-	(155,528)
Net changes in sales price and production costs	(256,828)	(547,379)	(27,404)	-	(831,611)
Changes in estimated future development costs	28,227	(20,123)	542	-	8,646
Extensions and discoveries less related costs	23,595	174,951	-	-	198,546
Development costs incurred	15,093	29,965	4,872	-	49,930
Revisions of previous quantity estimates	(5,463)	(14,528)	4,845	-	(15,146)
Net changes in income taxes	28,611	101,576	1,573	-	131,760
Accretion of discount	28,210	88,716	13,171	-	130,097
Present value at 31 December 2015	68,155	300,097	72,316	-	440,568
Sales of hydrocarbon , net of production costs	(15,127)	(91,163)	(20,945)	-	(127,235)
Net changes in sales price and production costs	(16,854)	(171,131)	16,366	-	(171,619)
Changes in estimated future development costs	(49,763)	14,941	542	-	(34,280)
Extensions and discoveries less related costs	-	76,641	-	-	76,641
Development costs incurred	9,417	17,302	2,214	-	28,933
Revisions of previous quantity estimates	22,765	70,180	(1,872)	-	91,073
Incorporation	-	-	-	30,929	30,929
Net changes in income taxes	8,256	3,030	(4,020)	-	7,266
Accretion of discount	8,606	49,605	8,915	-	67,126
Present value at 31 December 2016	35,455	269,502	73,516	30,929	409,402